

## ONE HUNDRED FIFTH DAY

St. Paul, Minnesota, Thursday, May 11, 2006

The Senate met at 10:00 a.m. and was called to order by the President.

**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.

Prayer was offered by the Chaplain, Sister Margaret Belanger.

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

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

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.

May 9, 2006

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 Act of the 2006 Session of the State Legislature has been received from the Office of the Governor and is 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 2006	Date Filed 2006
	2985	195	11:25 a.m. May 9	May 9

Sincerely,  
Mary Kiffmeyer,  
Secretary of State

May 10, 2006

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 2006 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 2006	Date Filed 2006
	3111	193	9:54 a.m. May 10	May 10
	3665	198	9:55 a.m. May 10	May 10
	3771	199	9:56 a.m. May 10	May 10
	3449	200	9:57 a.m. May 10	May 10

Sincerely,  
Mary Kiffmeyer,  
Secretary of State

### MOTIONS AND RESOLUTIONS

Senator Nienow moved that the name of Senator Reiter be added as a co-author to S.F. No. 2902. The motion prevailed.

Senator LeClair moved that the name of Senator Hann be added as a co-author to S.F. No. 3807. The motion prevailed.

### RECESS

Senator Johnson, D.E. moved that the Senate do now recess until 11:15 a.m. The motion prevailed.

The hour of 11:15 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 Messages From the House and Reports of Committees.

**MESSAGES FROM THE HOUSE**

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 4162:

**H.F. No. 4162:** A bill for an act relating to the financing of state government; making supplemental appropriations; regulating government operations; providing for and modifying certain programs; regulating abortion funding and notification; providing for a Rochester campus of the University of Minnesota; creating the Boxing Commission and regulating boxing; ratifying certain labor agreements and compensation plans; providing criminal penalties; appropriating money; amending Minnesota Statutes 2004, sections 3.737, subdivision 1; 3.7371, subdivision 3; 13.3806, by adding a subdivision; 16A.152, subdivision 1b; 137.022, subdivision 4; 137.17, subdivisions 1, 3; 256.01, subdivision 18, by adding a subdivision; 256B.431, by adding a subdivision; 256J.021; 256J.626, subdivision 2; Minnesota Statutes 2005 Supplement, sections 16A.152, subdivision 2; 35.05; 119B.13, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 4; 144; 197; 256; 256D; 341; repealing Minnesota Statutes 2004, sections 62J.694; 144.395.

The House respectfully requests that a Conference Committee of 5 members be appointed thereon.

Knoblach, Ozment, Seifert, Bradley and Solberg have been appointed as such committee on the part of the House.

House File No. 4162 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 11, 2006

Senator Cohen moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 4162, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2480:

**H.F. No. 2480:** A bill for an act relating to a ballpark for major league baseball; providing for the financing, construction, operation, and maintenance of the ballpark and related facilities; establishing the Minnesota Ballpark Authority; providing powers and duties of the authority; providing a community ownership option; authorizing Hennepin County to issue bonds and to contribute to ballpark costs and to engage in ballpark and related activities; authorizing local sales and use taxes and revenues; exempting Minnesota State High School League events from sales taxes; requiring the Minnesota State High School League to transfer tax savings to a foundation to promote extracurricular activities; exempting building materials used for certain local government

projects from certain taxes; amending Minnesota Statutes 2004, sections 297A.70, subdivision 11; 297A.71, by adding subdivisions; Minnesota Statutes 2005 Supplement, section 10A.01, subdivision 35; repealing Minnesota Statutes 2004, sections 473I.01; 473I.02; 473I.03; 473I.04; 473I.05; 473I.06; 473I.07; 473I.08; 473I.09; 473I.10; 473I.11; 473I.12; 473I.13.

The House respectfully requests that a Conference Committee of 5 members be appointed thereon.

Finstad; Sykora; Lanning; Peterson, N. and Kelliher have been appointed as such committee on the part of the House.

House File No. 2480 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 11, 2006

Senator Kelley moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 2480, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

## REPORTS OF COMMITTEES

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

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

**S.F. No. 2941:** A bill for an act relating to public safety; establishing the fire safety account from revenues on fire premiums and assessments; abolishing the fire insurance tax; proposing coding for new law in Minnesota Statutes, chapter 299F; repealing Minnesota Statutes 2004, section 297I.05, subdivision 6.

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

Delete everything after the enacting clause and insert:

"Section 1. **[297I.06] SURCHARGES ON FIRE SAFETY PREMIUMS.**

Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in subdivision 2, each insurer engaged in writing policies of homeowner's insurance authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or commercial nonliability policies shall collect a surcharge equal to 0.65 percent of the gross premiums and assessments, less return premiums, on direct business received by the company, or by its agents for it, for homeowner's insurance policies, commercial fire policies, and commercial nonliability insurance policies in this state.

(b) The surcharge amount collected under paragraph (a) may not be considered premium for any other purpose. The surcharge amount must be separately stated on either a billing or policy declaration sent to an insured.

(c) Amounts collected by the commissioner under this section must be deposited in the fire safety account established pursuant to subdivision 3.

Subd. 2. **Exemptions.** (a) This section does not apply to a farmers' mutual fire insurance

company or township mutual fire insurance company in Minnesota organized under chapter 67A.

(b) An insurer described in section 297I.05, subdivisions 3 and 4, authorized to transact business in Minnesota shall elect to remit to the Department of Revenue for deposit in the fire safety account either (1) the surcharge amount collected under this section, or (2) a surcharge of one-half of one percent on the gross fire premiums and assessments, less return premiums, on all direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

(c) For purposes of this subdivision, "gross fire premiums and assessments" includes premiums on policies covering fire risks only on automobiles, whether written or under floater form or otherwise.

Subd. 3. **Fire safety account, annual transfers, allocation.** A special account, to be known as the fire safety account, is created in the state treasury. The account consists of the proceeds under subdivisions 1 and 2. \$468,000 in fiscal year 2008 and \$2,268,000 in each year thereafter is transferred from the fire safety account in the special revenue fund to the general fund to offset the loss of revenue caused by the repeal of the one-half of one percent tax on fire insurance premiums. The general fund base appropriation for the fire marshal program is reduced by \$2,832,000 in fiscal year 2008 and each year thereafter. The base funding for the fire marshal program from the fire safety account in the special revenue fund shall be \$2,832,000 in fiscal year 2008 and each year thereafter.

Sec. 2. Minnesota Statutes 2004, section 297I.30, is amended by adding a subdivision to read:

Subd. 8. **Fire insurance surcharge.** On or before May 15, August 15, November 15, and February 15 of each year, every insurer required to pay the surcharge under section 297I.06, subdivisions 1 and 2, shall file a return with the commissioner for the preceding three-month period ending March 31, June 30, September 30, and December 31, setting forth any information the commissioner reasonably requires on forms prescribed by the commissioner.

**Sec. 3. [299F.012] FIRE SAFETY ACCOUNT.**

Subdivision 1. **Authorized programs within department.** From the revenues appropriated from the fire safety account, established under section 297I.06, subdivision 3, the commissioner of public safety may expend funds for the activities and programs identified by the advisory committee established under subdivision 2 and recommended to the commissioner of public safety. The commissioner shall not expend funds without the recommendation of the advisory committee established under subdivision 2. These funds are to be used to provide resources needed for identified activities and programs of the Minnesota fire service and to ensure the State Fire Marshal Division responsibilities are fulfilled.

Subd. 2. **Fire Service Advisory Committee.** The Fire Service Advisory Committee shall provide recommendations to the commissioner of public safety on fire service related issues and shall consist of representatives of each of the following organizations: two appointed by the president of the Minnesota State Fire Chiefs Association, two appointed by the president of the Minnesota State Fire Department Association, two appointed by the president of the Minnesota Professional Fire Fighters, two appointed by the president of the League of Minnesota Cities, one appointed by the president of the Minnesota Association of Townships, one appointed by the president of the Insurance Federation of Minnesota, one appointed jointly by the presidents of the Minnesota Chapter of the International Association of Arson Investigators and the Fire Marshals Association of Minnesota, and the commissioner of public safety or the commissioner's designee. The commissioner of public safety must ensure that at least three of the members of the advisory committee work and reside in counties outside of the seven-county metropolitan area. The committee shall provide funding recommendations to the commissioner of public safety from the fire safety fund for the following purposes:

- (1) for the Minnesota Board of Firefighter Training and Education;
- (2) for programs and staffing for the State Fire Marshal Division; and

(3) for fire-related regional response team programs and any other fire service programs that have the potential for statewide impact.

Subd. 3. **Report; accounting; carryover.** The commissioner of public safety shall, by December 1 of each year, (1) provide an accounting of how the funds in the fire safety account were spent in the preceding fiscal year and (2) report any funds not spent in a fiscal year to the chairs of the committees of the house of representatives and the senate having jurisdiction over public safety finance. Money in the account does not cancel but remains available for expenditures for the programs identified in subdivisions 1 and 2.

Sec. 4. **REPEALER.**

Minnesota Statutes 2004, section 297I.05, subdivision 6, is repealed.

Sec. 5. **EFFECTIVE DATE; APPLICATION.**

Sections 1 to 4 are effective July 1, 2007, and apply to policies written or renewed on or after that date."

Amend the title accordingly

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

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

**S.F. No. 2551:** A bill for an act relating to taxation; individual income; providing an income tax checkoff to fund benefits for survivors of law enforcement officers and firefighters and providing for maintenance of peace officer and firefighter memorials; establishing an advisory council; requiring a report; proposing coding for new law in Minnesota Statutes, chapter 290.

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

Delete everything after the enacting clause and insert:

"Section 1. **ADVISORY COUNCIL.**

A public safety officer memorial and survivor account advisory council is established to advise the commissioner of public safety on funding needs to assist in building and preserving state memorial monuments, assist the families of public safety officers killed in the line of duty, award scholarships to surviving family members, and otherwise provide services relating to public safety officers killed in the line of duty. The council must consist of eight members, one from each of the following organizations: the Minnesota Law Enforcement Memorial Association, the Minnesota Police and Peace Officers Association, the Minnesota Chiefs of Police Association, the Minnesota Sheriffs' Association, the Minnesota State Fire Department Association, the Minnesota State Fire Chiefs Association, the Minnesota Ambulance Association, and the Minnesota Emergency Medical Services Association. The council member is the executive director or president of the organization, or that person's designee. Members must serve without compensation. The commissioner must consider the advisory council's recommendations in recommending the departmental budget to the governor and legislature."

Amend the title accordingly

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

**MOTIONS AND RESOLUTIONS - CONTINUED**

Pursuant to Rule 26, Senator Johnson, D.E., Chair of the Committee on Rules and Administration, designated S.F. No. 2722 a Special Order to be heard immediately.

**SPECIAL ORDER**

**S.F. No. 2722:** A bill for an act relating to finance; providing an appropriation for emergencies; requiring reports and recommendations to bring the state budget into compliance with generally accepted governmental accounting principles; requiring disclosure of the impact of inflation on state expenditures; requiring consultation on expenditure data; requiring a report of cash flow for the general fund; providing continuing appropriations for the operation of state government under certain conditions; appropriating money; amending Minnesota Statutes 2004, sections 9.061, subdivision 5; 16A.055, subdivision 1; 16A.103, subdivisions 1a, 1b, 1c, 1e; 16A.11, subdivision 2, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 16A.

Senator Cohen moved to amend S.F. No. 2722 as follows:

Page 2, delete section 3

Page 2, lines 23 to 24, delete the new language

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Nienow moved to amend S.F. No. 2722 as follows:

Page 4, line 15, after "at" insert "90 percent of"

Page 4, line 19, after the period, insert "The commissioner shall adjust benefit and eligibility levels for forecasted programs and prorate formula and grant amounts where necessary in order to permit programs to continue at the 90-percent funding level."

**CALL OF THE SENATE**

Senator Dibble imposed a call of the Senate for the balance of the proceedings on S.F. No. 2722. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Nienow amendment.

The roll was called, and there were yeas 28 and nays 37, as follows:

Those who voted in the affirmative were:

Bachmann	Frederickson	Koch	Michel	Robling
Belanger	Gerlach	Koering	Neuville	Ruud
Day	Hann	Larson	Nienow	Senjem
Dille	Johnson, D.J.	LeClair	Olson	Wergin
Fischbach	Jungbauer	Limmer	Ortman	
Foley	Kierlin	McGinn	Reiter	

Those who voted in the negative were:

Anderson	Bonoff	Dibble	Kelley	Lourey
Bakk	Chaudhary	Higgins	Kiscaden	Marko
Berglin	Clark	Hottinger	Kubly	Marty
Betzold	Cohen	Johnson, D.E.	Langseth	Metzen

Moua	Ranum	Scheid	Sparks	Wiger
Murphy	Rest	Skoe	Stumpf	
Pappas	Sams	Skoglund	Tomassoni	
Pogemiller	Saxhaug	Solon	Vickerman	

The motion did not prevail. So the amendment was not adopted.

Senator Nienow moved to amend S.F. No. 2722 as follows:

Page 1, after line 12, insert:

"Section 1. Minnesota Statutes 2004, section 3.099, subdivision 1, is amended to read:

Subdivision 1. **Pay days; mileage; per diem.** The compensation of each member of the legislature is due on the first day of the regular legislative session of the term and payable in equal parts on January 15, in the first month of each term and on the first day of each following month during the term for which the member was elected. The compensation of each member of the legislature elected at a special election is due on the day the member takes the oath of office and payable within ten days of taking the oath for the remaining part of the month in which the oath was taken, and then in equal parts on the first day of each following month during the term for which the member was elected.

Each member shall receive mileage for necessary travel to the place of meeting and returning to the member's residence in the amount and for trips as authorized by the senate for senate members and by the house of representatives for house members.

Each member shall also receive per diem living expenses during a regular or special session of the legislature in the amounts and for the purposes as determined by the senate for senate members and by the house of representatives for house members, except that members must not receive per diem living expenses for a special session that is called within 60 days of adjournment of a regular session because the legislature failed to pass necessary legislation during the regular session.

On January 15 in the first month of each term and on the first day of each following month, the secretary of the senate and the chief clerk of the house of representatives shall certify to the commissioner of finance, in duplicate, the amount of compensation then payable to each member of their respective houses and its total."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 27 and nays 39, as follows:

Those who voted in the affirmative were:

Bachmann	Gerlach	Larson	Nienow	Sparks
Bonoff	Hann	LeClair	Olson	Wergin
Chaudhary	Johnson, D.J.	Limmer	Reiter	Wiger
Clark	Jungbauer	McGinn	Robling	
Day	Koch	Michel	Ruud	
Fischbach	Koering	Neuville	Senjem	

Those who voted in the negative were:

Anderson	Foley	Kubly	Ortman	Scheid
Bakk	Frederickson	Langseth	Pappas	Skoe
Belanger	Higgins	Lourey	Pogemiller	Skoglund
Berglin	Hottinger	Marko	Ranum	Solon
Betzold	Johnson, D.E.	Marty	Rest	Stumpf
Cohen	Kelley	Metzen	Rosen	Tomassoni
Dibble	Kierlin	Moua	Sams	Vickerman
Dille	Kiscaden	Murphy	Saxhaug	



The motion did not prevail. So the amendment was not adopted.

Senator Nienow moved to amend S.F. No. 2722 as follows:

Page 1, after line 20, insert:

**"Sec. 2. [15A.23] SALARY FORFEITURE.**

Subdivision 1. **Other law superseded.** Notwithstanding section 3.099, 15A.082, or other law, the governor and members of the legislature forfeit their salary under the circumstances described in this section.

Subd. 2. **Failure to enact budget in odd-numbered year.** (a) In an odd-numbered year:

(1) they forfeit their salary for the month of June if any of the major appropriation or revenue bills is not enacted during the regular session;

(2) they forfeit their salary for the months of July and August if any of the major appropriation or revenue bills have not been enacted before July 1; and

(3) after August, they forfeit their salary for the next month if any of the major appropriation or revenue bills have not been enacted by the end of the preceding month.

(b) Members of the legislature may not receive per diem living expenses or reimbursement for travel during any period under this section in which members forfeit their salary.

(c) If the governor forfeits salary under this section and the state pay periods do not coincide with the calendar month of forfeiture, the governor forfeits salary for the two two-week pay periods beginning after the first day of that month.

(d) For purposes of this section, a "major appropriation bill" means a bill appropriating money to fund substantially all the operations and programs of a group of state agencies for the fiscal biennium. The traditional groups of state agencies are as follows: early through grade 12 education; higher education; health and human services; agriculture, environment, and economic development; transportation; public safety; and state government. State agencies need not be grouped into appropriation bills as specified in this paragraph, provided that appropriations are enacted covering all of the groups of state agencies listed in this paragraph.

(e) For purposes of this section, "major revenue bill" means a bill raising revenue required to fund state appropriations.

Subd. 3. **Failure to enact budget decisions in even-numbered year.** If the legislature meets in regular session in an even-numbered year, the governor and members of the legislature forfeit their salary for the month beginning immediately following adjournment of the regular session if:

(1) the most recent forecast of general fund revenues and expenditures under section 16A.103 before adjournment of the regular session shows that anticipated general fund expenditures for the remainder of the biennium exceed anticipated revenues for the remainder of the biennium by ten percent or more of the amount in the budget reserve account established in section 16A.152; and

(2) legislation necessary to correct the budget imbalance predicted by the forecast is not enacted during the regular session."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 38, as follows:

Those who voted in the affirmative were:

Bachmann	Hann	Kubly	Neuville	Senjem
Bonoff	Johnson, D.J.	Larson	Nienow	Sparks
Clark	Jungbauer	LeClair	Olson	Wergin
Day	Kierlin	Limmer	Reiter	Wiger
Fischbach	Koch	McGinn	Robling	
Gerlach	Koering	Michel	Ruud	

Those who voted in the negative were:

Anderson	Dille	Langseth	Pappas	Skoe
Bakk	Foley	Lourey	Pogemiller	Skoglund
Belanger	Frederickson	Marko	Ranum	Solon
Berglin	Higgins	Marty	Rest	Stumpf
Betzold	Hottinger	Metzen	Rosen	Tomassoni
Chaudhary	Johnson, D.E.	Moua	Sams	Vickerman
Cohen	Kelley	Murphy	Saxhaug	
Dibble	Kiscaden	Ortman	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Neuville moved to amend S.F. No. 2722 as follows:

Page 4, after line 19, insert:

"Sec. 11. Minnesota Statutes 2004, section 16A.138, is amended to read:

**16A.138 OFFICIALS NOT TO EXCEED APPROPRIATION.**

**Subdivision 1. Criminal liability; removal from office.** When there has been an appropriation for any purpose it shall be unlawful for any state board or official to incur indebtedness on behalf of the board, the official, or the state in excess of the appropriation made for such purpose. It is hereby made unlawful for any state board or official to incur any indebtedness in behalf of the board, the official, or the state of any nature until after an appropriation therefor has been made by the legislature. Any official violating these provisions shall be guilty of a misdemeanor and the governor is hereby authorized and empowered to remove any such official from office.

**Subd. 2. Injunction.** A member of the legislature has standing to sue to enjoin the expenditure of money out of the treasury of this state not pursuant to an appropriation made in a bill enacted by the legislature."

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 2722 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 37 and nays 28, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Langseth	Ranum	Sparks
Bakk	Foley	Lourey	Rest	Stumpf
Berglin	Higgins	Marty	Sams	Tomassoni
Betzold	Hottinger	Metzen	Saxhaug	Vickerman
Bonoff	Johnson, D.E.	Moua	Scheid	Wiger
Chaudhary	Kelley	Murphy	Skoe	
Clark	Kiscaden	Pappas	Skoglund	
Cohen	Kubly	Pogemiller	Solon	

Those who voted in the negative were:

Bachmann	Belanger	Day	Dille	Fischbach
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Frederickson  
Gerlach  
Hann  
Johnson, D.J.  
Jungbauer

Kierlin  
Koch  
Koering  
Larson  
LeClair

Limmer  
McGinn  
Michel  
Neuville  
Nienow

Olson  
Ortman  
Reiter  
Robling  
Rosen

Ruud  
Senjem  
Wergin

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

Pursuant to Rule 26, Senator Johnson, D.E., Chair of the Committee on Rules and Administration, designated S.F. No. 2798 a Special Order to be heard immediately.

### SPECIAL ORDER

**S.F. No. 2798:** A bill for an act relating to energy; requiring reports on utility customers; authorizing prepurchase propane fuel program; providing for residential heat reconnection arrangements; modifying provisions for assisting low-income residential heating customers; defining "gross operating revenue" for energy conservation investment; providing for statewide energy-saving objectives; defining "energy conservation investments" to include renewable energy measures; clarifying status of biomass generation facility and renewable generation facility; authorizing petroleum violation escrow funds to be used for energy grants; requiring a study; amending Minnesota Statutes 2004, sections 216B.16, subdivision 15; 216B.241, subdivisions 1a, 1c, 6; 216C.37, subdivision 1; Minnesota Statutes 2005 Supplement, section 216B.241, subdivisions 1b, 2; proposing coding for new law in Minnesota Statutes, chapters 216B; 325E.

Senator Anderson moved to amend S.F. No. 2798 as follows:

Page 12, after line 14, insert:

"Sec. 10. **[216B.812] MINNESOTA RENEWABLE HYDROGEN INITIATIVE.**

The Department of Commerce must coordinate and administer, directly or by contract, the Minnesota Renewable Hydrogen Initiative. The initiative may be run as a public-private partnership representing business, academic, governmental, and nongovernmental organizations, and is charged with achieving the hydrogen goal set in section 216B.013. The initiative's main responsibility is to oversee the development and implementation of a hydrogen road map that capitalizes on Minnesota's strengths and establishes a vision, goals, and measurable milestones for achieving those hydrogen goals. The Department of Commerce shall report to the legislature on the initiative's progress every two years as part of its existing reporting requirements under section 216B.812, subdivision 2."

Page 13, after line 7, insert:

"Sec. 13. Laws 2005, chapter 97, article 13, section 4, is amended to read:

Sec. 4. **[HYDROGEN REFUELING STATIONS; GRANTS.]**

The commissioner of commerce shall make assessments under Minnesota Statutes, section 216C.052, of \$300,000 in fiscal year 2006 and \$300,000 in fiscal year 2007 for the purpose of matching federal and private investments in ~~three multifuel~~ hydrogen refueling stations in any of the following cities: Duluth, Moorhead, Alexandria, Morris, and the Twin Cities respectively. The assessments are subject to the assessment caps specified in Minnesota Statutes, section 216C.052. Sums assessed under this section are appropriated to the commissioner of commerce for the purpose of this section. The assessments and grants are contingent upon securing the balance of the total project costs from nonstate sources.

**Sec 14. UNIFORM CODES AND STANDARDS FOR HYDROGEN, FUEL CELLS, AND RELATED TECHNOLOGIES.**

The Department of Labor and Industry shall, in consultation with the Department of Commerce, develop recommendations regarding the adoption of uniform codes and standards for hydrogen infrastructure, fuel cells, and related technologies, and report those recommendations to the legislature by December 31, 2006. The report must, at a minimum, examine the following:

- (1) codes and standards that already exist for hydrogen, fuel cell, and related technologies;
- (2) codes and standards under development by various official standard-making bodies;
- (3) gaps between existing codes and standards, those under development, and those that may still be needed but are not yet being developed; and
- (4) additional education and training for code officials regarding hydrogen, fuel cell, and related technologies.

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

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Bonoff moved to amend S.F. No. 2798 as follows:

Page 12, after line 28, insert:

"Sec. 11. Minnesota Statutes 2005 Supplement, section 216C.41, subdivision 3, is amended to read:

Subd. 3. **Eligibility window.** Payments may be made under this section only for electricity generated:

- (1) from a qualified hydroelectric facility that is operational and generating electricity before December 31, ~~2007~~ 2009;
- (2) from a qualified wind energy conversion facility that is operational and generating electricity before January 1, 2007; or
- (3) from a qualified on-farm biogas recovery facility from July 1, 2001, through December 31, 2017.

Sec. 12. Minnesota Statutes 2004, section 216C.41, subdivision 4, is amended to read:

Subd. 4. **Payment period.** (a) A facility may receive payments under this section for a ten-year period. No payment under this section may be made for electricity generated:

- (1) by a qualified hydroelectric facility after December 31, ~~2017~~ 2019;
- (2) by a qualified wind energy conversion facility after December 31, 2017; or
- (3) by a qualified on-farm biogas recovery facility after December 31, 2015.

(b) The payment period begins and runs consecutively from the date the facility begins generating electricity or, in the case of refurbishment of a hydropower facility, after substantial repairs to the hydropower facility dam funded by the incentive payments are initiated."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Kubly moved to amend the Bonoff amendment to S.F. No. 2798 as follows:

Page 1, line 10, strike "2007" and insert "2008"

Page 1, line 17, strike "2017" and insert "2018"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the adoption of the Bonoff amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Senator Pappas moved to amend S.F. No. 2798 as follows:

Page 1, after line 14, insert:

"Section 1. Minnesota Statutes 2004, section 16B.325, is amended to read:

**16B.325 SUSTAINABLE BUILDING GUIDELINES.**

Subdivision 1. **Energy, lighting, air quality, and other guidelines.** The Department of Administration and the Department of Commerce, with the assistance of other agencies, shall develop sustainable building design guidelines for all new state buildings by January 15, 2003. The primary objectives of these guidelines are to ensure that all new state buildings initially exceed existing energy code, as established in Minnesota Rules, chapter 7676, by at least 30 percent. The guidelines must focus on achieving the lowest possible lifetime cost for new buildings and allow for changes in the guidelines that encourage continual energy conservation improvements in new buildings. The design guidelines must establish sustainability guidelines that include air quality and lighting standards and that create and maintain a healthy environment and facilitate productivity improvements; specify ways to reduce material costs; and must consider the long-term operating costs of the building, including the use of renewable energy sources and distributed electric energy generation that uses a renewable source or natural gas or a fuel that is as clean or cleaner than natural gas. In developing the guidelines, the departments shall use an open process, including providing the opportunity for public comment. The guidelines established under this ~~section~~ subdivision are mandatory for all new buildings receiving funding from the bond proceeds fund after January 1, 2004.

Subd. 2. **Greenhouse gases.** The Department of Administration and the Department of Commerce, with the assistance of other agencies, shall report to the legislature by March 15, 2007, on guidelines and procedures for a requirement that no net increases in greenhouse gases are allowed as a result of new building projects. The guidelines established under this subdivision are mandatory for all new buildings receiving funding from the bond proceeds fund after January 1, 2008."

Page 12, after line 14, insert:

"Sec. 11. Minnesota Statutes 2005 Supplement, section 216C.052, subdivision 3, is amended to read:

**Subd. 3. Assessment and appropriation.** In addition to the amount noted in subdivision 2, the commission may assess utilities, using the mechanism specified in that subdivision, up to an additional \$500,000 annually through June 30, ~~2006~~ 2008. The amounts assessed under this subdivision are appropriated to the commission, and some or all of the amounts assessed may be transferred to the commissioner of administration, for the purposes specified in section 16B.325 and Laws 2001, chapter 212, article 1, section 3, as needed to implement those sections.

Sec. 12. Minnesota Statutes 2005 Supplement, section 216C.052, subdivision 4, is amended to read:

**Subd. 4. Expiration.** ~~This section expires~~ Subdivisions 1 and 2 expire June 30, 2007. Subdivision 3 expires June 30, 2008."

Renumber the sections in sequence

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Clark moved to amend S.F. No. 2798 as follows:

Page 4, line 1, delete everything after "customers"

Page 4, line 2, delete everything before "must"

The motion prevailed. So the amendment was adopted.

Senator Rosen moved to amend S.F. No. 2798 as follows:

Page 13, delete section 13

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Anderson moved to amend S.F. No. 2798 as follows:

Page 4, after line 16, insert:

"Sec. 5. Minnesota Statutes 2004, section 216B.1691, is amended to read:

**216B.1691 RENEWABLE ENERGY STANDARDS AND OBJECTIVES.**

Subdivision 1. **Definitions.** (a) Unless otherwise specified in law, "eligible energy technology" means an energy technology that:

(1) generates electricity from the following renewable energy sources: solar; wind; hydroelectric with a capacity of less than ~~60~~ 100 megawatts; hydrogen, provided that after January 1, 2010, the hydrogen must be generated from the resources listed in this clause; or biomass, which includes an energy recovery facility used to capture the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal solid waste as a primary fuel; and

(2) was not mandated by Laws 1994, chapter 641, or by commission order issued pursuant to that chapter prior to August 1, 2001.

(b) "Electric utility" means a public utility providing electric service, a generation and transmission cooperative electric association, or a municipal power agency.

(c) "Total retail electric sales" means the kilowatt-hours of electricity sold in a year by an electric utility to retail customers of the electric utility or to a distribution utility for distribution to the retail customers of the distribution utility.

Subd. 2. **Eligible energy objectives.** (a) Each electric utility shall make a good faith effort to generate or procure sufficient electricity generated by an eligible energy technology to provide its retail consumers, or the retail customers of a distribution utility to which the electric utility provides wholesale electric service, so that:

(1) commencing in 2005, at least one percent of the electric utility's total retail electric sales is generated by eligible energy technologies;

(2) the amount provided under clause (1) is increased by one percent of the utility's total retail electric sales each year until ~~2015~~ 2010; and

(3) ~~ten~~ five percent of the electric energy provided to retail customers in Minnesota by 2010 is generated by eligible energy technologies.

(b) Of the eligible energy technology generation required under paragraph (a), clauses (1) and (2), not less than 0.5 percent of the energy must be generated by biomass energy technologies, including an energy recovery facility used to capture the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal solid waste as a primary fuel, by 2005. By 2010, one percent of the eligible technology generation required under paragraph (a), clauses (1) and (2), shall be generated by biomass energy technologies. An energy recovery facility used to capture the heat value of mixed municipal solid waste or refuse-derived fuel from mixed municipal solid waste, with a power sales agreement in effect as of May 29, 2003, that terminates after December 31, 2010, does not qualify as an eligible energy technology unless the agreement provides for rate adjustment in the event the facility qualifies as a renewable energy source.

**Subd. 2a. Eligible energy standard.** Each electric utility shall generate or procure sufficient electricity generated by an eligible energy technology to provide its retail customers, or the retail customers of a distribution utility to which the electric utility provides wholesale electric service, so that at least the following percentages of the electric utility's total retail electric sales is generated by eligible energy technologies by the end of the year indicated:

<u>(1)</u>	<u>2013</u>	<u>ten percent</u>
<u>(2)</u>	<u>2015</u>	<u>15 percent</u>
<u>(3)</u>	<u>2020</u>	<u>20 percent</u>

To be counted toward satisfying the standard, energy, other than energy generated within the state by an eligible energy technology using hydroelectric or biomass as an energy source, must be generated by a facility originally placed in service after January 1, 1975. The commission must delay or modify the standard for an electric utility if it finds that compliance with a standard is not in the public interest because compliance will either produce undesirable impacts on the reliability of the utility's system or on the utility's ratepayers or if it finds that compliance is not technically feasible. The standard is both an individual electric utility standard and a statewide standard so that by the end of 2020 at least 20 percent of the electric energy provided to retail customers in Minnesota is generated by eligible energy technologies.

(e) **Subd. 2b. Commission order.** By June 1, 2004, and as needed thereafter, the commission shall issue an order detailing the criteria and standards by which it will measure an electric utility's efforts to meet the renewable energy objectives and standards of this section to determine whether the utility is making the required good faith effort and is meeting the standards. In this order, the commission shall include criteria and standards that protect against undesirable impacts on the reliability of the utility's system and economic impacts on the utility's ratepayers and that consider technical feasibility.

~~(d) In its order under paragraph (c), the commission shall provide for a weighted scale of how energy produced by various eligible energy technologies shall count toward a utility's objective. In establishing this scale, the commission shall consider the attributes of various technologies and fuels, and shall establish a system that grants multiple credits toward the objectives for those technologies and fuels the commission determines is in the public interest to encourage.~~

**Subd. 3. Utility plans filed with commission.** (a) Each electric utility shall report on its plans, activities, and progress with regard to these objectives and standards in its filings under section 216B.2422 or in a separate report submitted to the commission every two years, whichever is more frequent, demonstrating to the commission ~~that the utility is making the required good faith utility's effort to comply with this section.~~ In its resource plan or a separate report, each electric utility shall provide a description of:

- (1) the status of the utility's renewable energy mix relative to the ~~good faith objective~~ and standards;
- (2) efforts taken to meet the objective and standards;

(3) any obstacles encountered or anticipated in meeting the objective or standards; and

(4) potential solutions to the obstacles.

(b) The commissioner shall compile the information provided to the commission under paragraph (a), and report to the chairs of the house of representatives and senate committees with jurisdiction over energy and environment policy issues as to the progress of utilities in the state in increasing the amount of renewable energy provided to retail customers, with any recommendations for regulatory or legislative action, by January 15 of each odd-numbered year.

**Subd. 4. Renewable energy credits.** (a) To facilitate compliance with this section, the commission, by rule or order, may establish a program for tradable credits for electricity generated by an eligible energy technology. In doing so, the commission shall implement a system that constrains or limits the cost of credits, taking care to ensure that such a system does not undermine the market for those credits.

(b) In lieu of generating or procuring energy directly to satisfy the renewable energy objective and standard of this section, an electric utility may purchase sufficient renewable energy credits, issued pursuant to this subdivision, to meet its objective and standard.

(c) Upon the passage of a renewable energy standard, portfolio, or objective in a bordering state that includes a similar definition of eligible energy technology or renewable energy, the commission may facilitate the trading of renewable energy credits between states.

**Subd. 5. Technology based on fuel combustion.** (a) Electricity produced by fuel combustion may only count toward a utility's objectives or standards if the generation facility:

(1) was constructed in compliance with new source performance standards promulgated under the federal Clean Air Act for a generation facility of that type; or

(2) employs the maximum achievable or best available control technology available for a generation facility of that type.

(b) An eligible energy technology may blend or co-fire a fuel listed in subdivision 1, paragraph (a), clause (1), with other fuels in the generation facility, but only the percentage of electricity that is attributable to a fuel listed in that clause can be counted toward an electric utility's renewable energy objectives.

**Subd. 6. Electric utility that owns nuclear generation facility.** (a) An electric utility that owns a nuclear generation facility, as part of its good faith effort under this subdivision and subdivision 2, shall deploy an additional 300 megawatts of nameplate capacity of wind energy conversion systems by 2010, beyond the amount of wind energy capacity to which the utility is required by law or commission order as of May 1, 2003. At least 100 megawatts of this capacity are to be wind energy conversion systems of two megawatts or less, which shall not be eligible for the production incentive under section 216C.41. To the greatest extent technically feasible and economic, these 300 megawatts of wind energy capacity are to be distributed geographically throughout the state. The utility may opt to own, construct, and operate up to 100 megawatts of this wind energy capacity, except that the utility may not own, construct, or operate any of the facilities that are under two megawatts of nameplate capacity. The deployment of the wind energy capacity under this subdivision must be consistent with the outcome of the engineering study required under Laws 2003, First Special Session chapter 11, article 2, section 21.

~~(b) The renewable energy objective set forth in subdivision 2 shall be a requirement for the public utility that owns the Prairie Island nuclear generation plant. The objective is a requirement subject to resource planning and least cost planning requirements in section 216B.2422, unless implementation of the objective can reasonably be shown to jeopardize the reliability of the electric system. The least cost planning analysis must include the costs of ancillary services and other necessary generation and transmission upgrades.~~



(e) Also as part of its good faith effort under this section, the utility that owns a nuclear generation facility is to enter into a power purchase agreement by January 1, 2004, for ten to 20 megawatts of biomass energy and capacity at an all-inclusive price not to exceed \$55 per megawatt-hour, for a project described in section 216B.2424, subdivision 5, paragraph (e), clause (2). The project must be operational and producing energy by June 30, 2005.

Subd. 7. **Compliance.** The commission, on its own motion or upon petition, may investigate whether an electric utility is in compliance with its standard obligation under subdivision 2a and if it finds noncompliance may order the electric utility to construct facilities or purchase credits to achieve compliance. If an electric utility fails to comply with an order under this subdivision, the commission may impose a financial penalty on the electric utility in an amount up to the electric utility's estimated cost of compliance."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

### CALL OF THE SENATE

Senator Anderson imposed a call of the Senate for the balance of the proceedings on S.F. No. 2798. The Sergeant at Arms was instructed to bring in the absent members.

Senator Senjem moved to amend the Anderson amendment to S.F. No. 2798 as follows:

Page 1, after line 2, insert:

"Sec. 5. Minnesota Statutes 2005 Supplement, section 216B.1645, subdivision 1, is amended to read:

Subdivision 1. **Commission authority.** Upon the petition of a public utility, the Public Utilities Commission shall approve or disapprove power purchase contracts, investments, or expenditures entered into or made by the utility to satisfy the wind and biomass mandates contained in sections 216B.169, 216B.2423, and 216B.2424, and to satisfy the renewable energy objectives and standards set forth in section 216B.1691, including reasonable investments and expenditures made to:

(1) transmit the electricity generated from sources developed under those sections that is ultimately used to provide service to the utility's retail customers, including studies necessary to identify new transmission facilities needed to transmit electricity to Minnesota retail customers from generating facilities constructed to satisfy the renewable energy objectives, provided that the costs of the studies have not been recovered previously under existing tariffs and the utility has filed an application for a certificate of need or for certification as a priority project under section 216B.2425 for the new transmission facilities identified in the studies; or

(2) develop renewable energy sources from the account required in section 116C.779."

Page 1, line 6, strike the colon

Page 1, line 7, strike "(1)" and after the first semicolon, insert "refuse-derived fuel; recycled energy; geothermal;"

Page 1, line 8, strike "with a capacity of less than" and delete "100" and strike "megawatts"

Page 1, line 12, strike everything after "fuel" and insert a period

Page 1, strike lines 13 and 14

Page 2, line 4, after the period, insert "An electric utility may, upon notifying the commission, elect to determine its compliance with the objectives, standards, and other mandates of this section by using the percentage of eligible energy technology capacity available to serve its retail customers

in Minnesota."

Page 2, delete lines 14 to 16

Page 2, line 17, delete "1975."

Page 2, line 30, after the period, insert "The commission may, at any time, on its own motion or upon petition, issue an order suspending or extending the deadline of an objective or standard under this section because the federal clean renewable energy bonds or the federal renewable energy production incentive is not available or the federal production tax credit for wind energy systems is not in effect."

Renumber the sections in sequence and correct the internal references

The question was taken on the adoption of the Senjem amendment to the Anderson amendment.

The roll was called, and there were yeas 21 and nays 42, as follows:

Those who voted in the affirmative were:

Belanger	Kierlin	McGinn	Reiter	Wergin
Day	Koch	Michel	Robling	
Gerlach	Larson	Nienow	Rosen	
Johnson, D.J.	LeClair	Olson	Ruud	
Jungbauer	Limmer	Ortman	Senjem	

Those who voted in the negative were:

Anderson	Fischbach	Kubly	Pappas	Solon
Bakk	Foley	Langseth	Pogemiller	Sparks
Berglin	Frederickson	Lourey	Ranum	Stumpf
Betzold	Hann	Marko	Rest	Tomassoni
Bonoff	Higgins	Marty	Sams	Vickerman
Clark	Hottinger	Metzen	Saxhaug	Wiger
Cohen	Johnson, D.E.	Moua	Scheid	
Dibble	Kelley	Murphy	Skoe	
Dille	Kiscaden	Neuville	Skoglund	

The motion did not prevail. So the amendment to the amendment was not adopted.

Senator Senjem moved to amend the Anderson amendment to S.F. No. 2798 as follows:

Page 2, line 20, after the period, insert "In addition to other undesirable impacts, compliance produces an undesirable impact on the utility's ratepayers if compliance is not the least-cost alternative to meet the utility's resource needs."

The question was taken on the adoption of the second Senjem amendment to the Anderson amendment.

The roll was called, and there were yeas 27 and nays 38, as follows:

Those who voted in the affirmative were:

Bachmann	Hann	Larson	Olson	Senjem
Belanger	Johnson, D.J.	LeClair	Ortman	Sparks
Day	Jungbauer	Limmer	Reiter	Wergin
Dille	Kierlin	McGinn	Robling	
Fischbach	Koch	Michel	Rosen	
Gerlach	Koering	Nienow	Ruud	

Those who voted in the negative were:

Anderson	Bonoff	Dibble	Hottinger	Langseth
Bakk	Chaudhary	Foley	Johnson, D.E.	Lourey
Berglin	Clark	Frederickson	Kelley	Marko
Betzold	Cohen	Higgins	Kiscaden	Marty

Metzen	Pappas	Sams	Skoglund	Vickerman
Moua	Pogemiller	Saxhaug	Solon	Wiger
Murphy	Ranum	Scheid	Stumpf	
Neuville	Rest	Skoe	Tomassoni	

The motion did not prevail. So the amendment to the amendment was not adopted.

### RECONSIDERATION

Having voted on the prevailing side, Senator Frederickson moved that the vote whereby the first Senjem amendment to the Anderson amendment to S.F. No. 2798 failed to pass on May 11, 2006, be now reconsidered. The motion prevailed. So the vote was reconsidered.

The question was taken on the adoption of the first Senjem amendment to the Anderson amendment.

The roll was called, and there were yeas 24 and nays 41, as follows:

Those who voted in the affirmative were:

Bachmann	Johnson, D.J.	Larson	Nienow	Rosen
Belanger	Jungbauer	LeClair	Olson	Ruud
Day	Kierlin	Limmer	Ortman	Senjem
Fischbach	Koch	McGinn	Reiter	Wergin
Gerlach	Koering	Michel	Robling	

Those who voted in the negative were:

Anderson	Dille	Langseth	Pogemiller	Sparks
Bakk	Foley	Lourey	Ranum	Stumpf
Berglin	Frederickson	Marko	Rest	Tomassoni
Betzold	Hann	Marty	Sams	Vickerman
Bonoff	Higgins	Metzen	Saxhaug	Wiger
Chaudhary	Hottinger	Moua	Scheid	
Clark	Kelley	Murphy	Skoe	
Cohen	Kiscaden	Neuville	Skoglund	
Dibble	Kubly	Pappas	Solon	

The motion did not prevail. So the amendment to the amendment was not adopted.

The question was taken on the adoption of the Anderson amendment.

The roll was called, and there were yeas 36 and nays 30, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Kubly	Neuville	Solon
Belanger	Dille	Lourey	Pappas	Sparks
Berglin	Foley	Marko	Pogemiller	Vickerman
Betzold	Higgins	Marty	Ranum	Wiger
Bonoff	Hottinger	Metzen	Rest	
Chaudhary	Johnson, D.E.	Michel	Rosen	
Clark	Kelley	Moua	Scheid	
Cohen	Kiscaden	Murphy	Skoglund	

Those who voted in the negative were:

Bachmann	Hann	Langseth	Olson	Saxhaug
Bakk	Johnson, D.J.	Larson	Ortman	Senjem
Day	Jungbauer	LeClair	Reiter	Skoe
Fischbach	Kierlin	Limmer	Robling	Stumpf
Frederickson	Koch	McGinn	Ruud	Tomassoni
Gerlach	Koering	Nienow	Sams	Wergin

The motion prevailed. So the amendment was adopted.

Senator Dibble moved to amend S.F. No. 2798 as follows:

Page 14, after line 7, insert:

**"Sec. 16. STATE PURCHASING OF PLUG-IN HYBRID ELECTRIC VEHICLES.**

Subdivision 1. **Definition.** (a) As used in sections 17 and 18, "plug-in hybrid electric vehicle (PHEV)" means a vehicle containing an internal combustion engine that also allows power to be delivered to the drive wheels by a battery-powered electric motor and that meets applicable federal motor vehicle safety standards. When connected to the electrical grid via an electrical outlet, the vehicle must be able to recharge its battery. The vehicle must have the ability to travel at least 20 miles, powered substantially by electricity.

(b) As used in this section, "neighborhood electric vehicle" means an electrically powered motor vehicle that has four wheels and has a speed attainable in one mile of at least 20 miles per hour but not more than 25 miles per hour on a paved level surface.

Subd. 2. **Notice of state procurement policy in bid documents.** All solicitation documents for the purchase of a passenger automobile, as defined in Minnesota Statutes, section 168.011, subdivision 7; pickup truck, as defined in Minnesota Statutes, section 168.011, subdivision 29; or van, as defined in Minnesota Statutes, section 168.011, subdivision 28, issued under the jurisdiction of the Department of Administration after June 30, 2006, must contain the following language: "It is the intention of the state of Minnesota to begin purchasing plug-in hybrid electric vehicles and neighborhood electric vehicles as soon as they become commercially available, meet the state's performance specifications, and are priced no more than ten percent above the price for comparable gasoline-powered vehicles. It is the intention of the state to purchase plug-in hybrid electric vehicles and neighborhood electric vehicles whenever practicable after these conditions have been met and as fleet needs dictate for at least five years after these conditions have been met."

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

**Sec. 17. PLUG-IN HYBRID ELECTRIC VEHICLE RETROFIT PROJECT.**

The automotive engineering program at Minnesota State University - Mankato is strongly encouraged to retrofit two flexible fuel vehicles to also operate as plug-in hybrid electric vehicles (PHEV's). If the legislature does not appropriate funds for this purpose, the Department of Administration and Minnesota State University - Mankato may accept donations and work cooperatively with nonprofit agencies, higher education institutions, and public agencies to procure vehicles and obtain other necessary funds to conduct the retrofit.

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

**Sec. 18. PLUG-IN HYBRID ELECTRIC VEHICLE TASK FORCE.**

Subdivision 1. **Establishment; membership.** The plug-in hybrid electric vehicle task force is established. The task force shall consist of 13 members as follows:

- (1) one representative each from Xcel Energy and Great River Energy;
- (2) one representative each from the Minnesota Department of Commerce, the Minnesota Department of Transportation, and the Minnesota Pollution Control Agency;
- (3) the director of the Travel Management Division of the Minnesota Department of Administration, or the director's designee;
- (4) a representative from the University of Minnesota Department of Electrical Engineering;
- (5) one representative each from Minnesota-based manufacturers of electric batteries, automotive parts, and power electronics;

(6) a representative from an environmental advocacy organization active in electricity issues;

(7) a representative of United Auto Workers Local 879; and

(8) a representative of the Ford Motor Company.

Subd. 2. **Appointment.** The chairs of the senate and house of representatives committees with primary jurisdiction over energy policy shall jointly appoint the task force members.

Subd. 3. **Cochairs.** The task force shall have two cochairs, one appointed by each of the appointing authorities established in subdivision 2.

Subd. 4. **Charge.** (a) The plug-in hybrid electric vehicle task force shall identify barriers to the adoption of plug-in hybrid electric vehicles by state agencies, small and large private fleets, and Minnesota drivers at-large and develop strategies to be implemented over one-, three-, and five-year time frames to overcome those barriers. Included in the analysis should be possible financial incentives to encourage Ford Motor Company to produce plug-in hybrid, flexible-fueled vehicles at its St. Paul plant.

(b) The task force shall consider and evaluate the data and information presented to it under subdivision 5 in presenting its findings and recommendations.

Subd. 5. **Data and analysis.** The commissioner of the Minnesota Pollution Control Agency shall analyze and report to the task force the environmental impacts of purchasing plug-in hybrid electric vehicles for the state-owned vehicle fleet and at penetration rates of ten percent, 25 percent, and 50 percent of all motor vehicles registered in this state. The analysis must compare, for plug-in hybrid electric vehicles and current fleet vehicles, air emissions of sulfur dioxide, nitrogen oxides, particulate matter less than 2.5 microns in width, volatile organic compounds, and carbon dioxide.

Subd. 6. **Expenses.** Members of the task force are entitled to reimbursement for expenses under Minnesota Statutes, section 15.059, subdivision 6. Member reimbursements shall be paid for by the commissioner of commerce.

Subd. 7. **Staff.** The state agencies represented on the commission shall provide staff support.

Subd. 8. **Report.** The task force shall present its findings and recommendations in a report to the chairs of the senate and house of representatives committees with primary jurisdiction over energy policy and state government operations by April 1, 2007.

Subd. 9. **Expiration.** The task force expires on June 30, 2008.

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

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Wergin moved to amend the Dibble amendment to S.F. No. 2798 as follows:

Page 2, line 4, delete "13" and insert "14"

Page 2, line 16, delete "and"

Page 2, line 17, delete the period and insert "; and"

Page 2, after line 17, insert:

"(9) a representative of a Minnesota-based manufacturer of electric vehicles."

The motion prevailed. So the amendment was adopted.

The question recurred on the adoption of the Dibble amendment, as amended. The motion

prevailed. So the amendment, as amended, was adopted.

S.F. No. 2798 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 53 and nays 13, as follows:

Those who voted in the affirmative were:

Anderson	Dille	Langseth	Nienow	Scheid
Bakk	Fischbach	Larson	Olson	Senjem
Belanger	Foley	Lourey	Ortman	Skoe
Berglin	Frederickson	Marko	Pappas	Skoglund
Betzold	Higgins	Marty	Pogemiller	Solon
Bonoff	Hottinger	McGinn	Ranum	Sparks
Chaudhary	Johnson, D.E.	Metzen	Rest	Tomassoni
Clark	Kelley	Michel	Robling	Vickerman
Cohen	Kiscaden	Moua	Rosen	Wiger
Day	Koering	Murphy	Sams	
Dibble	Kubly	Neuville	Saxhaug	

Those who voted in the negative were:

Bachmann	Johnson, D.J.	Koch	Reiter	Wergin
Gerlach	Jungbauer	LeClair	Ruud	
Hann	Kierlin	Limmer	Stumpf	

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

Pursuant to Rule 26, Senator Johnson, D.E., Chair of the Committee on Rules and Administration, designated S.F. No. 3764 a Special Order to be heard immediately.

### SPECIAL ORDER

**S.F. No. 3764:** A bill for an act relating to transportation; appropriating money for transportation purposes; authorizing sale of trunk highway bonds; providing for transit fund and accounts; modifying proposed constitutional amendment; reallocating distribution of proceeds of tax on sales of motor vehicles; modifying provisions relating to highway acquisitions and reconveyances, financial assistance for local bridges, vehicle registration plates, vehicle titles, vehicle towers and impounds, traffic regulations, allowable vehicle weights on highways, drivers' licenses and education, signs on highways, airports, special transportation service, permanent suspension of vehicle insurance sampling program, and a child passenger restraint awareness campaign; requiring studies and reports; amending Minnesota Statutes 2004, sections 16A.88; 117.036; 161.082, subdivision 2a; 161.442; 168A.153; 168B.04, subdivision 2; 168B.06, subdivision 1; 168B.07, by adding a subdivision; 169.041, subdivisions 1, 2; 169.13; 169.471, subdivision 2; 169.685, subdivision 5; 169.686, subdivision 1; 169.824, as amended; 169.829, subdivision 2; 169.86, by adding a subdivision; 169.89, by adding a subdivision; 171.01, subdivision 29; 171.0701; 171.14; 173.08, by adding a subdivision; 174.24, subdivision 1; 297B.09, subdivision 1; 360.013, subdivision 39; 360.017, subdivision 1; 360.065, by adding a subdivision; 473.386, subdivision 3; Minnesota Statutes 2005 Supplement, sections 168.12, subdivision 2a; 168.123, subdivision 1; 168.1251, subdivisions 1, 5; 168A.20, subdivision 5; 169.01, subdivisions 4c, 78; 169.81, subdivision 3c; 171.05, subdivision 2b; 171.055, subdivision 2; 171.07, subdivision 1; 171.18, subdivision 1; Laws 2005, chapter 88, article 3, section 10; Laws 2005, First Special Session chapter 6, article 3, section 109; proposing coding for new law in Minnesota Statutes, chapter 168.

Senator Murphy moved to amend S.F. No. 3764 as follows:

Page 19, line 3, after the period, insert "An operator of a type III vehicle within the meaning of section 169.01, subdivision 6, paragraph (5), is exempt from the child restraint requirement of this

paragraph as it applies to the transportation of children aged four and older."

The motion prevailed. So the amendment was adopted.

Senator Murphy moved to amend S.F. No. 3764 as follows:

Page 6, delete section 1

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Murphy moved to amend S.F. No. 3764 as follows:

Page 31, after line 16, insert:

"Sec. 35. Minnesota Statutes 2004, section 325D.071, is amended to read:

**325D.071 VIOLATIONS; PENALTIES.**

Any person, firm, or corporation, whether as principal, agent, officer, or director, for itself, or for another person, firm, or corporation, willfully violating the provisions of ~~sections~~ section 325D.03; 325D.04, and; 325D.05; or 325D.71, subdivision 2, shall be guilty of a misdemeanor.

Any person who, either as director, officer, or agent of any firm or corporation or as agent of any person violating the provisions of ~~sections~~ section 325D.03; 325D.04, and; 325D.05; or 325D.71, subdivision 2, knowingly assists or aids directly or indirectly in such violation shall be equally responsible therefor.

Sec. 36. Minnesota Statutes 2004, section 325D.072, is amended to read:

**325D.072 INJUNCTIVE RELIEF.**

In addition to the penalties provided in section 325D.071, the courts of this state are hereby vested with jurisdiction to prevent and restrain violations of sections 325D.02 to 325D.07; and 325D.71, subdivision 2. Any person, partnership, corporation, or association damaged, or who is threatened with loss or injury, by reason of a violation of these sections shall be entitled to sue for and have injunctive relief in any court of competent jurisdiction against any damage or threatened loss or injury by reason of a violation thereof and for the amount of the actual damages, if any. In order to obtain such injunctive relief it shall not be necessary to allege or prove that an adequate remedy at law does not exist.

No person shall be excused from attending and testifying or from producing books, papers, contracts, agreements, and documents in any case or proceedings instituted or brought under the provisions of sections 325D.02 to 325D.072; and 325D.71, subdivision 2, or in obedience to a subpoena, in any such case or proceedings, on the ground or for the reason that the testimony or evidence, documentary or otherwise, required of the person may tend to criminate or subject the person to a penalty or forfeiture; but no person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which the person may testify, or produce evidence, documentary or otherwise, in any such case or proceedings, or in obedience to a subpoena, in any such case or proceedings.

Sec. 37. Minnesota Statutes 2004, section 325D.71, is amended to read:

**325D.71 UNLAWFUL GASOLINE SALES.**

Subdivision 1. Sales below cost. Any offer for sale of gasoline by a retailer by way of posted price or indicating meter that is below cost, as defined by section 325D.01, subdivision 5, clause

(3), is a violation of section 325D.04, except that the criminal penalties in section 325D.071 do not apply. In addition to the penalties for violations and the remedies provided for injured parties set forth elsewhere in this chapter, the commissioner of commerce may use the authority under section 45.027 for the purpose of preventing violations of this section. A retailer who sells gasoline at the same or higher legally posted price of a competitor in the same market area, on the same day, is not in violation of this section.

A retailer who offers gasoline for sale at a price below cost as part of a promotion at an individual location for no more than three days in any calendar quarter is not in violation of this section.

**Subd. 2. Sales at grossly excessive price.** (a) No retailer or jobber wholesaler may charge a price for gasoline that grossly exceeds the cost to that retailer or jobber wholesaler.

(b) No refiner may charge a price for gasoline that grossly exceeds the average price at which gasoline was sold in this state by that refiner in the 21-day period immediately preceding a sale of the gasoline."

Page 35, after line 8, insert:

"Sec. 48. **RULEMAKING.**

The commissioner of commerce shall adopt rules using an expedited process under Minnesota Statutes, section 14.389, to define "grossly exceeds," along with any other terms used in Minnesota Statutes, section 325D.71, subdivision 2, that require definitions, for purposes of the prohibition in Minnesota Statutes, section 325D.71."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Pursuant to Rule 41.2, Senator Kierlin moved that he be excused from voting on the third Murphy amendment to S.F. No. 3764. The motion prevailed.

The question was taken on the adoption of the third Murphy amendment.

The roll was called, and there were yeas 36 and nays 26, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Langseth	Pogemiller	Stumpf
Bakk	Foley	Lourey	Rest	Tomassoni
Berglin	Higgins	Marko	Sams	Vickerman
Betzold	Hottinger	Marty	Saxhaug	Wiger
Bonoff	Johnson, D.E.	Metzen	Skoe	
Chaudhary	Kelley	Moua	Skoglund	
Clark	Kiscaden	Murphy	Solon	
Cohen	Kubly	Pappas	Sparks	

Those who voted in the negative were:

Bachmann	Gerlach	Larson	Nienow	Senjem
Belanger	Hann	LeClair	Olson	Wergin
Day	Johnson, D.J.	Limmer	Ortman	
Dille	Jungbauer	McGinn	Reiter	
Fischbach	Koch	Michel	Rosen	
Frederickson	Koering	Neuville	Ruud	

The motion prevailed. So the amendment was adopted.

Senator Chaudhary moved to amend S.F. No. 3764 as follows:

Page 3, after line 14, insert:



**"Sec. 3. I-35W CORRIDOR COALITION**100,000

To the commissioner of transportation for a grant to the North Metro I-35W Corridor Coalition for study of proposed highway improvements on I-35W from its intersection with I-694 to its intersection with County Road 23/Lake Drive in Lino Lakes."

Correct the subdivision and section totals and the summaries by fund accordingly

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Skoe moved to amend S.F. No. 3764 as follows:

Page 5, delete section 4 and insert:

"Sec. 4. Laws 2005, chapter 88, article 3, section 9, is amended to read:

Sec. 9. [CONSTITUTIONAL AMENDMENT PROPOSED.]

An amendment to the Minnesota Constitution is proposed to the people. If the amendment is adopted, two sections will be added to article XIV to read:

Sec. 12. Beginning with the fiscal year starting July 1, 2007, 63.75 percent of the revenue from a tax imposed by the state on the sale of a new or used motor vehicle must be apportioned for the transportation purposes described in section 13, then the revenue apportioned for transportation purposes must be increased by ten percent for each subsequent fiscal year through June 30, 2011, and then the revenue must be apportioned 100 percent for transportation purposes after June 30, 2011.

Sec. 13. The revenue apportioned in section 12 must be allocated for the following transportation purposes: ~~not more than~~ 60 percent must be deposited in the highway user tax distribution fund, and ~~not less than~~ 40 percent must be deposited in a fund dedicated solely to public transit assistance as defined by law.

Sec. 5. Laws 2005, chapter 88, article 3, section 10, is amended to read:

Sec. 10. [SUBMISSION TO VOTERS.]

The constitutional amendment proposed in section ~~42~~ 9 must be presented to the people at the 2006 general election. The question submitted must be:

"Shall the Minnesota Constitution be amended to dedicate revenue from ~~a~~ the existing tax on the sale of new and used motor vehicles over a five-year period, so that after June 30, 2011, all of the revenue is dedicated ~~at least~~ 40 percent for public transit assistance and ~~not more than~~ 60 percent for highway purposes?"

Yes .....

No ....."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

### CALL OF THE SENATE

Senator Marko imposed a call of the Senate for the balance of the proceedings on S.F. No. 3764. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 33 and nays 32, as follows:

Those who voted in the affirmative were:

Bachmann	Johnson, D.J.	Larson	Robling	Sparks
Bakk	Jungbauer	LeClair	Rosen	Stumpf
Day	Kierlin	Limmer	Ruud	Tomassoni
Dille	Koch	Neuville	Sams	Vickerman
Fischbach	Koering	Nienow	Saxhaug	Wergin
Frederickson	Kubly	Ortman	Senjem	
Johnson, D.E.	Langseth	Reiter	Skoe	

Those who voted in the negative were:

Anderson	Cohen	Kelley	Michel	Rest
Belanger	Dibble	Kiscaden	Moua	Skoglund
Berglin	Foley	Lourey	Murphy	Solon
Betzold	Gerlach	Marko	Olson	Wiger
Bonoff	Hann	Marty	Pappas	
Chaudhary	Higgins	McGinn	Pogemiller	
Clark	Hottinger	Metzen	Ranum	

The motion prevailed. So the amendment was adopted.

Senator Reiter moved to amend S.F. No. 3764 as follows:

Page 29, after line 20, insert:

"Sec. 32. Minnesota Statutes 2004, section 171.13, subdivision 1, is amended to read:

Subdivision 1. **Examination subjects and locations; English requirement; provisions for color blindness, disabled veterans.** (a) Except as otherwise provided in this section, the commissioner shall examine each applicant for a driver's license by such agency as the commissioner directs. The commissioner may not give the examination in any language other than English.

(b) This examination must include a test of the applicant's eyesight; ability to read and understand highway signs regulating, warning, and directing traffic; knowledge of traffic laws; knowledge of the effects of alcohol and drugs on a driver's ability to operate a motor vehicle safely and legally, and of the legal penalties and financial consequences resulting from violations of laws prohibiting the operation of a motor vehicle while under the influence of alcohol or drugs; knowledge of railroad grade crossing safety; knowledge of slow-moving vehicle safety; knowledge of traffic laws related to bicycles; ~~an and actual demonstration of ability to demonstrate the exercise of ordinary and reasonable control in the operation of a motor vehicle; and. This examination must include~~ other physical and mental examinations as the commissioner finds necessary to determine the applicant's fitness to operate a motor vehicle safely upon the highways, ~~provided, further,~~

(c) ~~However, no driver's license the commissioner shall be denied not deny~~ an applicant a driver's license on the exclusive grounds that the applicant's eyesight is deficient in color perception. ~~Provided, however, that~~

(d) War veterans operating motor vehicles especially equipped for handicapped persons, shall, if otherwise entitled to a driver's license, must be granted such the license.

(e) The commissioner shall make provision for giving these examinations either in the county where the applicant resides or at a place adjacent thereto reasonably convenient to the applicant."



Page 3, after line 23, insert:

"Sec. 4. **HIGHWAY BONDING AND APPROPRIATIONS.**

Subdivision 1. **Appropriation.** \$35,000,000 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of transportation for program delivery and for the cost of actual payments to landowners for lands acquired for highway rights-of-way, payments to lessees, interest subsidies, and relocation expenses.

Subd. 2. **Bond sale.** To provide the money appropriated in this section from the trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$35,000,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11. The proceeds of the bonds, except accrued interest and any premium received on the sales of the bonds, must be credited to a bond proceeds account in the trunk highway fund.

Subd. 3. **Bond sale expenses.** \$35,000 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of finance for bond sale expenses under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4.

Sec. 5. **HIGHWAY BONDING AND APPROPRIATIONS.**

Subdivision 1. **Trunk highway projects financed by state bonds.** (a) \$2,414,811,000 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of transportation for the actual construction, reconstruction, and improvement of trunk highways. This includes the cost of actual payments to landowners for lands acquired for highway rights-of-way, payments to lessees, interest subsidies, and relocation expenses.

(b) The commissioner of transportation may use up to \$375,000,000 of this appropriation for program delivery.

Subd. 2. **Bond sale.** To provide the money appropriated in subdivision 1 from the bond proceeds account in the trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$2,414,811,000 in the manner, on the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received from the sale of the bonds, must be deposited in the bond proceeds account in the trunk highway fund.

Subd. 3. **Bond sale expenses.** \$2,414,800 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of finance for bond sale expenses under Minnesota Statutes, sections 16A.641, subdivision 8, and 167.50, subdivision 4.

Sec. 6. **[167.515] MOTOR VEHICLE SALES TAX COLLECTION ACCOUNT.**

The commissioner of finance shall maintain in the trunk highway fund a separate account designated as the Minnesota motor vehicle sales tax collection account. Money in the account consists of proceeds allocated to the account from the motor vehicles sales tax under section 297B.09. Money from the account may be spent for debt service incurred pursuant to sections 4 and 5."

Page 3, delete line 25 and insert:

"Sections 1 to 3 are effective the day following final enactment. Sections 4 to 6 are effective upon the adoption of the constitutional amendment proposed in Laws 2005, chapter 88, article 3, section 9, by the people at the 2006 general election."

Page 3, delete section 1 and insert:

"Section 1. Minnesota Statutes 2004, section 297B.09, is amended to read:

**297B.09 ALLOCATION OF REVENUE.**

Subdivision 1. **Deposit of revenues.** (a) Money collected and received under this chapter must be deposited as provided in this subdivision.

~~(b) From July 1, 2002, to June 30, 2003, 32 percent of the money collected and received must be deposited in the highway user tax distribution fund, 20.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.25 percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund.~~

~~(c) From July 1, 2003, to through June 30, 2007, 30 percent of the money collected and received must be deposited in the highway user tax distribution fund, 21.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, 1.43 percent must be deposited in the greater Minnesota transit fund under section 16A.88, 0.65 percent must be deposited in the county state-aid highway fund, and 0.17 percent must be deposited in the municipal state-aid street fund. The remaining money must be deposited in the general fund.~~

~~(d) On and after (c) From July 1, 2007, 32 through June 30, 2008, 38.25 percent of the money collected and received must be deposited in the highway user tax distribution fund, 20.5 24.225 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.25 1.275 percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund. Of the amount from this paragraph deposited in the state trunk highway fund, 16.5 percent must be deposited in the motor vehicle sales tax collection account established in section 167.515.~~

~~(d) From July 1, 2008, through June 30, 2009, 44.25 percent must be deposited in the highway user tax distribution fund, 28.025 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.475 percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund. Of the amount from this paragraph deposited in the state trunk highway fund, 27.5 percent must be deposited in the motor vehicle sales tax collection account established in section 167.515.~~

~~(e) From July 1, 2009, through June 30, 2010, 50.25 percent must be deposited in the highway user tax distribution fund, 31.825 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.675 percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund. Of the amount from this paragraph deposited in the state trunk highway fund, 36.5 percent must be deposited in the motor vehicle sales tax collection account established in section 167.515.~~

~~(f) From July 1, 2010, through June 30, 2011, 56.25 percent must be deposited in the highway user tax distribution fund, 35.625 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.875 percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund. Of the amount from this paragraph deposited in the state trunk highway fund, 43 percent must be deposited in the motor vehicle sales tax collection account established in section 167.515.~~

~~(g) On and after July 1, 2011, 60 percent must be deposited in the highway user tax distribution fund, 38 percent must be deposited in the metropolitan area transit fund under section 16A.88, and two percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund. Of the amount from this paragraph deposited in the state trunk highway fund, 46.7 percent must be deposited in the motor vehicle sales tax collection account established in section 167.515."~~

Page 4, delete sections 2 and 3

Page 6, line 6, delete everything before "upon" and insert "Section 1 is effective"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 31 and nays 34, as follows:

Those who voted in the affirmative were:

Bachmann	Frederickson	Koering	Nienow	Scheid
Belanger	Gerlach	Larson	Olson	Senjem
Bonoff	Hann	LeClair	Ortman	Wergin
Day	Johnson, D.J.	Limmer	Reiter	
Dille	Jungbauer	McGinn	Robling	
Fischbach	Kierlin	Michel	Rosen	
Foley	Koch	Neuville	Ruud	

Those who voted in the negative were:

Anderson	Higgins	Lourey	Pogemiller	Solon
Bakk	Hottinger	Marko	Ranum	Sparks
Berglin	Johnson, D.E.	Marty	Rest	Stumpf
Betzold	Kelley	Metzen	Sams	Tomassoni
Clark	Kiscaden	Moua	Saxhaug	Vickerman
Cohen	Kubly	Murphy	Skoe	Wiger
Dibble	Langseth	Pappas	Skoglund	

The motion did not prevail. So the amendment was not adopted.

Senator Wergin moved to amend S.F. No. 3764 as follows:

Page 26, delete section 26

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Nienow moved to amend S.F. No. 3764 as follows:

Page 28, line 18, after "(c)" insert "During the first year after receiving the license, a provisional license holder who is under the age of 18 may not operate a motor vehicle:

(1) with more than one passenger under age 21, except for immediate family members; or

(2) between the hours of midnight and 5:00 a.m. unless accompanied by the holder's parent or guardian.

(d)"

The motion prevailed. So the amendment was adopted.

Senator Skoe moved to amend S.F. No. 3764 as follows:

Page 34, after line 6, insert:

"Sec. 42. **ACTION CONCERNING PROPOSED CONSTITUTIONAL AMENDMENT.**

Any action brought for declaratory or injunctive relief concerning a proposed amendment to the state Constitution that relates to distribution of motor vehicle sales tax revenue, or concerning the related question, to be submitted to the people at the 2006 general election, must be filed with any judge of the Supreme Court within 30 days after adjournment of the 84th legislative session. The Supreme Court shall advance the matter on the docket and expedite to the greatest possible extent

the final disposition of the action."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 44 and nays 19, as follows:

Those who voted in the affirmative were:

Bachmann	Hottinger	Langseth	Ortman	Senjem
Bakk	Johnson, D.E.	Larson	Pogemiller	Skoe
Belanger	Johnson, D.J.	LeClair	Reiter	Solon
Day	Jungbauer	Limmer	Robling	Sparks
Dille	Kelley	Lourey	Rosen	Stumpf
Fischbach	Kierlin	McGinn	Ruud	Tomassoni
Frederickson	Koch	Murphy	Sams	Vickerman
Gerlach	Koering	Neuville	Saxhaug	Wergin
Hann	Kubly	Nienow	Scheid	

Those who voted in the negative were:

Anderson	Clark	Marko	Moua	Rest
Berglin	Dibble	Marty	Olson	Skoglund
Betzold	Foley	Metzen	Pappas	Wiger
Bonoff	Higgins	Michel	Ranum	

The motion prevailed. So the amendment was adopted.

Senator Robling moved to amend S.F. No. 3764 as follows:

Page 32, after line 21, insert:

"Sec. 38. Minnesota Statutes 2004, section 471.345, is amended by adding a subdivision to read:

Subd. 19. **Town road construction and maintenance.** Notwithstanding any other procedural requirements of this section, a town may contract for the construction or maintenance of a town road by agreeing to the terms of an existing contract between a vendor and a county for road construction or maintenance on an adjoining road if the existing county contract was made in conformance with all applicable procedural requirements."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Rosen moved to amend S.F. No. 3764 as follows:

Page 13, after line 13, insert:

"Sec. 9. **[168.1266] SPECIAL "COMBAT DRUG ABUSE" PLATES.**

Subdivision 1. **General requirements and procedures.** The registrar shall issue special "combat drug abuse" license plates to an applicant who:

- (1) is an owner or joint owner of a passenger automobile;
- (2) pays a fee of \$10 to cover the costs of handling and manufacturing the plates;
- (3) pays the registration tax required under section 168.013;
- (4) pays the fees required under this chapter;

(5) pays an annual additional contribution of \$30 for deposit in the chemical dependency treatment fund; and

(6) complies with laws and rules governing registration and licensing of vehicles and drivers.

Subd. 2. **Design.** The commissioner shall design the special plates in consultation with the commissioner of human services. The plates must bear a distinguishing number and the words "combat drug abuse."

Subd. 3. **Plate transfers.** Notwithstanding section 168.12, subdivision 1, on payment of a transfer fee of \$5, plates issued under this section may be transferred to another passenger automobile owned or jointly owned by the person to whom the special plates were issued.

Subd. 4. **Fees credited.** The fees collected under this section, excluding contributions, must be deposited in the state treasury and credited to the highway user tax distribution fund.

Subd. 5. **Chemical dependency fund.** The commissioner shall deposit all contributions received under this section into the chemical dependency fund for the purposes of chapter 254B.

Subd. 6. **Compliance with other law.** License plates issued under this section are not subject to section 168.1293."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion did not prevail. So the amendment was not adopted.

Senator Ruud moved to amend S.F. No. 3764 as follows:

Page 18, delete section 20

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 26 and nays 36, as follows:

Those who voted in the affirmative were:

Bachmann	Hann	Larson	Ortman	Tomassoni
Bakk	Johnson, D.J.	LeClair	Reiter	Wergin
Day	Jungbauer	Limmer	Rosen	
Dille	Kierlin	Neuville	Ruud	
Fischbach	Koch	Nienow	Senjem	
Gerlach	Koering	Olson	Sparks	

Those who voted in the negative were:

Anderson	Foley	Marty	Ranum	Solon
Belanger	Frederickson	McGinn	Rest	Stumpf
Berglin	Higgins	Metzen	Robling	Vickerman
Betzold	Hottinger	Michel	Sams	Wiger
Bonoff	Johnson, D.E.	Moua	Saxhaug	
Clark	Kelley	Murphy	Scheid	
Cohen	Lourey	Pappas	Skoe	
Dibble	Marko	Pogemiller	Skoglund	

The motion did not prevail. So the amendment was not adopted.

Senator Tomassoni moved to amend S.F. No. 3764 as follows:

Page 34, after line 27, insert:



"Sec. 43. **REPORT ON COMPARISON OF COSTS OF PUBLIC AND PRIVATE WORK ON TRUNK HIGHWAY CONSTRUCTION.**

The commissioner of transportation shall submit, no later than September 1, an annual written report to the legislature, in compliance with Minnesota Statutes, sections 3.195 and 3.197, and shall submit the report to the chairs of the senate and house of representatives committees having jurisdiction over transportation. The report must identify:

(1) standard line item bid categories in trunk highway construction contracts, including culvert installation or replacement; roadway resurfacing; lane-mile cost of road construction; crack fill and seal; consultant fees; sign replacement; drainage repair; guardrail and fence replacement and repair; and striping;

(2) costs incurred in the previous fiscal year attributed to work performed by state employees in each identified category; and

(3) costs attributable in the previous fiscal year to work performed by private contractors in each identified category."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Tomassoni moved to amend S.F. No. 3764 as follows:

Page 26, after line 30, insert:

"Sec. 27. Minnesota Statutes 2004, section 169A.63, subdivision 11, is amended to read:

**Subd. 11. Sale of forfeited vehicle by secured party.** (a) A financial institution with a valid security interest in or a valid lease covering a forfeited vehicle may choose to dispose of the vehicle under this subdivision, in lieu of the appropriate agency disposing of the vehicle under subdivision 9. A financial institution wishing to dispose of a vehicle under this subdivision shall notify the appropriate agency of its intent, in writing, within 30 days after receiving notice of the seizure and forfeiture. The appropriate agency shall release the vehicle to the financial institution or its agent after the financial institution presents proof of its valid security agreement or of its lease agreement ~~and the financial institution agrees not to sell the vehicle to a member of the violator's household, unless the violator is not convicted of the offense on which the forfeiture is based.~~ The financial institution shall dispose of the vehicle in a commercially reasonable manner as defined in section 336.9-610.

(b) After disposing of the forfeited vehicle, the financial institution shall reimburse the appropriate agency for its seizure, storage, and forfeiture costs. The financial institution may then apply the proceeds of the sale to its storage costs, to its sale expenses, and to satisfy the lien or the lease on the vehicle. If any proceeds remain, the financial institution shall forward the proceeds to the state treasury, which shall credit the appropriate fund as specified in subdivision 9."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 3764 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 46 and nays 18, as follows:

Those who voted in the affirmative were:

Bakk	Hann	Larson	Reiter	Sparks
Belanger	Hottinger	Limmer	Robling	Stumpf
Clark	Johnson, D.E.	Lourey	Rosen	Tomassoni
Cohen	Johnson, D.J.	Marko	Ruud	Vickerman
Day	Jungbauer	McGinn	Sams	Wergin
Dille	Kierlin	Metzen	Saxhaug	Wiger
Fischbach	Kiscaden	Michel	Scheid	
Foley	Koering	Murphy	Senjem	
Frederickson	Kubly	Neuville	Skoe	
Gerlach	Langseth	Nienow	Solon	

Those who voted in the negative were:

Anderson	Bonoff	Koch	Ortman	Rest
Bachmann	Dibble	LeClair	Pappas	Skoglund
Berglin	Higgins	Marty	Pogemiller	
Betzold	Kelley	Moua	Ranum	

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

### MOTIONS AND RESOLUTIONS - CONTINUED

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

### MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 2916.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 11, 2006

### FIRST READING OF HOUSE BILLS

The following bill was read the first time.

**H.F. No. 2916:** A bill for an act relating to public safety; establishing the fire safety account from revenues on fire premiums and assessments; abolishing the fire insurance tax; amending Minnesota Statutes 2004, section 297I.30, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 297I; 299F; repealing Minnesota Statutes 2004, section 297I.05, subdivision 6.

Referred to the Committee on Finance.

### REPORTS OF COMMITTEES

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

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

**H.F. No. 3374:** A bill for an act relating to human services; changing a Council on Disability provision; amending Minnesota Statutes 2004, section 256.482, subdivision 8.

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. **[41B.0391] BEGINNING FARMER PROGRAM; TAX CREDITS.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Farm" means any tract of land over ten acres in area used for or devoted to the commercial production of farm products.

(c) "Farm product" means those plants and animals useful to humans and includes, but is not limited to, forage and sod crops, grain and feed crops, dairy and dairy products, poultry and poultry products, livestock, fruits, and vegetables.

(d) "Farming or livestock production" means the active use, management, and operation of real and personal property for the production of a farm product.

(e) "Beginning farmer or livestock producer" means a resident of Minnesota who:

(1) is seeking entry or has entered within the last two years into farming or livestock production;

(2) intends to farm or raise crops or livestock on land located within the state borders of Minnesota; and

(3) meets the following eligibility requirements as determined by the authority:

(i) has a net worth of not more than \$200,000, including any holdings by a spouse or dependent, based on fair market value;

(ii) provides the majority of the day-to-day physical labor and management of the farm;

(iii) has, by the judgment of the Rural Finance Authority ("authority"), adequate farming or livestock production experience or demonstrates knowledge in the type of farming or livestock production for which the beginning farmer seeks assistance from the authority;

(iv) demonstrates to the authority a profit potential by submitting projected earnings statements;

(v) asserts to the satisfaction of the authority that farming or livestock production will be a significant source of income for the beginning farmer or livestock producer;

(vi) participates in a financial management program approved by the authority or the commissioner of agriculture; and

(vii) has other such qualifications as specified by the authority.

Subd. 2. **Beginning farmer management tax credit.** (a) A beginning farmer or livestock producer may take a credit against the tax due under chapter 290 for participating in a financial management program approved by the authority. The credit is equal to 100 percent of the cost of participating in the program or \$500, whichever is less. The credit is available for up to three years while the farmer is in the program. The authority shall maintain a list of approved financial management programs and establish a procedure for approving equivalent programs that are not on the list.

(b) The credit is limited to the liability for tax, as computed under chapter 290 for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover according to section 290.06, subdivision 35.

**Subd. 3. Authority's duties.** The authority shall:

(1) approve and certify beginning farmers and livestock producers as eligible for the program under this section;

(2) provide necessary and reasonable assistance and support to beginning farmers and livestock producers for qualification and participation in financial management programs approved by the authority; and

(3) refer beginning farmers and livestock producers to agencies and organizations that may provide additional pertinent information and assistance.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19b, is amended to read:

**Subd. 19b. Subtractions from federal taxable income.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) 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 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 and under the provisions of Public Law 109-1;

(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;

(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;

(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;

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

(11) 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;

(12) the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota;

(13) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "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; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(14) 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 (16), 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 (16), 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;

(15) to the extent included in federal taxable income, compensation paid to a nonresident who is 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

(16) international economic development zone income as provided under section 469.325; and

(17) to the extent included in federal taxable income, a percentage of compensation received from a pension or other retirement pay from the government for service in the armed forces of the United States, up to a maximum amount.

For taxable years beginning after December 31, 2005, and before January 1, 2007, the percentage is 25 percent and the maximum amount is \$7,500; for taxable years beginning after December 31, 2006, and before January 1, 2008, the percentage is 50 percent and the maximum amount is \$15,000; for taxable years beginning after December 31, 2007, and before January 1, 2009, the percentage is 75 percent and the maximum amount is \$22,500; and for taxable years beginning after December 31, 2008, the percentage is 100 percent and there is no maximum amount.

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2006.

Sec. 3. Minnesota Statutes 2004, section 290.06, subdivision 28, is amended to read:

Subd. 28. **Credit Credits and refunds for transit passes.** (a) A taxpayer may take a credit against the tax due under this chapter equal to 30 percent of the expense incurred by the taxpayer to provide transit passes, for use in Minnesota, to employees of the taxpayer. As used in this subdivision, "transit pass" has the meaning given in section 132(f)(5)(A) of the Internal Revenue Code. If the taxpayer purchases the transit passes from the transit system operator, and resells them to the employees, the credit is based on the amount of the difference between the price paid for the passes by the employer and the amount charged to employees.

(b) An employer that is exempt from taxation under section 290.05, but excluding entities enumerated in section 290.05, subdivision 1, clause (b), may claim a refund equal to 30 percent of an expense incurred by the employer to provide transit passes to the employer's employees for use in Minnesota.

(c) 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.

(d) 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 June 30, 2006.

Sec. 4. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

Subd. 33. **Film production credit.** (a) A taxpayer is allowed a credit against the taxes due under this chapter equal to 15 percent of film production expenditures made in Minnesota that are directly attributable to film production in Minnesota. For purposes of this subdivision, "film" means a movie, documentary, or music video, whether on film or video; and "film production" means all the activities related to (i) the preparation for shooting, (ii) the shooting, including processing, and (iii) the editing and finishing of a film. For purposes of this subdivision, the following is not a "film:"

(1) news, current events, or public programming or a program that includes weather or market

reports;

(2) a talk show;

(3) a production with respect to a questionnaire or contest;

(4) a sports event or sports activity;

(5) a gala representation or awards show;

(6) a finished production that solicits funds; or

(7) a production for which the production company is required under United States Code, title 18, section 2257, to maintain records with respect to a performer portrayed in a single media or multimedia program.

(b) Expenditures that qualify for the credit under this subdivision must be subject to taxation in Minnesota and include:

(1) payment of wages, fringe benefits, or fees for talent, management, or labor to a person who is a Minnesota resident for purposes of this chapter;

(2) payment to personal services corporations for the services of a performing artist, if the performing artist receiving payments from the personal services corporation pays Minnesota income tax; and

(3) any of the following provided by a vendor:

(i) the story and scenario to be used for a film;

(ii) set construction and operations, wardrobe, accessories, and related services;

(iii) photography, sound synchronization, lighting, and related services;

(iv) editing and related services;

(v) rental of facilities and equipment;

(vi) leasing of vehicles; and

(vii) food and lodging.

(c) If the amount of the credit under this subdivision exceeds the taxpayer's tax liability under this chapter for the taxable year, the amount of the excess must be refunded to the taxpayer. The amount necessary to pay the refunds is appropriated annually from the general fund to the commissioner of revenue.

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

Sec. 5. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

**Subd. 34. Credit for military service.** (a) An individual may take a credit against the tax due under this chapter equal to \$59 for each month or portion thereof the individual was in active military service in a designated area after September 11, 2001. An individual may take this credit in the taxable year the individual returns to Minnesota residency following active military service in a designated area. If a Minnesota resident served in a designated area between September 11, 2001, and December 31, 2005, the individual may take this credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

(b) If a Minnesota resident is killed while serving in active military service in a designated area,

the individual's surviving spouse or dependent child may take this credit in the taxable year of the death. If a Minnesota resident was killed while serving in a designated area between September 11, 2002, and December 31, 2005, the individual's surviving spouse or dependent child may take this credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

(c) For purposes of this section, a "designated area" means a:

(1) combat zone designated by Executive Order from the President of the United States;

(2) qualified hazardous duty area, designated in Public Law; or

(3) location certified by the U.S. Department of Defense as eligible for combat zone tax benefits due to the location's direct support of military operations.

(d) For purposes of this section, active military service includes active duty service in any of the United States Armed Forces, the National Guard, or reserves.

(e) If the amount of the credit which the taxpayer is eligible to receive under this section exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(f) The amount necessary to pay claims for the refund provided in this section is appropriated from the general fund to the commissioner of revenue.

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

Sec. 6. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

**Subd. 35. Beginning farmer management credit.** (a) A taxpayer who is a beginning farmer or livestock producer may take a credit against the tax due under this chapter for participation in a financial management program according to section 41B.0391, subdivision 3.

(b) The credit may be claimed only after approval and certification by the Rural Finance Authority according to section 41B.0391.

(c) The credit is limited to the liability for tax, as computed under this chapter, for the taxable year. If the amount of the credit determined under this subdivision for any taxable year exceeds this limitation, the excess is a beginning farmer management credit carryover to each of the three succeeding taxable years. The entire amount of the excess unused credit for the taxable year is 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 must not exceed the taxpayer's liability for tax less the beginning farmer management credit for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 7. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

**Subd. 36. Bovine testing credit.** (a) An owner of cattle in Minnesota may take a credit against the tax due under this chapter for an amount equal to one-half the expenses incurred during the taxable year to conduct tuberculosis testing on those cattle.

(b) If the amount of credit which the taxpayer is eligible to receive under this subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of revenue shall refund the excess to the taxpayer.

(c) The amount necessary to pay claims for the refund provided in this subdivision is appropriated from the general fund to the commissioner of revenue.



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

Sec. 8. Minnesota Statutes 2004, section 290.06, is amended by adding a subdivision to read:

**Subd. 37. Dairy investment credit.** (a) A dairy investment credit is allowed against the tax due under this chapter equal to ten percent of the amount paid or incurred by the taxpayer, on the first \$500,000 of qualifying expenditures made in the qualifying period.

(b) "Qualifying expenditures" means for purposes of this subdivision the amount spent by a person who raises dairy animals for the acquisition, construction, or improvement of buildings or facilities; or the development of pasture; or the acquisition of equipment; for dairy animal housing, confinement, animal feeding, production of milk and other dairy products, and waste management, including the following, if related to dairy animals in this state:

- (1) freestall barns;
- (2) fences;
- (3) watering facilities;
- (4) feed storage and handling equipment;
- (5) milking parlors;
- (6) robotic equipment;
- (7) scales;
- (8) milk storage and cooling facilities;
- (9) bulk tanks;
- (10) manure pumping and storage facilities;
- (11) digesters;
- (12) equipment used to produce energy;
- (13) on-farm processing of milk and other dairy products; and
- (14) development of pasture owned or rented by the taxpayer for the use of dairy animals.

Qualified expenditures only include amounts that are capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income.

(c) The credit is limited to the liability for tax, as computed under this chapter, for qualifying expenditures, other than expenditures for development of pasture, only include amounts that are capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income. Qualifying expenditures for development of pasture must not include land acquisition and are limited to soil preparation expenses, seed costs, planting costs, and weed control, which are allowed once for each acre owned or rented by the taxpayer for the use of dairy animals and developed into pasture during the qualifying period. The amount of the unused credit which may be added under this paragraph must not exceed the taxpayer's liability for tax less the dairy investment credit for the taxable year.

(d) The qualifying period is that time after December 31, 2005, and before January 1, 2012.

(e) The \$50,000 maximum credit applies at the entity level for partnerships, S corporations, trusts, and estates as well as at the individual level. In the case of married individuals, the credit is limited to \$50,000 for a married couple.

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

**Sec. 9. [290.0677] 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, 2005.

Sec. 10. 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, 2005.

## ARTICLE 2

### INCOME TAX REFORM

Section 1. Minnesota Statutes 2005 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005.

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

Sec. 2. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating 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 Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005, shall be in effect for taxable years beginning after December 31, 1996.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 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 2005 Supplement, 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 the amount of taxes based on net income paid 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(e) of the Internal Revenue Code minus the addition which would have been required under clause (10) if the taxpayer had claimed the standard deduction.~~ 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 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;

(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; and

~~(10) for tax years beginning after December 31, 2004, 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; and~~

~~(11) (10) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans.~~

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

Sec. 4. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005.

**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. 5. Minnesota Statutes 2005 Supplement, section 290.0675, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means the sum of the following, 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 ~~minus one-half of any addition required under section 290.01, subdivision 19a, clause (10), and one-half of the addition which would have been required under section 290.01, subdivision 19a, clause (10), if the taxpayer had claimed the standard deduction.~~

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

Sec. 6. 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:

(1) for taxable years beginning before January 1, 2006, the exemption determined under section 55(d) of the Internal Revenue Code, as amended through December 31, 1992; and

(2) for taxable years beginning after December 31, 2005, \$60,000 for married couples filing joint returns, \$30,000 for married individuals filing separate returns, estates, and trusts, and \$45,000 for unmarried individuals.

(b) The exemption amount determined under this subdivision is subject to the phase out under section 55(d)(3) of the Internal Revenue Code, 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).

(c) For taxable years beginning after December 31, 2006, the exemption amount under paragraph (a), clause (2), 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 for taxable years beginning after December 31, 2005.

Sec. 7. Minnesota Statutes 2004, section 290.17, subdivision 2, is amended to read:

Subd. 2. **Income not derived from conduct of a trade or business.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2), and (a)(3), and ~~(a)(4)~~, income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of the employee is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law 104-95, are not considered income derived from carrying on a trade or business or from wages or other compensation for work an employee performed in Minnesota, and are not taxable under this chapter.

~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:~~

~~(i) the recipient was not a resident of this state for any part of the taxable year in which the wages were received; and~~

~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).



(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

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

Sec. 8. Minnesota Statutes 2005 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~April 15~~ December 31, 2005.

**EFFECTIVE DATE.** This section is effective for property taxes payable on or after December 31, 2005, and rent paid on or after December 31, 2004.

Sec. 9. **NET INCOME; FEDERAL CONFORMITY.**

For taxable years beginning after December 31, 2004, and before December 31, 2006, the definition of "net income" in Minnesota Statutes, section 290.01, subdivision 19, must be interpreted by the Department of Revenue to conform to the position taken by the Internal Revenue Service in Revenue Notice 2005-68.

Sec. 10. **MARRIED JOINT FILERS; TAXABLE YEAR 2005.**

For taxable years beginning after December 31, 2004, and before January 1, 2006, the liability for tax under Minnesota Statutes, chapter 290, must be determined as if the addition to federal taxable income under Minnesota Statutes 2005 Supplement, section 290.01, subdivision 19a, clause (10), did not apply.

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

Sec. 11. **REFUNDS.**

The commissioner of revenue must review individual income tax returns that may be subject to section 10 and adjust the tax liability accordingly. If the tax paid for the taxable year beginning after December 31, 2004, and before January 1, 2006, by any taxpayer under Minnesota Statutes, chapter 290, as amended through December 31, 2005, to the commissioner of revenue is greater than the tax liability determined under section 10, the commissioner must pay the taxpayer a refund of the difference. If the tax paid for that taxable year by any taxpayer under Minnesota Statutes, chapter 290, as amended through December 31, 2005, is less than the tax liability determined under section 10, no additional payment is required of the taxpayer. The refunds issued under this section are not subject to accrual of interest.

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

Sec. 12. **APPROPRIATION.**

The amount necessary to issue refunds under section 11 and the administrative costs associated with the issuance of refunds is appropriated from the Tax Relief Account under Minnesota Statutes, section 16A.1522, subdivision 4, to the commissioner of revenue. Notwithstanding Minnesota Statutes, section 16A.285, the commissioner of revenue may not use this appropriation for any purpose other than administering the refunds under section 11. This is a onetime appropriation and may not be added to the agency's budget base.

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

**ARTICLE 3**

**SALES AND USE TAX**

Section 1. Minnesota Statutes 2005 Supplement, section 270C.722, subdivision 2, is amended to read:

Subd. 2. **New permits after revocation.** (a) The commissioner shall not issue a new permit after revocation or reinstate a revoked permit unless the taxpayer applies for a permit and provides reasonable evidence of intention to comply with the sales and use tax laws and rules. The commissioner may require the applicant to provide security, in addition to that authorized by section 297A.92, in an amount reasonably necessary to ensure compliance with the sales and use tax laws and rules. If the commissioner issues or reinstates a permit not in conformance with the requirements of this subdivision or applicable rules, the commissioner may cancel the permit upon notice to the permit holder. The notice must be served by first class and certified mail at the permit holder's last known address. The cancellation shall be effective immediately, subject to the right of the permit holder to show that the permit was issued in conformance with the requirements of this subdivision and applicable rules. Upon such showing, the permit must be reissued.

(b) If a taxpayer has had a permit or permits revoked three times in a five-year period, the commissioner ~~shall not~~ may refuse to issue a new permit or reinstate the revoked permit until 24 months have elapsed after revocation and the taxpayer has satisfied the conditions for reinstatement of a revoked permit or issuance of a new permit imposed by this section and rules adopted under this section.

(c) For purposes of this subdivision, "taxpayer" means:

(1) an individual, if a revoked permit was issued to or in the name of an individual, or a corporation or partnership, if a revoked permit was issued to or in the name of a corporation or partnership; and

(2) an officer of a corporation, a member of a partnership, or an individual who is liable for delinquent sales taxes, either for the entity for which the new or reinstated permit is at issue, or for another entity for which a permit was previously revoked, or personally as a permit holder.

Sec. 2. Minnesota Statutes 2005 Supplement, 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;

(4) dietary supplements; and

(5) all food sold through vending machines, except milk.

(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, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; 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 for purchases and sales made after June 30, 2006.

Sec. 3. Minnesota Statutes 2005 Supplement, 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; or (4) a vehicle under a car sharing agreement where the lessee is a dues-paying member of a nonprofit car sharing organization that leases vehicles only on an hourly or mileage basis. 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 for leases made after June 30, 2006.

Sec. 4. Minnesota Statutes 2004, section 297A.67, subdivision 18, is amended to read:

Subd. 18. **Used and re-refined motor oils.** Used motor oils are exempt. Re-refined motor oils that meet American Petroleum Institute specifications for gasoline or diesel engines are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2006.

Sec. 5. Minnesota Statutes 2004, section 297A.67, is amended by adding a subdivision to read:

Subd. 33. **Recycled copier and printing papers.** Copier paper with a minimum postconsumer recycled content of 30 percent by weight is exempt. Uncoated printing paper with a minimum of 30 percent postconsumer recycled content by weight is exempt. Coated printing paper with a minimum of ten percent of postconsumer recycled content by weight is exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2006.

Sec. 6. 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, 2006.

Sec. 7. Minnesota Statutes 2004, section 297A.68, is amended by adding a subdivision to read:

Subd. 42. **Commuter rail materials, supplies, and equipment.** (a) Materials, supplies, and equipment used or consumed in the construction, equipment, or improvement of a commuter rail transportation system operated under sections 174.80 to 174.90 are exempt. This exemption includes railroad cars, engines, and related equipment. 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.

(b) \$7,500,000 is appropriated from the general fund to the commissioner of revenue to be used to pay refunds of the tax paid for items that are exempt from taxation under this subdivision. This

appropriation does not cancel, but remains available until expended. This exemption terminates when the commissioner of revenue determines that no amount of this appropriation remains.

**EFFECTIVE DATE.** This section is effective for purchases made after June 30, 2006.

Sec. 8. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Department of Administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment; ~~and~~

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10); ~~and~~

(10) voting equipment purchased between January 1, 2006, and January 1, 2008, by a county to comply with United States Code, title 42, section 15481, ("Help America Vote Act of 2002").

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2006.

Sec. 9. Minnesota Statutes 2005 Supplement, 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 403.34 403.40, 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 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, and that portion of the system that is located in Itasca County.~~

Sec. 10. Minnesota Statutes 2004, section 297A.71, subdivision 23, is amended to read:

Subd. 23. **Construction materials for qualified low-income housing projects.** (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

- (1) the public housing agency or housing and redevelopment authority of a political subdivision;
- (2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;
- (3) a limited partnership in which the sole general partner is an authority under clause (1) or an entity under clause (2);
- (4) 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; ~~or~~
- (5) an owner entity, as defined in Code of Federal Regulations, title 24, part 941.604, for a qualified low-income housing project described in paragraph (b), clause (5); ~~or~~
- (6) a limited partnership in which either:
  - (i) the sole general partner is an entity under clause (4); ~~or~~
  - (ii) the managing partner is an entity under clause (4) and makes the following disclosures in writing to an entity under clause (1) or (2):
    - (A) the names of all members of the partnership;
    - (B) the address for service of process of each member of the partnership; and
    - (C) the financing plan for the low-income housing project.

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

(b) For purposes of this exemption, "qualified low-income housing project" means:

- (1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;
- (2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;
- (3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of

the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit;

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; or

(5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) 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 sales and purchases made after June 30, 2006.

Sec. 11. Minnesota Statutes 2004, section 297A.71, is amended by adding a subdivision to read:

**Subd. 37. Hydroelectric generating facility.** Materials and supplies used or consumed in the construction of a 10.3 megawatt run-of-the-river hydroelectric generating facility that meets the requirements of this subdivision are exempt. To qualify for the exemption under this subdivision, a hydroelectric generating facility must:

(1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;

(2) be located on land within 3,000 feet of a 13.8 kilovolt distribution circuit; and

(3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after April 30, 2006, and on or before December 31, 2009.

Sec. 12. Minnesota Statutes 2005 Supplement, 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) elevators and 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;
- (9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23; ~~and~~
- (10) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- (11) products purchased for use as fuel for a commuter rail system exempt under section 297A.68, subdivision 19, clause (7); and
- (12) commuter rail construction materials, supplies, and equipment exempt under section 297A.68, subdivision 42.

Sec. 13. Minnesota Statutes 2005 Supplement, 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;
- (5) for subdivision 1, clause (9), the owner of the qualified low-income housing project; ~~and~~
- (6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities; and
- (7) for subdivision 1, clauses (11) and (12), the applicant must be the purchaser of the fuel or construction materials, as applicable.

Sec. 14. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22; Laws 1998, chapter 389, article 8, section 25; and Laws 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to ~~one and one-half two and one-quarter~~ two and one-quarter percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent. When the city council determines

that the taxes imposed under this subdivision at a rate of three-quarters of one percent have produced revenue sufficient to pay debt service on bonds in the principal amount of \$33,700,000, plus issuance and discount costs, issued for capital improvements for a new arena at the Duluth Entertainment and Convention Center, the rate of tax under this subdivision shall be reduced by three-quarters of one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. 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 the one percent 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 building containing a police and fire station and an administrative services facility.

(c) Revenues received from the remaining one-half of the one percent 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 the following projects:

- (1) construction of a new facility or purchase of an existing facility to be used as a public works facility;
- (2) construction, signalization, and rehabilitation of primary collector roads and commercial frontage roads, within the city; and
- (3) extension of a regional trunk sewer.

(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 of the tax rate.

(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 the tax to finance the 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 on March 31, 2026. 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. 16. 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. 17. 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. 18. 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 ~~279.61~~ 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. 19. Laws 2005, First Special Session chapter 3, article 5, 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 to pay all or part of the capital costs of transportation contained in the Minnesota Department of Transportation's Winona Intermodal study dated June 2002 and in the resolution approved by the city council on January 3, 2005, and all or a part of the capital costs of flood control projects approved by resolution of the city council on February 6, 2006, including securing or paying debt service on bonds issued under subdivision 4, for the transportation and flood control 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.

**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. 20. Laws 2005, First Special Session chapter 3, article 5, section 44, subdivision 1, is amended to read:

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, at the next a general election held before January 1, 2008, the city of Worthington may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 3. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

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

Sec. 21. **CITY OF AUSTIN; 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, at the next general election or special election held for that purpose before January 1, 2007, the city of Austin may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 2. Except as otherwise provided in this section, 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 taxes authorized by subdivision 1 must be used by the city of Austin to pay all or part of the capital or administrative costs of flood mitigation projects in the city of Austin. Authorized expenses include, but are not limited to, acquiring property and paying construction and engineering expenses related to the flood mitigation projects.

Subd. 3. **Bonding authority.** Pursuant to the approval of the city voters to impose the tax authorized in subdivision 1, the city of Austin may issue without an additional election general obligation bonds of the city in an amount not to exceed \$14,000,000 to finance the costs for 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 limitation.

Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of:

(1) 20 years after the date of initial imposition of the tax; or

(2) when the Austin City Council determines that the amount described in subdivision 2 has been received from the tax to finance the capital and administrative costs for 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 in subdivision 3, 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 Austin with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 22. 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 of Baxter 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 all or part of the costs of constructing an upgraded regional wastewater treatment facility to serve the cities of Brainerd and Baxter, building and equipping a fire substation, and constructing the Paul Bunyan bridge over Excelsior Road and other improvements. 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 Baxter, pursuant to the approval of the voters at the November 2, 2004, 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 of Baxter.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of a date 12 years after the imposition of the tax or when the Baxter 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 3. Any funds remaining after the expiration of the taxes and retirement of the bonds shall be placed in a capital project fund of the city of Baxter. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of Baxter 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. 23. CITY OF BRAINERD; 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, contingent on the approval of the voters on the November 7, 2006, referendum, and pursuant to Minnesota Statutes, section 297A.99, the city of Brainerd 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 section.

Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Brainerd 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 of Brainerd 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 all or part of the costs of constructing an upgraded regional wastewater treatment facility to serve the cities of Brainerd and Baxter, water infrastructure improvements, and trail development, contingent on approval by Brainerd voters at the November 7, 2006, referendum. 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 Brainerd, contingent on approval of the voters at the November 7, 2006, referendum authorizing the imposition of 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 \$22,030,000 to finance the projects listed in subdivision 3. The debt represented by the bonds is not included in computing any debt limitations applicable to Brainerd, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal and interest on the bonds is not subject to any levy limitation or included in computing any levy limitation applicable to the city of Brainerd.

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of a date 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 projects equals or exceeds \$22,030,000 plus any interest on bonds issued for the projects under subdivision 3. Any funds remaining after the expiration of the taxes and retirement of the bonds shall be placed in a capital project fund of the city of Brainerd. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city of Brainerd so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of Brainerd with Minnesota Statutes, section 645.021, subdivision 3.

#### **Sec. 24. CITY OF BREEZY POINT; 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 at the general election on November 7, 2006, and pursuant to Minnesota Statutes, section 297A.99, the city of Breezy Point 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 Breezy Point 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 of Breezy Point 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 sanitary sewer and storm sewer improvements as approved by the voters at the referendum authorizing 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 Breezy Point, 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 \$11,000,000 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 15 years after the imposition of the tax or when the Breezy Point City Council first determines that the amount of revenues raised from the taxes to pay for the projects equals or exceeds \$11,000,000 plus any interest on bonds issued for the projects under subdivision 3, whichever is earlier. Any funds remaining after the expiration of the taxes and retirement of the bonds may be placed in the general fund or in a capital project fund of the city of Breezy Point. 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 Breezy Point with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 25. 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, or at a special election held for this purpose, 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. Except as provided in this section, 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 completion of park improvement projects, including reconstruction of the Pinehurst Park swimming pool complex, St. Louis River Riverfront improvements, Veteran's Park construction, and enhancements to the Hilltop Park soccer complex and Braun Park baseball complex; and

(2) extension of utilities and the construction of all improvements associated with the new Cloquet Industrial Park.

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 \$9,000,000. 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) 18 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. 26. **CITY OF ELY; 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 Ely may impose by ordinance a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, 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 for the following:

- (1) land acquisition and site development;
- (2) installations of improvements authorized by Minnesota Statutes, chapter 429;
- (3) development or redevelopment activities in the central business district of Ely;
- (4) business park development;
- (5) development of a small business incubator;
- (6) development of a technology center; and
- (7) improvements to the Ely Community Center and City Hall needed to bring them into compliance with the Americans with Disabilities Act.

**Subd. 3. Bonding authority.** The city of Ely may issue bonds in an amount not to exceed \$6,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures and improvements authorized by the referendum under subdivision 4. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. 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 limitation.

**Subd. 4. Termination of tax.** The tax authorized under subdivision 1 terminates at the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the Ely City Council determines that the amount of revenues raised to pay for the projects under subdivision 2 shall meet or exceed the sum of \$6,000,000, plus the amount needed to finance the capital and administrative costs 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 in subdivision 3, 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 Ely with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 27. **CITY OF LUVERNE; 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 Luverne 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 Luverne 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 taxes and to pay all or part of the expenses for capital improvements and renovation of the Historic Palace Theatre in an amount not to exceed \$3,000,000. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to the project, and paying debt service on bonds or other obligations issued to finance the acquisition and improvements.

**Subd. 4. Bonds.** If the taxes under subdivisions 1 and 2 are approved by voters pursuant to Minnesota Statutes, section 297A.99, the city of Luverne may issue, without an additional election, bonds, in one or more series, in the aggregate principal amount not to exceed \$3,000,000 to pay capital and administrative costs of 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 later of 30 years after the imposition of the tax or when the Luverne 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 project 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 Luverne with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 28. 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, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election, the city of Medford may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, 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 by the city of Medford to pay the costs of collecting and administering the tax and to pay up to \$5,000,000 in costs to improve the city's wastewater system and wastewater treatment plant. Authorized expenses include, but are not limited to, acquiring property and paying construction expenses and debt service on bonds or other obligations issued to finance acquisition and construction of the improvements.

**Subd. 3. Bonding authority.** (a) If the tax authorized under subdivision 1 is approved by the voters, the city may issue bonds under Minnesota Statutes, chapter 475, to pay the capital and administrative expenses for the 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 under Minnesota Statutes, section 475.58, is not required.

(b) The debt represented by the bonds is not included in computing any debt limitation applicable to the city of Medford, 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.

Subd. 4. **Termination of taxes.** The tax imposed under this section expires at the earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford City Council determines that the amount of revenues received from the tax equals or exceeds the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the projects 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 Medford with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 29. CITY OF NORTH MANKATO; 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 North Mankato 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 taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

(1) the local share of the marked Trunk Highway 14/County State-Aid Highway 41 interchange project, including a connection to the North Port Industrial Park and trail connections to the scenic byway along the Minnesota River, the Nicollet County Park, existing trails in the cities of North Mankato, and Mankato and the Sakatah State Trail;

(2) development of regional parks and hiking and biking trails in Caswell Park, Benson Park, and Spring Lake Park;

(3) riverfront redevelopment projects; and

(4) lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$5,250,000 plus any associated bond costs.

Subd. 3. **Bonds.** (a) The city of North Mankato, if approved by voters pursuant to Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed \$5,250,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) 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 and interest on the bonds is not subject to any levy limitation.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the later of (1) 15 years, or (2) when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2 first equals or exceeds the amount authorized to be spent for each project plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion

of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under section 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 North Mankato with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. **CITY OF OWATONNA; 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 Owatonna 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 taxes 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 Owatonna may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of \$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 projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota Department of Transportation, Steele County, and the city of Owatonna; regional parks and trail developments, West Hills complex, firehall, and library improvement projects; and a public safety radio system; as described in the city resolution No. 4-06, Exhibit A, as adopted by the city on January 17, 2006. The amount paid from these revenues for transportation projects may not exceed \$4,450,000 plus associated bond costs. The amount paid from these revenues for park and trail projects may not exceed \$5,400,000 plus associated bond costs. The amount paid from these revenues for West Hills complex, fire hall, and library improvement projects may not exceed \$2,823,000 plus associated bond costs. The amount paid from these revenues for a public safety radio system may not exceed \$500,000 plus associated bond costs.

Subd. 4. **Bonds.** (a) The city of Owatonna, if approved by voters pursuant to Minnesota Statutes, section 297A.99, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 3, in an amount that does not exceed \$13,200,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) 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 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) ten years, or (2) when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 3 first equals or exceeds the amount authorized to be spent for each project plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital project fund of the city. The taxes imposed under sections 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 Owatonna with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. **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 July 1, 2025. 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. 32. **THIEF RIVER FALLS COMMUNITY CENTER.**

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.

#### ARTICLE 4

#### FOREIGN OPERATING CORPORATIONS

Section 1. Minnesota Statutes 2005 Supplement, section 290.01, subdivision 6b, is amended to read:

Subd. 6b. **Foreign operating corporation.** The term "foreign operating corporation," when applied to a corporation, means a domestic corporation with the following characteristics:

- (1) it is part of a unitary business at least one member of which is taxable in this state;
- (2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;
- (3) ~~either (i) the average of the percentages of its property and payrolls, including the pro rata share of its unitary partnerships' property and payrolls, assigned to locations outside the United States, where the United States includes the District of Columbia and excludes the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 80 percent or more; or (ii) it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and~~
- (4) ~~it has \$1,000,000 of payroll and \$2,000,000 of property, as determined under section 290.191 or 290.20, that are located outside the United States. If the domestic corporation does not have payroll as determined under section 290.191 or 290.20, but it or its partnerships have paid \$1,000,000 for work, performed directly for the domestic corporation or the partnerships, outside the United States, then paragraph (3)(i) shall not require payrolls to be included in the average calculation for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.~~

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

Sec. 2. Minnesota Statutes 2005 Supplement, 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). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (19), (20), (21), and (22);

(12) 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;

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

(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;

(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;

(16) 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;

(17) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code; ~~and~~

(18) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

(19) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation.

For purposes of this clause, intangible expenses and costs include:

(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) losses incurred, directly or indirectly, from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar expenses and costs.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible expenses or costs paid, accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect to such item of income to the extent that the income to the foreign operating corporation is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(20) except as already included in the taxpayer's taxable income pursuant to clause (19), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

(i) income related to the direct or indirect acquisition, use, maintenance or management, ownership, sale, exchange, or any other disposition of intangible property;

(ii) income from factoring transactions or discounting transactions;

(iii) royalty, patent, technical, and copyright fees;

(iv) licensing fees; and

(v) other similar income.

For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

This clause does not apply to any item of interest or intangible income received or accrued by a foreign operating corporation with respect to such item of income to the extent that the income is income from sources without the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(21) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation; and

(22) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States.

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



Sec. 3. Minnesota Statutes 2005 Supplement, 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, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

(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;

(19) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), 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 (15). 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 (16), an amount equal to one-fifth of the amount of the addition.

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

Sec. 4. Minnesota Statutes 2004, section 290.34, subdivision 1, is amended to read:

Subdivision 1. **Business conducted in such a way as to create losses or improper taxable net income.** (a) When any corporation liable to taxation under this chapter conducts its business in such a manner as, directly or indirectly, to benefit its members or stockholders or any person or corporation interested in such business or to reduce the income attributable to this state by selling the commodities or services in which it deals at less than the fair price which might be obtained therefor, or buying such commodities or services at more than the fair price for which they might have been obtained, or when any corporation, a substantial portion of whose shares is owned directly or indirectly by another corporation, deals in the commodities or services of the latter corporation in such a manner as to create a loss or improper net income or to reduce the taxable net income attributable to this state, the commissioner of revenue may determine the amount of its income so as to reflect what would have been its reasonable taxable net income but for the arrangements causing the understatement of its taxable net income or the overstatement of its losses, having regard to the fair profits which, but for any agreement, arrangement, or understanding, might have been or could have been obtained from such business.

(b) When any corporation engages in a transaction or series of transactions whose primary business purpose is the avoidance of tax, or engages in a transaction or series of transactions without economic substance, that transaction or series of transactions shall be disregarded and the commissioner shall determine taxable net income without regard for any such transaction or series of transactions.

Sec. 5. **INTENT OF LEGISLATURE.**

Section 4 does not change Minnesota law, but merely clarifies the legislature's intention with respect to transactions without economic substance or business purpose.

## ARTICLE 5

### PROPERTY TAXES

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;

- (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; and
- (23) property tax abatements granted under section 469.1813 to property that is subject to valuation under Minnesota Rules, chapter 8100.

Sec. 2. Minnesota Statutes 2004, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$3,200~~ \$5,000.

(c) A district's second tier equalized debt service levy equals the district's second tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before

the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) \$8,000.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008 and later.

Sec. 3. Minnesota Statutes 2005 Supplement, section 123B.54, is amended to read:

**123B.54 DEBT SERVICE APPROPRIATION.**

(a) ~~\$21,624,000~~ \$22,701,000 in fiscal year 2008 and ~~\$20,403,000~~ \$22,269,000 in fiscal year 2009 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

Sec. 4. Minnesota Statutes 2005 Supplement, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2007 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year 2006, ~~and \$10,700~~ for fiscal year 2007, and \$22,222 for fiscal year 2008 and later.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008 and later.

Sec. 5. Minnesota Statutes 2004, section 144F.01, subdivision 4, is amended to read:

Subd. 4. **Property tax levy authority.** The district's board may levy a tax on the taxable real and personal property in the district. The ad valorem tax levy may not exceed 0.048 percent of the taxable market value of the district or ~~\$250,000~~ \$400,000, whichever is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall certify the levy at the times as provided under section 275.07. The board shall provide the county with whatever information is necessary to identify the property that is located within the district. If the boundaries include a part of a parcel, the entire parcel shall be included in the district. The county auditors must spread, collect, and distribute the proceeds of the tax at the same time and in the same manner as provided by law for all other property taxes.

Sec. 6. Minnesota Statutes 2004, section 216B.2424, subdivision 5, is amended to read:

Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4, that operates a nuclear-powered electric generating plant within this state must construct and operate, purchase, or contract to construct and operate (1) by December 31, 1998, 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop biomass scheduled to be operational by December 31, 2001; and (2) by December 31, 1998, an additional 75 megawatts of installed capacity so generated scheduled to be operational by December 31, 2002.

(b) Of the 125 megawatts of biomass electricity installed capacity required under this subdivision, no more than 55 megawatts of this capacity may be provided by a facility that uses poultry litter as its primary fuel source and any such facility:

(1) need not use biomass that complies with the definition in subdivision 1;

(2) must enter into a contract with the public utility for such capacity, that has an average purchase price per megawatt hour over the life of the contract that is equal to or less than the average purchase price per megawatt hour over the life of the contract in contracts approved by the

Public Utilities Commission before April 1, 2000, to satisfy the mandate of this section, and file that contract with the Public Utilities Commission prior to September 1, 2000; and

(3) must schedule such capacity to be operational by December 31, 2002.

(c) Of the total 125 megawatts of biomass electric energy installed capacity required under this section, no more than 75 megawatts may be provided by a single project.

(d) Of the 75 megawatts of biomass electric energy installed capacity required under paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by a St. Paul district heating and cooling system cogeneration facility utilizing waste wood as a primary fuel source. The St. Paul district heating and cooling system cogeneration facility need not use biomass that complies with the definition in subdivision 1.

(e) The public utility must accept and consider on an equal basis with other biomass proposals:

(1) a proposal to satisfy the requirements of this section that includes a project that exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and that proposes to sell the excess capacity to the public utility or to other purchasers; and

(2) a proposal for a new facility to satisfy more than ten but not more than 20 megawatts of the electrical generation requirements by a small business-sponsored independent power producer facility to be located within the northern quarter of the state, which means the area located north of Constitutional Route No. 8 as described in section 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped wood, or brush to generate electricity. A facility described in this clause is not required to utilize biomass complying with the definition in subdivision 1, but must be under construction by December 31, 2005.

(f) If a public utility files a contract with the commission for electric energy installed capacity that uses poultry litter as its primary fuel source, the commission must do a preliminary review of the contract to determine if it meets the purchase price criteria provided in paragraph (b), clause (2), of this subdivision. The commission shall perform its review and advise the parties of its determination within 30 days of filing of such a contract by a public utility. A public utility may submit by September 1, 2000, a revised contract to address the commission's preliminary determination.

(g) The commission shall finally approve, modify, or disapprove no later than July 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the mandate set forth in this subdivision.

(h) If a public utility subject to this section exercises an option to increase the generating capacity of a project in a contract approved by the commission prior to April 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the commission by September 1, 2000, that it has exercised the option and include in the notice the amount of additional megawatts to be generated under the option exercised. Any review by the commission of the project after exercise of such an option shall be based on the same criteria used to review the existing contract.

(i) A facility specified in this subdivision qualifies for exemption from property taxation under section 272.02, subdivision 43.45.

**EFFECTIVE DATE.** This section is effective for property taxes levied in 2006, payable in 2007, and thereafter.

Sec. 7. Minnesota Statutes 2004, section 272.02, subdivision 12, is amended to read:

Subd. 12. **Native prairie.** Native prairie lands are exempt. The commissioner of the Department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this subdivision unless the pasture

is covered by a grazing plan approved by the commissioner of natural resources. Upon receipt of an application for the exemption provided in this subdivision for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within ~~30~~ 180 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this subdivision shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 8. Minnesota Statutes 2004, section 272.02, subdivision 45, is amended to read:

Subd. 45. **Biomass electrical 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 biomass as established in section 216B.2424 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, 2000, and before December 31, ~~2002~~ 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 9. Minnesota Statutes 2004, section 272.02, subdivision 54, is amended to read:

Subd. 54. **Small biomass electric generation facility; personal property.** (a) Subject to paragraph (b), 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) have a generation capacity of less than 25 megawatts;

(2) provide process heating needs in addition to electrical generation; and

(3) utilize agricultural by-products from the malting process and other biomass fuels as its primary fuel source.

Construction of the facility must be commenced after January 1, 2002, and before ~~January 1, 2006~~ June 30, 2007. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

(b) The exemption under this subdivision is contingent on approval by the governing bodies of the municipality and county in which the electric generation facility is located.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009, and thereafter.

Sec. 10. Minnesota Statutes 2004, section 272.02, subdivision 55, is amended to read:

Subd. 55. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating

facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility ~~must be sited on an energy park that (i) is located on an active mining site, or on a former mining or industrial site where mining or industrial operations have terminated be designated as an innovative energy project as defined in section 216B.1694, (ii) is be within a tax relief area as defined in section 273.134, (iii) has on-site have access to existing railroad infrastructure within less than three miles, (iv) has direct rail access to a Great Lakes port, (v) has sufficient private water resources on site, and (vi) is have received by resolution approval from the governing body of the county and township or city in which the proposed facility is to be located for the exemption of personal property under this subdivision, and (v) be designed to host at least 500 megawatts of electrical generation.~~

Construction of the first ~~250~~ 500 megawatts of the facility must be commenced after January 1, ~~2002~~ 2006, and before January 1, ~~2005~~ 2010. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, ~~2010~~ 2015. 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. To qualify for an exemption under this subdivision, the owner of the electric generation facility must have an agreement with the host county, township or city, and school district, for payment in lieu of personal property taxes to the host county, township or city, and school district.

**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. 84. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 10.3 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;
- (2) be located on land within 3,000 feet of a 13.8 kilovolt distribution substation; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after April 30, 2006, 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 property taxes levied in 2006, payable in 2007, and thereafter.

Sec. 12. Minnesota Statutes 2004, section 272.029, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two



megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

- (1) located within five miles of the wind energy conversion system;
- (2) constructed within the same calendar year as the wind energy conversion system; and
- (3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 13. Minnesota Statutes 2004, section 273.11, is amended by adding a subdivision to read:

**Subd. 23. First tier valuation limit; agricultural homestead property.** (a) Beginning with assessment year 2006, the commissioner of revenue shall annually certify the first tier limit for agricultural homestead property as the product of (i) \$600,000, and (ii) the ratio of the statewide average taxable market value of agricultural property per acre of deeded farm land in the preceding assessment year to the statewide average taxable market value of agricultural property per acre of deeded farm land for assessment year 1999. The limit shall be rounded to the nearest \$10,000.

(b) For the purposes of this subdivision, "agricultural property" means all class 2 property under section 273.13, subdivision 23, except for (1) timberland, (2) a landing area or public access area of a privately owned public use airport, and (3) property consisting of the house, garage and immediately surrounding one acre of land of an agricultural homestead.

(c) The commissioner shall certify the limit by January 2 of each assessment year, except that for assessment year 2006 the commissioner shall certify the limit by June 1, 2006.

**EFFECTIVE DATE.** This section is effective for assessment year 2006 and thereafter.

Sec. 14. **[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 county has 60 days from receipt of the first application for enrollment under this section to notify the applicant and any subsequent applicants of the county's intent to begin the process of terminating application of this

section in the county. The county must act on the termination within six months. Upon termination by a vote of the county board, all applications received during notification of intent to terminate shall be deemed void. If the county board does not act on the termination within six months of notification, all applications for valuation for deferment received shall be deemed eligible to be enrolled under this section. Following this initial 60-day grace period, 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 3, 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).

**Subd. 10. County administrative fee.** A county may charge the owner of property that is valued under this section a fee to compensate for its costs of administering this program.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter, except that for the 2007 assessment year, the application date under subdivision 4 shall be September 1, 2007, and subdivision 4a is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2004, section 273.124, subdivision 12, is amended to read:

**Subd. 12. Homestead of member of United States armed forces; Peace Corps; VISTA.** (a) Real estate actually occupied and used for the purpose of a homestead by a person, or by a member of that person's immediate family shall be classified as a homestead even though the person or family is absent if (1) the person or the person's family is absent solely because the person is on active duty with the armed forces of the United States, or is serving as a volunteer under the VISTA or Peace Corps program; (2) the owner intends to return as soon as discharged or relieved from service; and (3) the owner claims it as a homestead. A person who knowingly makes or submits to an assessor an affidavit or other statement that is false in any material matter to obtain or aid another in obtaining a benefit under this subdivision is guilty of a felony.

(b) In the case of a person who is absent solely because the person is on active duty with the United States armed forces, homestead classification must be granted as provided in this paragraph if the requirements of paragraph (a), clauses (1) to (3), are met, even if the property has not been occupied as a homestead by the person or a member of the person's family. To qualify for this classification, the person who acquires the property must notify the assessor of the acquisition and of the person's absence due to military service. When the person returns from military service and occupies the property as a homestead, the person shall notify the assessor, who will provide for abatement of the difference between the nonhomestead and homestead taxes for the current and two preceding years, not to exceed the time during which the person owned the property.

**EFFECTIVE DATE.** This section is effective for assessments in 2006, taxes payable in 2007, and thereafter.

Sec. 16. Minnesota Statutes 2004, section 273.124, is amended by adding a subdivision to read:

**Subd. 22. Annual registration of certain relative homesteads.** If the owner of property or the owner's relative who occupies property that is classified as a homestead under subdivision 1, paragraph (c), receives compensation for allowing occupancy of any part of that property for a period that exceeds 31 consecutive days during the calendar year, the recipient of the compensation must register the property with the city in which it is located no later than 60 days after the initial rental period began. This requirement applies to property located in a city that has a population over 25,000. Each such city must maintain a file of these property registrations that is open to the public, and retain the registrations for one year after the date of filing.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

Sec. 17. Minnesota Statutes 2005 Supplement, section 273.128, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Low-income rental property classified as class 4d under section 273.13, subdivision 25, is entitled to valuation under this section ~~if at least 75 percent of~~ for the units in the rental housing property ~~that 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 the federal government ~~or~~, the state of Minnesota, or a 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.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2006, payable in 2007, and thereafter.

Sec. 18. 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~~ the first tier valuation limit of agricultural homestead property has a net class rate of 0.55 percent of market value. ~~The remaining property over \$600,000 market value~~ the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(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, the native prairie bank under section 84.96, 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 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 but is present on the entire parcel enrolled;

(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 2006, payable in 2007, and thereafter, except that the provisions relating to land with aggregate deposits is effective for taxes

levied in 2007, payable in 2008, and thereafter.

**Sec. 19. [273.323] EFFECTIVE DATE FOR RULES FOR VALUATION OF ELECTRIC AND TRANSMISSION PIPELINE UTILITY PROPERTY.**

Rules adopted by the commissioner of revenue 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. 20. Minnesota Statutes 2005 Supplement, 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 except that 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 listed on a separate line directly under the appropriate county's levy. 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 separated 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 sections 477A.011 to 477A.04;
- 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 paragraph (c), clause (4), that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

(e) A notice must be printed on the front side of the property tax statement for homestead property stating that if the total property tax has increased over the previous year's tax by more than the threshold percentage in section 290A.04, subdivision 2h, the taxpayer may be eligible, regardless of income, for a special property tax refund from the state.

**EFFECTIVE DATE.** This section is effective for property tax statements prepared in 2006, for property taxes payable in 2007 and thereafter.

Sec. 21. Minnesota Statutes 2004, section 469.1813, subdivision 1, is amended to read:

Subdivision 1. **Authority.** The governing body of a political subdivision may grant ~~an~~ a current or prospective abatement, by contract or otherwise, of the taxes imposed by the political subdivision on a parcel of property, which may include personal property and machinery, or defer the payments of the taxes and abate the interest and penalty that otherwise would apply, if:

~~(a)~~ (1) it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement or intends the abatement to phase in a property tax increase, as provided in clause (b)(7); and

~~(b)~~ (2) it finds that doing so is in the public interest because it will:

~~(1)~~ (i) increase or preserve tax base;

~~(2)~~ (ii) provide employment opportunities in the political subdivision;

~~(3)~~ (iii) provide or help acquire or construct public facilities;

~~(4)~~ (iv) help redevelop or renew blighted areas;

~~(5)~~ (v) help provide access to services for residents of the political subdivision;

~~(6)~~ (vi) finance or provide public infrastructure; ~~or~~

~~(7)~~ (vii) phase in a property tax increase on the parcel resulting from an increase of 50 percent or more in one year on the estimated market value of the parcel, other than increase attributable to improvement of the parcel; or

(viii) stabilize the tax base through equalization of property tax revenues for a specified period

of time with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.

Sec. 22. Minnesota Statutes 2005 Supplement, section 469.1813, subdivision 6, is amended to read:

Subd. 6. **Duration limit.** (a) A political subdivision may grant an abatement for a period no longer than 15 years, except as provided under paragraph (b). The abatement period will commence in the first year in which the abatement granted is either paid or retained in accordance with section 469.1815, subdivision 2. The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement. Economic abatement agreements for real and personal property subject to valuation under Minnesota Rules, chapter 8100, are not subject to this prohibition and may be granted successively.

(b) A political subdivision proposing to abate taxes for a parcel may request, in writing, that the other political subdivisions in which the parcel is located grant an abatement for the property. If one of the other political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel by the requesting political subdivision and any other participating political subdivision is increased to 20 years. If the political subdivision which declined to grant an abatement later grants an abatement for the parcel, the 20-year duration limit is reduced by one year for each year that the declining political subdivision grants an abatement for the parcel during the period of the abatement granted by the requesting political subdivision. The duration limit may not be reduced below the limit under paragraph (a).

Sec. 23. Minnesota Statutes 2004, section 469.1813, subdivision 6b, is amended to read:

Subd. 6b. **Extended duration limit.** (a) Notwithstanding the provisions of subdivision 6, a political subdivision may grant an abatement for a period of up to 20 years, if the abatement is for a qualified business.

(b) To be a qualified business for purposes of this subdivision, at least 50 percent of the payroll of the operations of the business that qualify for the abatement must be for employees engaged in one of the following lines of business or any combination of them:

- (1) manufacturing;
- (2) agricultural processing;
- (3) mining;
- (4) research and development;
- (5) warehousing; or
- (6) qualified high technology.

Alternatively, a qualified business also includes a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100.

(c)(1) "Manufacturing" means the material staging and production of tangible personal property by procedures commonly regarded as manufacturing, processing, fabrication, or assembling which changes some existing material into new shapes, new qualities, or new combinations.

(2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code of 1986.

(3) "Agricultural processing" means transforming, packaging, sorting, or grading livestock or livestock products, agricultural commodities, or plants or plant products into goods that are used for intermediate or final consumption including goods for nonfood use.

(4) "Research and development" means qualified research as defined in section 41(d) of the Internal Revenue Code of 1986.

(5) "Qualified high technology" means one or more of the following activities:

(i) advanced computing, which is any technology used in the design and development of any of the following:

(A) computer hardware and software;

(B) data communications; and

(C) information technologies;

(ii) advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology;

(iii) biotechnology, which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes;

(iv) electronic device technology, which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices;

(v) engineering or laboratory testing related to the development of a product;

(vi) technology that assists in the assessment or prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology, or development of alternative energy sources;

(vii) medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated; or

(viii) advanced vehicles technology which is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric vehicle is a road vehicle that draws propulsion energy only from an on-board source of electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from both a consumable fuel and a rechargeable energy storage system.

(d) The authority to grant new abatements under this subdivision expires on July 1, 2004, except that the authority to grant new abatements for real and personal property subject to valuation under Minnesota Rules, chapter 8100, does not expire.

Sec. 24. Minnesota Statutes 2004, section 469.1813, subdivision 8, is amended to read:

Subd. 8. **Limitation on abatements.** In any year, the total amount of property taxes abated by a political subdivision under this section may not exceed (1) ten percent of the current levy, or (2) \$200,000, whichever is greater. The limit under this subdivision does not apply to:

(1) an uncollected abatement from a prior year that is added to the abatement levy; or

(2) a taxpayer whose real and personal property is subject to valuation under Minnesota Rules,

chapter 8100.

Sec. 25. Minnesota Statutes 2004, section 469.1813, subdivision 9, is amended to read:

Subd. 9. **Consent of property owner not required.** A political subdivision may abate the taxes on a parcel under sections 469.1812 to 469.1815 without obtaining the consent of the property owner. This subdivision does not apply to abatements granted to a taxpayer whose real and personal property is valued under Minnesota Rules, chapter 8100.

Sec. 26. Minnesota Statutes 2004, section 469.1813, is amended by adding a subdivision to read:

Subd. 10. **Applicability to utility properties.** When this statute is applied or utilized with respect to a taxpayer whose real and personal property is subject to valuation under Minnesota Rules, chapter 8100, the provisions of this section and sections 469.1814 and 469.1815 shall apply only to property specified or described in the abatement contract or agreement.

Sec. 27. 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 the cost by multiplying that result by the hospital's cost-to-charge ratio during the base year. By July 15, 2007, 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 2008 and 2009 only.

Sec. 28. Laws 2001, First Special Session chapter 5, article 3, section 8, the effective date, as amended by Laws 2005, chapter 151, article 3, section 19, is amended to read:

[EFFECTIVE DATE.] This section is effective for taxes levied in 2002, payable in 2003, ~~through taxes levied in 2009, payable in 2010 and thereafter.~~

Sec. 29. **PROPERTY TAX CERTIFICATION; ROCHESTER SCHOOL DISTRICT.**

Notwithstanding Minnesota Statutes, sections 126C.48 and 275.065, with the agreement of the school district's home county, Independent School District No. 535, Rochester, on or before October 8, shall certify to the county auditor the district's proposed property tax levy for taxes payable in the following year.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2007 only.

Sec. 30. **LEASE LEVY; ADMINISTRATIVE SPACE, ROCORI AND FARIBAULT.**

Independent School Districts Nos. 656, Faribault, and 750, Rocori, may lease administrative space under Minnesota Statutes, section 126C.40, subdivision 1, if the district can demonstrate to the satisfaction of the commissioner of education that the administrative space is less expensive than instructional space that the district would otherwise lease. The commissioner must deny this levy authority unless the district passes a resolution stating its intent to lease instructional space under Minnesota Statutes, section 126C.40, subdivision 1, if the commissioner does not grant authority under this section. The resolution must also certify that a lease of administrative space under this section is less expensive than the district's proposed instructional lease. Levy authority under this section shall not exceed the total levy authority under Minnesota Statutes, section 126C.40, subdivision 1, paragraph (e).

**EFFECTIVE DATE.** This section is effective for revenue for taxes payable in 2007.

Sec. 31. **MISCELLANEOUS EDUCATION PROPERTY TAX REDUCTION.**

Notwithstanding Minnesota Statutes, section 126C.10, subdivision 13a, the commissioner of education shall increase the operating capital equalizing factor under Minnesota Statutes, section 126C.10, subdivision 13a, to reduce the operating capital levy by \$2,593,000 in fiscal year 2008 and \$2,259,000 in fiscal year 2009.

## ARTICLE 6

### DEPARTMENT OF REVENUE PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 2005 Supplement, 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 portion of the property used as a homestead ~~by the owner has the same class rates as is~~ class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$500,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25 percent. If a class 1c resort property has any market value in tier III, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

(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 payable in 2006 and thereafter.

Sec. 2. Minnesota Statutes 2005 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. 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 1.25 percent.

(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 1.25 percent.

(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. 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;

(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 (9) 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 section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class

4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and subsequent years.

Sec. 3. Minnesota Statutes 2005 Supplement, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. **Residential homestead market value credit.** Each county auditor shall determine a homestead credit for each class 1a, 1b, ~~1c,~~ and 2a homestead property within the county equal to 0.4 percent of the first \$76,000 of market value of the property minus .09 percent of the market value in excess of \$76,000. The credit amount may not be less than zero. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit. In the case of a property ~~which~~ that is classified as part homestead and part nonhomestead, (i) the credit shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because ~~both~~ not all the spouses do not of owners occupy the property, the credit amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership ~~or prorated to one-half if both spouses do not occupy the property.~~ For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and thereafter.

Sec. 4. Minnesota Statutes 2004, section 273.1384, subdivision 2, is amended to read:

Subd. 2. **Agricultural homestead market value credit.** Property classified as class 2a agricultural homestead is eligible for an agricultural credit. The credit is computed using the property's agricultural credit market value, defined for this purpose as the property's class 2a market value excluding the market value of the house, garage, and immediately surrounding one acre of land. The credit is equal to 0.3 percent of the first \$115,000 of the property's agricultural credit market value. ~~The credit under this subdivision is limited to \$345 for each homestead. The credit is reduced by~~ minus .05 percent of the property's agricultural credit market value in excess of \$115,000, subject to a maximum reduction of \$115. In the case of property that is classified in part as class 2a agricultural homestead and in part as class 2b nonhomestead farm land solely because not all the owners occupy or farm the property, not all the owners have qualifying relatives occupying or farming the property, or solely because not all the spouses of owners occupy the property, the credit must be initially computed as if that nonhomestead agricultural land was also classified as class 2a agricultural homestead and then prorated to the owner-occupant's percentage of ownership.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2007 and thereafter.

Sec. 5. Minnesota Statutes 2004, section 273.1398, subdivision 3, is amended to read:

Subd. 3. **Disparity reduction aid.** ~~For taxes payable in 2003 and subsequent years,~~ The amount of disparity aid certified for each taxing district within each unique taxing jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed. ~~For the purposes of this aid determination, disparity reduction aid certified for taxes~~

~~payable in the prior year for a taxing entity other than a town or school district is deemed to be county government disparity reduction aid. The amount of disparity aid certified to each taxing jurisdiction shall be reduced by any reductions required in the current year or permanent reductions required in previous years under section 477A.0132. If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on market values for taxes payable in the year prior to that for which aid is being computed.~~

**EFFECTIVE DATE.** This section is effective for taxes payable in 2006 and thereafter.

Sec. 6. Minnesota Statutes 2004, section 281.23, subdivision 9, is amended to read:

Subd. 9. **Certificate.** After the time for redemption of any lands shall have expired after notice given, as provided in subdivisions 2, 3, 5, and 6, the county auditor shall execute a certificate describing the lands, specifying the tax judgment sale at which the same were bid in for the state, and stating that the time for redemption thereof has expired after notice given as provided by law and that absolute title thereto has vested in the state of Minnesota. Such certificate shall be recorded in the office of the county recorder ~~and thereafter filed in the office of the county auditor~~, except that in case of registered land such certificate shall be ~~filed~~ recorded in the office of the registrar of titles ~~and a duplicate filed in the office of the county auditor~~. Such certificate and the record thereof shall be prima facie evidence of the facts therein stated, but failure to execute or record or file such certificate shall not affect the validity of any proceedings hereunder respecting such lands or the title of the state thereto.

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

Sec. 7. Minnesota Statutes 2005 Supplement, section 284.07, is amended to read:

**284.07 COUNTY AUDITOR'S CERTIFICATE TO BE PRIMA FACIE EVIDENCE.**

The county auditor's certificate of forfeiture ~~filed~~ recorded by the county auditor as provided by section 281.23, subdivision 9, and acts supplemental thereto, or by any other law hereafter enacted providing for the recording of such a certificate or a certified copy of such certificate or of the record thereof, shall, for all purposes, be prima facie evidence that all requirements of the law respecting the taxation and forfeiture of the lands therein described were complied with, and that at the date of the certificate absolute title to such lands had vested in the state by reason of forfeiture for delinquent taxes, as set forth in the certificate.

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

Sec. 8. Minnesota Statutes 2004, section 477A.014, subdivision 1, is amended to read:

Subdivision 1. **Calculations and payments.** (a) The commissioner of revenue shall make all necessary calculations and make payments pursuant to sections 477A.013, 477A.0132, and 477A.03 directly to the affected taxing authorities annually. In addition, the commissioner shall notify the authorities of their aid amounts, as well as the computational factors used in making the calculations for their authority, and those statewide total figures that are pertinent, before August 1 of the year preceding the aid distribution year.

(b) For the purposes of this subdivision, aid is determined for a city or town based on its city or town status as of June 30 of the year preceding the aid distribution year. If the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is on or before June 30 of the year preceding the aid distribution year, such change in boundaries or form of government shall be recognized for aid determinations for the aid

distribution year. If the effective date for a municipal incorporation, consolidation, annexation, detachment, dissolution, or township organization is after June 30 of the year preceding the aid distribution year, such change in boundaries or form of government shall not be recognized for aid determinations until the following year.

(c) Changes in boundaries or form of government will only be recognized for the purposes of this subdivision, to the extent that: (1) changes in market values are included in market values reported by assessors to the commissioner, and changes in population, household size, and the road accidents factor are included in their respective certifications to the commissioner as referenced in section 477A.011, or (2) an annexation information report as provided in paragraph (d) is received by the commissioner on or before July 15 of the aid calculation year. Revisions to estimates or data for use in recognizing changes in boundaries or form of government are not effective for purposes of this subdivision unless received by the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and data established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under subdivision 3.

(d) In the case of an annexation, an annexation information report may be completed by the annexing jurisdiction and submitted to the commissioner for purposes of this subdivision if the net tax capacity of annexed area for the assessment year preceding the effective date of the annexation exceeds five percent of the city's net tax capacity for the same year. The form and contents of the annexation information report shall be prescribed by the commissioner. The commissioner shall change the net tax capacity, the population, the population decline, the commercial industrial percentage, and the transformed population for the annexing jurisdiction only if the annexation information report provides data the commissioner determines to be reliable for all of these factors used to compute city revenue need for the annexing jurisdiction. The commissioner shall adjust the pre-1940 housing percentage, the road accidents factor, and household size only if the entire area of an existing city or town is annexed or consolidated and only if reliable data is available for all of these factors used to compute city revenue need for the annexing jurisdiction.

**EFFECTIVE DATE.** This section is effective for aid payable in 2007 and thereafter.

## ARTICLE 7

### DEPARTMENT OF REVENUE SALES AND USE TAXES

Section 1. Minnesota Statutes 2005 Supplement, 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;
- (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, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; 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 sale" 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~~ means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, ~~and that are eligible to file a consolidated tax return for federal income tax purposes disregarding the exclusions in section 1504(b).~~

(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. 2. Minnesota Statutes 2004, section 297A.61, subdivision 12, is amended to read:

Subd. 12. **Farm machinery.** (a) "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in agricultural production of tangible personal property intended to be sold ultimately at retail including, but not limited to:

- (1) machinery for the preparation, seeding, or cultivation of soil for growing agricultural crops;
- (2) barn cleaners, milking systems, grain dryers, feeding systems including stationary feed

bunks, and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property; and

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property.

(b) Farm machinery does not include:

(1) repair or replacement parts;

(2) tools, shop equipment, grain bins, fencing material, communication equipment, and other farm supplies;

(3) motor vehicles taxed under chapter 297B;

(4) snowmobiles or snow blowers;

(5) lawn mowers except those used in the production of sod for sale, or garden-type tractors or garden tillers; or

(6) machinery, equipment, implements, accessories, and contrivances used directly in the production of horses not raised for slaughter, fur-bearing animals, or research animals.

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

Sec. 3. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

**Subd. 16a. Computer.** "Computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions.

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

Sec. 4. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

**Subd. 16b. Electronic.** "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

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

Sec. 5. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

**Subd. 16c. Computer software.** "Computer software" means a set of coded instructions designed to cause a computer or automatic data processing equipment to perform a task.

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

Sec. 6. Minnesota Statutes 2004, section 297A.61, subdivision 17, is amended to read:

**Subd. 17. Prewritten computer software.** "Prewritten computer software" means computer software, including prewritten upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two or more "prewritten computer software" programs or prewritten portions of the programs does not cause the combination to be other than "prewritten computer software." "Prewritten computer software" includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than the specific purchaser. If a person modifies or enhances computer software of which the person is not the author or creator, the person is deemed to be the author or creator only of such person's modifications or enhancements. "Prewritten computer software" or a prewritten portion of it that is modified or enhanced to any degree, if the modification or enhancement is designed and developed to the specifications of a specific purchaser, remains

"prewritten computer software"; provided, however, that if there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for such modification or enhancement, the modification or enhancement does not constitute "prewritten computer software." For purposes of this subdivision:

(1) ~~"computer" means an electronic device that accepts information in digital or similar form and manipulates it for a result based on a sequence of instructions;~~

(2) ~~"electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities; and~~

(3) ~~"computer software" means a set of coded instructions designed to cause a "computer" or automatic data processing equipment to perform a task.~~

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

Sec. 7. Minnesota Statutes 2004, section 297A.61, is amended by adding a subdivision to read:

Subd. 37. **Logging equipment.** (a) "Logging equipment" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the commercial cutting or removal or both of timber or other solid wood forest products, including, but not limited to:

(1) machinery used for bucking, bunching, debarking, delimiting, felling, forwarding, loading, piling, skidding, topping, and yarding operations performed on timber; and

(2) chain saws.

(b) Logging equipment does not include:

(1) repair or replacement parts;

(2) tools, shop equipment, communication equipment, and other logging supplies;

(3) motor vehicles taxed under chapter 297B;

(4) snowmobiles, snow blowers, or recreational all-terrain vehicles; or

(5) machinery, equipment, implements, accessories, and contrivances used in the creation of other commercial wood products for sale to others, including, but not limited to, milling, planing, carving, wood chipping, or paper manufacturing.

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

Sec. 8. Minnesota Statutes 2004, section 297A.63, is amended to read:

**297A.63 USE TAXES IMPOSED; RATES.**

**Subdivision 1. Use of tangible personal property or taxable services.** (a) For the privilege of using, storing, distributing, or consuming in Minnesota tangible personal property or taxable services purchased for use, storage, distribution, or consumption in this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the sales purchase price of retail sales of the tangible personal property or taxable services at the rate of tax imposed under section 297A.62. A person that purchases property from a Minnesota retailer and returns the tangible personal property to a point within Minnesota, except in the course of interstate commerce, after it was delivered outside of Minnesota, is subject to the use tax.

(b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62 was paid on the sales price of the tangible personal property or taxable services.

(c) No tax is imposed under paragraph (a) if the purchase meets the requirements for exemption



under section 297A.67, subdivision 21.

Subd. 2. **Use of tangible personal property made from materials.** (a) A use tax is imposed on a person who manufactures, fabricates, or assembles tangible personal property from materials, either within or outside this state and who uses, stores, distributes, or consumes the tangible personal property in Minnesota. The tax is imposed on the sales purchase price of retail sales of the materials contained in the tangible personal property at the rate of tax imposed under section 297A.62.

(b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62 was paid on the sales price of materials contained in the tangible personal property.

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

Sec. 9. Minnesota Statutes 2004, section 297A.668, subdivision 6, is amended to read:

Subd. 6. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good, computer software delivered electronically, or a service that the digital good, computer software delivered electronically, or service will be concurrently available for use in more than one taxing jurisdiction shall deliver to the seller in conjunction with its purchase a multiple points of use exemption certificate disclosing this fact.

(b) Upon receipt of the multiple points of use exemption certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

(c) A purchaser delivering the multiple points of use exemption certificate may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The multiple points of use exemption certificate remains in effect for all future sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent sale's specific apportionment that is governed by the principle of paragraph (c) and the facts existing at the time of the sale.

(e) A holder of a direct pay permit is not required to deliver a multiple points or use exemption certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph (c) in apportioning the tax due on a digital good, computer software delivered electronically, or a service that will be concurrently available for use in more than one taxing jurisdiction.

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

Sec. 10. Minnesota Statutes 2004, section 297A.669, subdivision 11, is amended to read:

Subd. 11. **Mobile telecommunications service.** "Mobile telecommunications service," for purposes of this section, means the same as that term is defined in Section ~~424(1)~~ 124(7) of Public Law 106-252 (Mobile Telecommunications Sourcing Act).

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

Sec. 11. Minnesota Statutes 2004, section 297A.67, subdivision 4, is amended to read:

Subd. 4. **Exempt meals at residential facilities.** ~~Meals or~~ Prepared food, candy, and soft drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizen homes, and correctional, detention, and detoxification facilities are exempt. Food sold through vending machines is not exempt.

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

Sec. 12. Minnesota Statutes 2004, section 297A.67, subdivision 5, is amended to read:

Subd. 5. **Exempt meals at schools.** ~~Meals and lunches~~ Prepared food, candy, and soft drinks served at public and private elementary, middle, or secondary schools as defined in section 120A.05 are exempt. ~~Meals and lunches~~ Prepared food, candy, and soft drinks served to students at a college, university, or private career school under a board contract are exempt. ~~For purposes of this subdivision, "meals and lunches" does not include sales from vending machines.~~ Food sold through vending machines is not exempt.

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

Sec. 13. Minnesota Statutes 2005 Supplement, section 297A.67, subdivision 6, is amended to read:

Subd. 6. **Other exempt meals.** (a) ~~Meals or~~ Prepared food, candy, and soft drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to handicapped persons and their spouses by governmental agencies, nonprofit organizations, or churches, or pursuant to any program funded in whole or in part through United States Code, title 42, sections 3001 through 3045, wherever delivered, prepared, or served, are exempt. Food sold through vending machines is not exempt.

(b) ~~Meals or~~ Prepared food, candy, and soft drinks purchased for and served exclusively to children who are less than 14 years of age or disabled children who are less than 16 years of age and who are attending a child care or early childhood education program, are exempt if they are:

(1) purchased by a nonprofit child care facility that is exempt under section 297A.70, subdivision 4, and that primarily serves families with income of 250 percent or less of federal poverty guidelines; and

(2) prepared at the site of the child care facility.

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

Sec. 14. Minnesota Statutes 2004, section 297A.67, subdivision 14, is amended to read:

Subd. 14. **Personal Computers prescribed for use by school.** ~~Personal~~ Computers and related computer software sold by a school, college, university, or private career school to students who are enrolled at the institutions are exempt if:

(1) the use of the ~~personal~~ computer, or of a substantially similar model of computer, and the related computer software is prescribed by the institution in conjunction with a course of study; and

(2) each student of the institution, or of a unit of the institution in which the student is enrolled, is required by the institution to have such a ~~personal~~ computer and related software as a condition of enrollment.

For the purposes of this subdivision, "school" and "private career school" have the meanings given in subdivision 13.

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

Sec. 15. Minnesota Statutes 2004, section 297A.67, subdivision 27, is amended to read:

Subd. 27. **Sewing materials.** Sewing materials are exempt. For purposes of this subdivision "sewing materials" mean fabric, thread, zippers, interfacing, buttons, trim, and other items that are usually directly incorporated into the construction of clothing, as defined in subdivision 8, regardless of whether it is actually used for making clothing. It does not include batting, foam, or fabric specifically manufactured for arts and craft projects, or other materials for craft projects.

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

Sec. 16. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 37, is amended to

read:

Subd. 37. **Job opportunity building zones.** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.310, are exempt if the property or services are primarily used or consumed in a job opportunity building zone designated under section 469.314. For purposes of this subdivision, an aerial camera package, including any camera, computer, and navigation device contained in the package, that is used in an aircraft that is operated under a Federal Aviation Administration Restricted Airworthiness Certificate according to Code of Federal Regulations, title 14, part 21, section 21.25(b)(3), relating to aerial surveying, and that is based, maintained, and dispatched from a job opportunity building zone, qualifies as primarily used or consumed in a job opportunity building zone if the imagery acquired from the aerial camera package is returned to the job opportunity building zone for processing. The exemption for an aerial camera package is limited to \$50,000 in taxes as provided in this subdivision and 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. The total amount of the aerial camera package exemption refunded for all taxpayers for all fiscal years is limited to \$50,000 in taxes.

(b) Purchase and use of construction materials, ~~and supplies, or equipment~~ used or consumed in, and equipment incorporated into, the construction of improvements to real property in a job opportunity building zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.310. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the duration of the zone.

(e) Notwithstanding the restriction in paragraph (a), which requires items purchased to be primarily used or consumed in the zone, purchases by a qualified business that is an electrical cooperative located in Meeker County of equipment and materials used for the generation, transmission, and distribution of electrical energy are exempt under this subdivision, except that:

(1) the exemption for materials and equipment used or consumed outside the zone must not exceed \$200,000 in taxes for all taxpayers for all fiscal years; and

(2) no sales and use tax exemption is allowed for equipment purchased for resale.

For purposes of this paragraph, 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.** Paragraphs (a) and (e) are effective for sales and purchases made on or after August 1, 2005. Paragraph (b) is effective for sales and purchases made on or after January 1, 2004.

Sec. 17. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 38, is amended to read:

Subd. 38. **Biotechnology and health sciences industry zone.** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.330, are exempt if the property or services are primarily used or consumed in a biotechnology and health sciences industry zone designated under section 469.334.

(b) Purchase and use of construction materials, ~~and supplies, or equipment~~ used or consumed in, and equipment incorporated into, the construction of improvements to real property in a biotechnology and health sciences industry zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.330. This exemption applies regardless of whether the purchases are made by the business or a

contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d)(1) The tax on sales of goods or services exempted under this subdivision are imposed and collected as if the applicable rate under section 297A.62 applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid must be paid to the purchaser. The application must include sufficient information to permit the commissioner to verify the sales tax paid and the eligibility of the claimant to receive the credit. No more than two applications for refunds may be filed under this subdivision in a calendar year. The provisions of section 289A.40 apply to the refunds payable under this subdivision.

(2) The amount required to make the refunds is annually appropriated to the commissioner of revenue.

(3) The aggregate amount refunded to a qualified business must not exceed the amount allocated to the qualified business under section 469.335.

(e) This subdivision applies only to sales made during the duration of the designation of the zone.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2004.

Sec. 18. Minnesota Statutes 2004, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

- (1) the United States and its agencies and instrumentalities;
- (2) school districts, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts Education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;
- (3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;
- (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051;
- (5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and
- (6) sales to public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library.

(b) This exemption does not apply to the sales of the following products and services:

- (1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;
- (2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities; or

(4) ~~meals and lodging~~ as defined under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks, except for ~~meals and lodging,~~ prepared food, candy, and soft drinks purchased directly by the United States or its agencies or instrumentalities.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

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

Sec. 19. Minnesota Statutes 2004, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Department of Administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment; ~~and~~

(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10); ~~and~~

(10) the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems;

spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after October 28, 2002, but for sales and purchases made after October 28, 2002, and before July 15, 2005, no refunds may be claimed under Minnesota Statutes, section 289A.50, for sales taxes collected and remitted to the state.

Sec. 20. Minnesota Statutes 2004, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

(1) a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions; and

(2) any senior citizen group or association of groups that:

(i) in general limits membership to persons who are either age 55 or older, or physically disabled; and

(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders.

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) This exemption does not apply to the following sales:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities; and

(3) ~~meals and lodging as defined under section 297A.61, subdivision 3, paragraphs (d) and (g) paragraph (g), clause (2), and prepared food, candy, and soft drinks; and~~

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except as provided in paragraph (c).

(c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, only if the vehicle is:

(1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

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

Sec. 21. Minnesota Statutes 2004, section 297A.70, subdivision 7, is amended to read:

Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those listed in paragraph (c), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (c), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital or outpatient surgical center, even though the clinic, office, or facility may be owned and operated by a hospital or outpatient surgical center;

(2) sales under section 297A.61, subdivision 3, ~~paragraphs (d) and (g)~~ paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital or outpatient surgical center;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital or outpatient surgical center; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

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

Sec. 22. Minnesota Statutes 2004, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by an organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the

beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of ~~gum, candy, and candy products~~ sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross annual receipts of the organization from fund-raising do not exceed \$10,000; and

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4.

(c) Sales of tangible personal property are exempt if the entire proceeds, less the necessary expenses for obtaining the property, will be contributed to a registered combined charitable organization described in section 309.501, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit.

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

Sec. 23. Minnesota Statutes 2004, section 297A.70, subdivision 14, is amended to read:

Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible personal property at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;



(6) it does not apply to fund-raising events conducted on premises leased for more than five days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues foregone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

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

Sec. 24. Minnesota Statutes 2004, section 297A.70, subdivision 15, is amended to read:

Subd. 15. **Statewide amateur athletic games.** Notwithstanding section 297A.61, subdivision 3, or any other provision of this chapter, the gross receipts from the following sales made to or by a nonprofit corporation designated by the Minnesota Amateur Sports Commission to conduct a series of statewide amateur athletic games and related events, workshops, and clinics are exempt:

(1) sales of tangible personal property to or the storage, use, or other consumption of tangible personal property by the nonprofit corporation; and

(2) sales of tangible personal property, admission charges, and sales of ~~food, meals, and drinks~~ prepared food, candy, and soft drinks by the nonprofit corporation at fund-raising events, athletic events, or athletic facilities.

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

Sec. 25. Minnesota Statutes 2005 Supplement, section 297A.72, subdivision 2, is amended to read:

Subd. 2. **Content and form of exemption certificate.** An exemption certificate must be substantially in the form prescribed by the commissioner and:

(1) be signed by the purchaser or meet the requirements of section 270C.304;

(2) bear the name and address of the purchaser; and

(3) indicate the sales tax account number, if any, issued to the purchaser; ;

~~(4) indicate the general character of the property sold by the purchaser in the regular course of business or the activities carried on by the organization; and~~

~~(5) identify the property purchased.~~

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

Sec. 26. Minnesota Statutes 2005 Supplement, 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) elevators and 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;

(9) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23; ~~and~~

(10) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35; ~~and~~

(11) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37; and

(12) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41.

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

Sec. 27. Minnesota Statutes 2005 Supplement, 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;

(5) for subdivision 1, clause (9), the owner of the qualified low-income housing project; ~~and~~

(6) for subdivision 1, clause (10), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities; ~~and~~

(7) for subdivision 1, clauses (11) and (12), the owner of the qualifying business.

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

Sec. 28. Minnesota Statutes 2005 Supplement, 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), (9), ~~(10), (11), or (12)~~, 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 the day following final enactment.

Sec. 29. Minnesota Statutes 2005 Supplement, section 297A.815, subdivision 1, is amended to read:

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 vehicles 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 is 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. The credit or any part of it cannot be assigned or transferred to another person.

**EFFECTIVE DATE.** This section is effective for leases entered into after September 30, 2005.

Sec. 30. 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 of section 297A.68, subdivision 15, are exempt, except the qualification test applies based on the boundaries of the political subdivision instead of the state of Minnesota.~~

(e) 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. 31. Laws 2005, First Special Session chapter 3, article 5, section 3, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for sales and purchases made after October 28, 2002, but for land clearing contracts entered into after October 28, 2002, but before July 15, 2005, no refunds may be claimed under Minnesota Statutes, section 289A.50, for sales taxes collected and remitted to the state on the land clearing contracts.

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

Sec. 32. **REPEALER.**

(a) Minnesota Statutes 2004, section 297A.68, subdivisions 15 and 18, are repealed.

(b) Minnesota Rules, parts 8130.0400, subpart 3; 8130.4800, subparts 1, 3, 4, 5, 6, 7, and 8; 8130.5100; 8130.5400; and 8130.5800, subpart 6, are repealed.

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

## ARTICLE 8

### DEPARTMENT OF REVENUE SPECIAL TAXES AND FEES

Section 1. Minnesota Statutes 2005 Supplement, section 115B.49, subdivision 4, is amended to read:

Subd. 4. **Registration; fees.** (a) The owner or operator of a dry cleaning facility shall register on or before October 1 of each year with the commissioner of revenue in a manner prescribed by the commissioner of revenue and pay a registration fee for the facility. The amount of the fee is:

- (1) \$500, for facilities with a full-time equivalence of fewer than five;
- (2) \$1,000, for facilities with a full-time equivalence of five to ten; and
- (3) \$1,500, for facilities with a full-time equivalence of more than ten.

The registration fee must be paid on or before October 18 or the owner or operator of a dry cleaning facility may elect to pay the fee in equal installments. Installment payments must be paid on or before October 18, on or before January 18, on or before April 18, and on or before June 18. All payments made after October 18 bear interest at the rate specified in section 270C.40.

(b) A person who sells dry cleaning solvents for use by dry cleaning facilities in the state shall collect and remit to the commissioner of revenue in a manner prescribed by the commissioner of revenue, on or before the 20th day of the month following the month in which the sales of dry cleaning solvents are made, a fee of:

- (1) \$3.50 for each gallon of perchloroethylene sold for use by dry cleaning facilities in the state;
- (2) 70 cents for each gallon of hydrocarbon-based dry cleaning solvent sold for use by dry cleaning facilities in the state; and
- (3) 35 cents for each gallon of other nonaqueous solvents sold for use by dry cleaning facilities in the state.

(c) The audit, assessment, appeal, collection, enforcement, and administrative provisions of chapters 270C and 289A apply to the fee imposed by this subdivision. To enforce this subdivision, the commissioner of revenue may grant extensions to file returns and pay fees, impose penalties and

interest on the annual registration fee under paragraph (a) and the monthly fee under paragraph (b), and abate penalties and interest in the manner provided in chapters 270C and 289A. The penalties and interest imposed on taxes under chapter 297A apply to the fees imposed under this subdivision. Disclosure of data collected by the commissioner of revenue under this subdivision is governed by chapter 270B.

**EFFECTIVE DATE.** This section is effective for returns and payments due on or after October 1, 2006.

Sec. 2. **[287.222] TRANSFER TO OBTAIN FINANCING.**

The deed tax is \$1.65 on a deed or other instrument that transfers real property if the transfer is (1) to a person who is a builder or contractor, (2) intended to be temporary, and (3) done solely to enable the builder or contractor to obtain financing to build an improvement on the conveyed property under a contract for improvement with the grantor that calls for the conveyed property to be reconveyed to the grantor upon completion of and payment for the improvement. The deed tax is \$1.65 on a deed or other instrument that transfers the real property back from the builder or contractor to the grantor.

**EFFECTIVE DATE.** This section is effective for deeds both executed and recorded on or after July 1, 2006.

Sec. 3. Minnesota Statutes 2004, section 295.50, subdivision 4, is amended to read:

Subd. 4. **Health care provider.** (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; or

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with mental retardation or related conditions, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; ~~residential care homes licensed under chapter 144B;~~ housing with services establishments required to be registered under chapter 144D; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with mental retardation and related conditions as defined in section 252.41, subdivision 3; boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing services as defined in Minnesota

Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees; and

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage.

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

Sec. 4. Minnesota Statutes 2004, section 295.53, subdivision 3, is amended to read:

Subd. 3. **Separate statement of tax.** A hospital, surgical center, ~~or~~ health care provider, or wholesale drug distributor must not state the tax obligation under section 295.52 in a deceptive or misleading manner. It must not separately state tax obligations on bills provided to patients, consumers, or other payers when the amount received for the services or goods is not subject to tax.

Pharmacies that separately state the tax obligations on bills provided to consumers or to other payers who purchase legend drugs may state the tax obligation as the wholesale price of the legend drugs multiplied by the tax percentage specified in section 295.52. Pharmacies must not state the tax obligation based on the retail price.

Whenever the commissioner determines that a person has engaged in any act or practice constituting a violation of this subdivision, the commissioner may bring an action in the name of the state in the district court of the appropriate county to enjoin the act or practice and to enforce compliance with this subdivision, or the commissioner may refer the matter to the attorney general or the county attorney of the appropriate county. Upon a proper showing, a permanent or temporary injunction, restraining order, or other appropriate relief must be granted.

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

Sec. 5. Minnesota Statutes 2004, section 297F.01, is amended by adding a subdivision to read:

Subd. 22a. **Weighted average retail price.** "Weighted average retail price" means (1) the average retail price per pack of 20 cigarettes, with the average price weighted by the number of packs sold at each price, (2) reduced by the sales tax included in the retail price, and (3) adjusted for the expected inflation from the time of the survey to the average of the 12 months that the sales tax will be imposed. The commissioner shall make the inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The inflation factor for the calendar year in which the new tax rate takes effect must be used.

**EFFECTIVE DATE.** This section is effective April 30, 2006.

Sec. 6. Minnesota Statutes 2004, section 297G.01, subdivision 7, is amended to read:

Subd. 7. **Distilled spirits.** "Distilled spirits" is means:

(1) intoxicating liquors, including ethyl alcohol, hydrated oxide of ethyl, spirits of wine, whiskey, rum, brandy, gin, and other distilled spirits, including all dilutions and mixtures, for nonindustrial use;

(2) any beverage that would be classified as a flavored malt beverage except that the alcohol contribution from flavors and other nonbeverage materials exceeds 49 percent of the alcohol content of the product; or

(3) any beverage that would be classified as a flavored malt beverage except that the beverage contains more than six percent alcohol by volume, and more than 1.5 percent of the volume of the finished product consists of alcohol derived from flavors and other nonbeverage ingredients that

contain alcohol.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

Sec. 7. Minnesota Statutes 2004, section 297G.01, is amended by adding a subdivision to read:

**Subd. 8a. Flavored malt beverage.** (a) "Flavored malt beverage" means a fermented malt beverage that:

(1) contains six percent or less alcohol by volume and derives at least 51 percent of its alcohol content by volume from the fermentation of grain, as long as not more than 49 percent of the beverage's overall alcohol content is obtained from flavors and other added nonbeverage ingredients containing alcohol; or

(2) contains more than six percent alcohol by volume that derives not more than 1.5 percent of its overall alcohol content by volume from flavors and other added nonbeverage ingredients containing alcohol.

(b) Flavored malt beverage does not include cider or an alcoholic beverage obtained primarily by fermentation of rice, such as sake.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

## ARTICLE 9

### DEPARTMENT OF REVENUE MISCELLANEOUS

Section 1. Minnesota Statutes 2005 Supplement, section 270C.01, subdivision 4, is amended to read:

Subd. 4. **Electronic means; electronically.** "Electronic means" and "electronically" mean a method that is electronic, as defined in section 325L.02, paragraph (e), and that is prescribed by the commissioner. Electronic means includes the use of a touch-tone telephone to transmit return information in a manner prescribed by the commissioner.

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

Sec. 2. Minnesota Statutes 2005 Supplement, section 270C.304, is amended to read:

#### **270C.304 ELECTRONICALLY FILED RETURNS; SIGNATURES.**

For purposes of a law administered by the commissioner, the name of the taxpayer, the name of the taxpayer's authorized agent, or the taxpayer's identification number, will constitute a signature when transmitted as part of the return information on returns filed by electronic means by the taxpayer or at the taxpayer's direction. ~~"Electronic means" includes, but is not limited to, the use of a touch-tone telephone to transmit return information in a manner prescribed by the commissioner.~~

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

Sec. 3. Minnesota Statutes 2005 Supplement, section 270C.33, subdivision 4, is amended to read:

Subd. 4. **Orders of assessment.** (a) The commissioner may issue an order of assessment in any of the following circumstances:

(1) the commissioner determines that the correct amount of tax is different than that assessed on a return filed with the commissioner;

(2) no return has been filed and the commissioner determines the amount of tax that should have been assessed;

(3) the commissioner determines that the correct amount of a refundable credit is different than the amount claimed by a taxpayer. For purposes of this subdivision, "refundable credit" means a refund benefit or credit due a person that is unrelated to the person's liability for a tax. "Refundable credit" does not include estimated tax payments or withholding taxes. An assessment for an overpayment of a refundable credit may be collected in the same manner as a tax collected by the commissioner; ~~and~~

(4) the commissioner determines the correct amount of a tax that the taxpayer is not required to assess by a return filed with the commissioner; ~~and~~

(5) the commissioner determines that a penalty other than a penalty for late payment of tax, late filing of a return, or failure to pay tax by electronic means should be imposed, and the penalty is not included on an order of assessment made under clauses (1) to (4).

(b) An order of assessment must be in writing.

(c) An order of assessment must be signed by the commissioner or a delegate, or have their facsimile signature, if the change in tax, excluding penalties and interest, exceeds \$1,000.

(d) An order of assessment is final when made but, as applicable, is reviewable administratively under section 270C.35, or appealable to Tax Court under chapter 271.

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

Sec. 4. Minnesota Statutes 2005 Supplement, section 270C.57, subdivision 3, is amended to read:

Subd. 3. **Assessment; abatement; review.** The commissioner may assess liability ~~against a successor business~~ under this section within the time prescribed for collecting the underlying sales and withholding taxes, interest, and penalties. The assessment is presumed to be valid, and the burden is upon the successor to show it is incorrect or invalid. An order assessing successor liability is reviewable administratively under section 270C.35 and is appealable to Tax Court under chapter 271. The commissioner may abate an assessment if the successor's failure to give the notice required under this section is due to reasonable cause. The procedural and appeal provisions under section 270C.34 apply to abatement requests under this subdivision. Collection remedies available against the transferring business are available against the successor from the date of assessment of successor liability.

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

Sec. 5. Minnesota Statutes 2005 Supplement, section 270C.67, subdivision 1, is amended to read:

Subdivision 1. **Authority.** If any tax payable to the commissioner or to the department is not paid when due, such tax may be collected by the commissioner within five years after the date of assessment of the tax, or if a lien has been filed, during the period the lien is enforceable, or if the tax judgment has been filed, within the statutory period of enforcement of a valid tax judgment, by a levy upon all property and rights to property, including any property in the possession of law enforcement officials, of the person liable for the payment or collection of such tax ~~(except that which is exempt from execution pursuant to section 550.37)~~ or property on which there is a lien provided in section 270C.63. For this purpose, "tax" includes any penalty, interest, and costs, properly payable.

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

Sec. 6. Minnesota Statutes 2005 Supplement, section 270C.67, is amended by adding a subdivision to read:

Subd. 1a. **Exempt property.** A levy under this section is not enforceable against:

(1) a purchaser with respect to tangible personal property purchased at retail in the ordinary



course of the seller's trade or business, unless at the time of purchase the purchaser intends the purchase to or knows the purchase will hinder, evade, or defeat the collection of a tax; or

(2) the personal property listed as exempt in sections 550.37, 550.38, and 550.39.

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

Sec. 7. Minnesota Statutes 2005 Supplement, section 271.12, is amended to read:

**271.12 WHEN ORDER EFFECTIVE.**

No order for refundment by the commissioner of revenue, the appropriate unit of government, or the Tax Court shall take effect until the time for appeal therefrom or review thereof by all parties entitled thereto has expired. Otherwise every order of the commissioner, the appropriate unit of government, or the Tax Court shall take effect immediately upon the filing thereof, and no appeal therefrom or review thereof shall stay the execution thereof or extend the time for payment of any tax or other obligation unless otherwise expressly provided by law; provided, that in case an order which has been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal, the determination upon appeal or review shall supersede the order appealed from and be binding upon all parties affected thereby, and such adjustments as may be necessary to give effect thereto shall be made accordingly; and provided further, the Tax Court may enjoin enforcement of the order of the commissioner being appealed. If it be finally determined upon such appeal or review that any person is entitled to refundment of any amount which has been paid for a tax or other obligation, such amount, unless otherwise provided by law, shall be paid to the person by the commissioner of finance, or other proper officer, out of funds derived from taxes of the same kind, if available for the purpose, or out of other available funds, if any, with interest at the rate specified in section 270C.405 from the date of payment of the tax, unless a different rate or date of accrual of interest is otherwise provided by law, in which case such other rate or date of accrual shall apply, upon certification by the commissioner of revenue, the appropriate unit of government, the Tax Court or the Supreme Court.

If, within 120 days after a decision of the Tax Court becomes final, the commissioner does not refund the overpayment determined by the court, together with interest, on motion by the taxpayer, the Tax Court shall have jurisdiction to order the refund of the overpayment and interest, and to award reasonable litigation costs for bringing the motion. If any tax, assessment, or other obligation be increased upon such appeal or review, the increase shall be added to the original amount, and may be enforced and collected therewith.

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

Sec. 8. Minnesota Statutes 2005 Supplement, section 289A.121, subdivision 5, is amended to read:

Subd. 5. **Reportable transactions.** (a) For each taxable year in which a taxpayer must make a return or a statement under Code of Federal Regulations, title 26, section 1.6011-4, for a reportable transaction, including a listed transaction, in which the taxpayer participated in a taxable year for which a return is required under chapter 290, the taxpayer must file a copy of the disclosure with the commissioner.

(b) Any taxpayer that is a member of a unitary business group that includes any person that must make a disclosure statement under Code of Federal Regulations, title 26, section 1.6011-4, must file a disclosure under this subdivision.

(c) Disclosure under this subdivision is required for any transaction entered into after December 31, 2001, that the Internal Revenue Service determines is a listed transaction at any time, and must be made in the manner prescribed by the commissioner. For transactions in which the taxpayer participated for taxable years ending before December 31, 2005, disclosure must be made by the extended due date of the first return required under chapter 290 that occurs 60 days or more after July

14, 2005. With respect to transactions in which the taxpayer participated for taxable years ending on and after December 31, 2005, disclosure must be made in the time and manner prescribed in Code of Federal Regulations, title 26, section 1.6011-4(e).

(d) Notwithstanding paragraphs (a) to (c), no disclosure is required for transactions entered into after December 31, 2001, and before January 1, 2006, if (1) the taxpayer has filed an amended income tax return which reverses the tax benefits of the tax shelter transaction, or (2) as a result of a federal audit the Internal Revenue Service has determined the tax treatment of the transaction and an amended return has been filed to reflect the federal treatment.

**EFFECTIVE DATE.** This section is effective for disclosures of reportable transactions in which the taxpayer participated for taxable years ending before December 31, 2005.

Sec. 9. Minnesota Statutes 2004, section 290.17, subdivision 1, is amended to read:

Subdivision 1. **Scope of allocation rules.** (a) The income of resident individuals is not subject to allocation outside this state. The allocation rules apply to nonresident individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders of corporations treated as "S" corporations under section 290.9725, and all corporations not having such an election in effect. If a partnership or corporation would not otherwise be subject to the allocation rules, but conducts a trade or business that is part of a unitary business involving another legal entity that is subject to the allocation rules, the partnership or corporation is subject to the allocation rules.

(b) Expenses, losses, and other deductions (referred to collectively in this paragraph as "deductions") must be allocated along with the item or class of gross income to which they are definitely related for purposes of assignment under this section or apportionment under section 290.191, 290.20, or 290.36. ~~Deductions not definitely related to any item or class of gross income are assigned under subdivision 2, paragraph (e),~~ are assigned to the taxpayer's domicile.

(c) In the case of an individual who is a resident for only part of a taxable year, the individual's income, gains, losses, and deductions from the distributive share of a partnership, S corporation, trust, or estate are not subject to allocation outside this state to the extent of the distributive share multiplied by a ratio, the numerator of which is the number of days the individual was a resident of this state during the tax year of the partnership, S corporation, trust, or estate, and the denominator of which is the number of days in the taxable year of the partnership, S corporation, trust, or estate.

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

## ARTICLE 10

### PUBLIC FINANCE

Section 1. Minnesota Statutes 2004, section 103E.635, subdivision 7, is amended to read:

Subd. 7. **Sale of definitive drainage bonds.** The board must sell and negotiate the definitive drainage bonds ~~for at least their par value. The definitive bonds must be sold in accordance with section according to sections 475.56 and 475.60.~~

Sec. 2. Minnesota Statutes 2004, section 116A.20, subdivision 3, is amended to read:

Subd. 3. **How payable.** The bonds shall be payable at such time or times, not to exceed (1) 30 years from their date or (2) 40 years or the useful life of the asset, whichever is less, if financed or guaranteed by the United States Department of Agriculture, and bear such rate or rates of interest not exceeding eight percent per annum, payable annually or semiannually as the county board shall by resolution determine. The years and amounts of principal maturities shall be such as in the opinion of the county board are warranted by the anticipated collections of the water and sewer improvement assessments without regard to any limitations on such maturities imposed by section 475.54.

Sec. 3. Minnesota Statutes 2004, section 162.18, subdivision 1, is amended to read:

Subdivision 1. **Limitation on amount.** Any city having a population of 5,000 or more may in accordance with chapter 475, except as otherwise provided herein, issue and sell its obligations for the purpose of establishing, locating, relocating, constructing, reconstructing, and improving municipal state-aid streets therein. In the resolution providing for the issuance of the obligations, the governing body of the municipality shall irrevocably pledge and appropriate to the sinking fund from which the obligations are payable, an amount of the moneys allotted or to be allotted to the municipality from its account in the municipal state-aid street fund sufficient to pay the principal of and the interest on the obligations as they respectively come due. The obligations shall be issued in amounts and on terms such that the average annual amount of principal and interest due in all subsequent calendar years on the obligations, including any similar obligations of the municipality which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of ~~the last annual allotment preceding the bond issue received by the municipality from the construction account in the municipal state-aid street fund;~~ except that the municipality may issue general obligation bonds for said purpose, to be purchased by it for the account of any one or more of its own funds, including debt redemption funds, in which case such bonds shall mature in not exceeding five years from their respective dates of issue, in principal amounts not exceeding in any calendar year, with the principal amount of all other municipal state-aid street obligations maturing in such year, the total amount of the last annual allotment preceding the bond issue received by the municipality from the construction account in the municipal state-aid street fund. All interest on the obligations shall be paid out of the municipality's normal maintenance account in the municipal state-aid street fund. Any such obligations may be made general obligations, but if moneys of the municipality other than moneys received from the municipal state-aid street fund, are used for payment of the obligations, the moneys so used shall be restored to the appropriate fund from the moneys next received by the municipality from the construction or maintenance account in the municipal state-aid street fund which are not required to be paid into a sinking fund for obligations.

Sec. 4. Minnesota Statutes 2004, section 162.181, subdivision 1, is amended to read:

Subdivision 1. **Limitation on amount.** Except as otherwise provided herein, any county may, in accordance with chapter 475, issue and sell its obligations, the total amount thereof not to exceed the total of the preceding two years state-aid allotments, for the purpose of establishing, locating, relocating, constructing, reconstructing, and improving county state-aid highways and constructing buildings and other facilities for maintaining county state-aid highways. In the resolution providing for the issuance of the obligations, the county board of the county shall irrevocably pledge and appropriate to the sinking fund from which the obligations are payable, an amount of the money allotted or to be allotted to the county from its account in the county state-aid highway fund sufficient to pay the principal of and the interest on the obligations as they respectively come due. The obligations shall be issued in the amounts and on terms such that the amount of principal and interest due in any calendar year on the obligations, including any similar obligations of the county which are outstanding, shall not exceed ~~50~~ 90 percent of the amount of the last annual allotment preceding the bond issue received by the county from the construction account in the county state-aid highway fund. All interest on the obligations shall be paid out of the county's normal maintenance account in the county state-aid highway fund. The obligations may be made general obligations, but if money of the county other than money received from the county state-aid highway fund, is used for payment of the obligations, the money so used shall be restored to the appropriate fund from the money next received by the county from the construction or maintenance account in the county state-aid highway fund which is not required to be paid into a sinking fund for obligations.

Sec. 5. Minnesota Statutes 2004, section 273.032, is amended to read:

**273.032 MARKET VALUE DEFINITION.**

For the purpose of determining any property tax levy limitation based on market value, ~~any net debt limit based on market value, any limit on the issuance of bonds, certificates of indebtedness, or capital notes based on market value,~~ any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "taxable market value,"

and "market valuation," whether equalized or unequalized, mean the total taxable market value of property within the local unit of government before any adjustments for tax increment, fiscal disparity, powerline credit, or wind energy values, but after the limited market adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16. Unless otherwise provided, "market value," "taxable market value," and "market valuation" for purposes of this paragraph, refer to the taxable market value for the previous assessment year.

For the purpose of determining any net debt limit based on market value, or any limit on the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean the total taxable market value of property within the local unit of government before any adjustments for tax increment, fiscal disparity, powerline credit, or wind energy values, but after the limited market adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16. Unless otherwise provided, "market value," "taxable market value," and "market valuation" for purposes of this paragraph, mean the taxable market value as last finally equalized.

Sec. 6. Minnesota Statutes 2004, section 365A.08, is amended to read:

### **365A.08 FINANCING.**

Upon adoption of the next annual budget following the creation of a subordinate service district the town board shall include in the budget appropriate provisions for the operation of the district including either a property tax levied only on property of the users of the service within the boundaries of the district or a levy of a service charge against the users of the service within the district, or a combination of a property tax and a service charge on the users of the service.

A tax or service charge or a combination of them may be imposed to finance a function or service in the district that the town ordinarily provides throughout the town only to the extent that there is an increase in the level of the function or service provided in the service district over that provided throughout the town. In that case, in addition to the townwide tax levy, an amount necessary to pay for the increase in the level of the function or service may be imposed in the district.

In the proceedings for establishment of a subordinate service district, the town may prepare a street reconstruction plan that describes the streets within the district to be reconstructed, the estimated costs, and any planned reconstruction of streets within the district over the next five years and may include the approval of the street reconstruction plan and the issuance of obligations for street reconstruction in the notice of public hearing for the public hearing required by section 365A.04, subdivision 2. The town board shall approve or disapprove the plan and the issuance of obligations in the resolution adopted pursuant to section 365A.04, subdivision 3, and the issuance of street reconstruction obligations shall be subject to the provisions for reverse referendum contained in section 365A.06. Following the creation of the subordinate service district and approval of the plan and the street reconstruction obligations and compliance with section 365A.06, the town may, without regard to the election requirement under section 475.58, subdivision 1, issue and sell general obligations for street reconstruction as defined in section 475.58, subdivision 3b. Obligations issued under this section are subject to the debt limit of the town and are not excluded from net debt under section 475.51, subdivision 4.

Sec. 7. Minnesota Statutes 2004, section 365A.095, is amended to read:

### **365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.**

Except when obligations are outstanding under section 365A.08, a petition signed by at least 75 percent of the property owners in the territory of the subordinate service district requesting the removal of the district may be presented to the town board. Within 30 days after the town board receives the petition, the town clerk shall determine the validity of the signatures on the petition. If the requisite number of signatures are certified as valid, the town board must hold a public hearing

on the petitioned matter. Within 30 days after the end of the hearing, the town board must decide whether to discontinue the subordinate service district, continue as it is, or take some other action with respect to it.

Sec. 8. Minnesota Statutes 2004, section 373.45, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) As used in this section, the following terms have the meanings given.

(b) "Authority" means the Minnesota Public Facilities Authority.

(c) "Commissioner" means the commissioner of finance.

(d) "Debt obligation" means a general obligation bond issued by a county, a bond to which the general obligation of a county is pledged under section 469.034, subdivision 2, or a bond payable from a county lease obligation under section 641.24, to provide funds for the construction of:

(1) jails;

(2) correctional facilities;

(3) law enforcement facilities;

(4) social services and human services facilities; ~~or~~

(5) solid waste facilities; or

(6) qualified housing development projects as defined in section 469.034, subdivision 2.

Sec. 9. Minnesota Statutes 2004, section 469.035, is amended to read:

**469.035 MANNER OF BOND ISSUANCE; SALE.**

Bonds of an authority shall be authorized by its resolution. They may be issued in one or more series and shall bear the date or dates, mature at the time or times, bear interest at the rate or rates, be in the denomination or denominations, be in the form either coupon or registered, carry the conversion or registration privileges, have the rank or priority, be executed in the manner, be payable in the medium of payment at the place or places, and be subject to the terms of redemption with or without premium, as the resolution, its trust indenture or mortgage provides. The bonds may be sold ~~at public or private sale at not less than par in the manner and for the price that the authority determines to be in the best interest of the authority.~~ Notwithstanding any other law, bonds issued pursuant to sections 469.001 to 469.047 shall be fully negotiable. In any suit, action, or proceedings involving the validity or enforceability of any bonds of an authority or the security for the bonds, any bond reciting in substance that it has been issued by the authority to aid in financing a project shall be conclusively deemed to have been issued for that purpose, and the project shall be conclusively deemed to have been planned, located, and carried out in accordance with the purposes and provisions of sections 469.001 to 469.047.

In cities of the first class, the governing body of the city must approve all notes executed with the Minnesota Housing Finance Agency pursuant to this section if the interest rate on the note exceeds seven percent.

Sec. 10. Minnesota Statutes 2004, section 469.103, subdivision 2, is amended to read:

Subd. 2. **Form.** The bonds of each series issued by the authority under this section shall bear interest at a rate or rates, shall mature at the time or times within ~~20~~ 30 years from the date of issuance, and shall be in the form, whether payable to bearer, registrable as to principal, or fully registrable, as determined by the authority. Section 469.102, subdivision 6, applies to all bonds issued under this section, and the bonds and their coupons, if any, when payable to bearer, shall be negotiable instruments.

Sec. 11. Minnesota Statutes 2005 Supplement, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so. The loan or advance must be authorized, by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is made, before money is transferred, advanced, or spent, whichever is earliest. The resolution may generally grant to the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate, and maximum term. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date or advance is made, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted.

Sec. 12. Minnesota Statutes 2004, section 473.39, is amended by adding a subdivision to read:

Subd. 11. **Obligations.** After July 1, 2006, in addition to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, 1i, 1j, and 1k, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$32,800,000 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.

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

Sec. 13. Minnesota Statutes 2004, section 474A.062, is amended to read:

**474A.062 HESO 120-DAY ISSUANCE EXEMPTION.**

The Minnesota Higher Education Services Office is exempt from the 120-day issuance requirements in this chapter and may carry forward allocations for student loan bonds into ~~three~~ one successive calendar ~~years~~ year, subject to carryforward notice requirements of section 474A.131, subdivision 2. ~~The maximum cumulative carryforward is limited to \$25,000,000.~~

**EFFECTIVE DATE.** This section is effective for bond allocations made in 2006 and thereafter.

Sec. 14. Minnesota Statutes 2005 Supplement, section 475.521, subdivision 4, is amended to read:

Subd. 4. **Limitations on amount.** A 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 (1) 0.16 percent of the taxable market value of property in the municipality, or (2) \$100,000, whichever is greater. 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. 15. Laws 2005, chapter 152, article 1, section 39, subdivision 1, is amended to read:

Subdivision 1. [ISSUANCE; PURPOSE.] Notwithstanding any provision of Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and rehabilitation ~~may~~ shall

issue revenue bonds in a principal amount of \$15,000,000 plus an amount sufficient to pay costs of issuance, in one or more series, and thereafter may issue bonds to refund those bonds. The proceeds of the bonds must be used to pay costs of issuance and 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. The amounts of proceeds to be distributed to each district are as follows:

- (1) Independent School District No. 511, Aitkin, \$600,000;
- (2) Independent School District No. 695, Chisholm, \$700,000;
- (3) Independent School District No. 166, Cook County, \$600,000;
- (4) Independent School District No. 182, Crosby-Ironton, \$600,000;
- (5) Independent School District No. 696, Ely, \$600,000;
- (6) Independent School District No. 2154, Eveleth-Gilbert, \$1,000,000;
- (7) Independent School District No. 318, Grand Rapids, \$600,000;
- (8) Independent School District No. 316, Greenway, \$1,100,000;
- (9) Independent School District No. 701, Hibbing, \$2,100,000;
- (10) Independent School District No. 381, Lake Superior, \$600,000;
- (11) Independent School District No. 2711, Mesabi East, \$3,600,000;
- (12) Independent School District No. 712, Mt. Iron-Buhl, \$700,000;
- (13) Independent School District No. 319, Nashwauk/Keewatin, \$700,000;
- (14) Independent School District No. 2142, St. Louis County, \$600,000; and
- (15) Independent School District No. 706, Virginia, \$900,000.

**Sec. 16. CARVER COUNTY AUTHORITY NAME CHANGE.**

The Carver County Housing and Redevelopment Authority created under Laws 1980, chapter 482, is renamed the Carver County Community Development Agency.

**Sec. 17. CITY OF WINSTED; BONDING AUTHORITY.**

(a) The city of Winsted may issue general obligation bonds under Minnesota Statutes, chapter 475, to finance the acquisition and betterment of a public works facility and a facility consisting of a city hall, community center and police station, including landscaping.

(b) The bonds may be issued as general obligations of the city without an election to approve the bonds under Minnesota Statutes, section 475.58.

(c) The bonds are not included in computing any debt limitation applicable to the city, including the net debt limits under Minnesota Statutes, section 475.53, 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) The aggregate principal amount of bonds used to pay costs of the acquisition and betterment of the public works facility and the facility consisting of a city hall, community center and police station, including landscaping, may not exceed \$5,000,000, plus an amount equal to the costs related

to issuance of the bonds and capitalized interest.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 18. UNIFIED POOL; OFFICE OF HIGHER EDUCATION; TEMPORARY PRIORITY.**

Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (b), prior to October 1, 2006, only the following applications shall be awarded allocations from the unified pool. Allocations shall be awarded in the following order of priority:

- (1) applications for student loan bonds issued by or on behalf of the Office of Higher Education;
- (2) applications for residential rental project bonds;
- (3) applications for small issue bonds for manufacturing projects; and
- (4) applications for small issue bonds for agricultural development bond loan projects.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

**Sec. 19. UNIFIED POOL; TEMPORARY PRIORITY CHANGE.**

Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (c), on the first Monday in October 2006, through the last Monday in November 2006, allocations shall be awarded from the unified pool in the following order of priority:

- (1) applications for mortgage bonds;
- (2) applications for public facility projects funded by public facility bonds;
- (3) applications for small issue bonds for manufacturing projects;
- (4) applications for small issue bonds for agricultural development bond loan projects;
- (5) applications for residential rental project bonds;
- (6) applications for enterprise zone facility bonds;
- (7) applications for governmental bonds; and
- (8) applications for redevelopment bonds.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

**Sec. 20. UNIFIED POOL; OFFICE OF HIGHER EDUCATION TOTAL ALLOCATION.**

Notwithstanding Minnesota Statutes, section 474A.091, subdivision 3, paragraph (i), the total amount of allocations for student loan bonds from the unified pool in calendar year 2006 may not exceed 50 percent of the total in the unified pool on the day after the last Monday in July, 2006.

**EFFECTIVE DATE.** This section is effective July 1, 2006.

**Sec. 21. CITY OF PENNOCK; ACQUIRE REAL ESTATE, EXPEND CITY FUNDS, AND CONVEY TO PRIVATE ENTITY.**

Subdivision 1. **Authorization.** The city of Pennock may purchase a parcel of real estate in the city consisting of four city lots and an appurtenant building formerly operated as a convenience store known as Phil's Corner on the terms and conditions that may be agreed upon between the city and the current owner of the parcel, and the city may expend city funds to make necessary improvements to the building. Once acquired and improved and in order to ensure the continued



economic vitality of the city, the city may convey the parcel and building by sale or lease to a private person, firm, partnership, corporation or other entity for a nominal consideration or on whatever terms and conditions the city and the private entity may agree upon in order for the building to be operated as a commercial establishment.

Subd. 2. **Bonds.** The city of Pennock may issue general obligation bonds of the city in the aggregate principal amount not to exceed \$250,000 to finance the project authorized by subdivision 1. The bonds must be issued in compliance with Minnesota Statutes, chapter 475, except that a referendum under Minnesota Statutes, section 475.58, is not required. 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 otherwise applicable to the city.

**EFFECTIVE DATE.** Under Minnesota Statutes 2004, section 645.023, subdivision 1, paragraph (a), this section is effective without local approval on the day following final enactment.

Sec. 22. **APPLICATION.**

Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

## ARTICLE 11

### LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2004, section 383A.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2008 2013.

Sec. 2. Minnesota Statutes 2004, section 383B.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2008 2013.

Sec. 3. **[383C.558] ST. LOUIS COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of St. Louis County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "St. Louis County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the St. Louis County Board of Commissioners and must be deposited in the county's environmental response fund under section 383C.559.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 4. **[383C.559] ST. LOUIS COUNTY ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 383C.558 must be deposited in the fund. The board of county commissioners shall administer the fund either as a county board, a housing and redevelopment authority, or a regional rail authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property;

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances; or

(5) paying for the costs associated with improving the property for economic development, recreational, housing, transportation or rail traffic.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383C.558 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with the county and any affected municipality by providing technical assistance and support in cleaning up a contaminated site related to a trunk highway or railroad improvement.

#### **Sec. 5. [383D.75] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Dakota County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Dakota County Board of Commissioners and must be deposited in the county's environmental response fund under section 383D.76.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

#### **Sec. 6. [383D.76] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 383D.75 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board, a housing and redevelopment authority, or a regional rail authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property;

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances; or

(5) paying for the costs associated with improving the property for economic development, recreational, housing, transportation or rail traffic.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383D.75 to bonds issued under this chapter and chapters 398A, 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with the county and any affected municipality by providing technical assistance and support in cleaning up a contaminated site related to a trunk highway or railroad improvement.

Sec. 7. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 2, is amended to read:

**Subd. 2. Consultations; comment and filing.** (a) Before formation of a tax increment financing district, the authority shall provide the county auditor and clerk of the school board with the proposed tax increment financing plan for the district and the authority's estimate of the fiscal and economic implications of the proposed tax increment financing district. The authority must provide the proposed tax increment financing plan and the information on the fiscal and economic implications of the plan to the county auditor and the clerk of the school district board at least 30 days before the public hearing required by subdivision 3. The information on the fiscal and economic implications may be included in or as part of the tax increment financing plan. The county auditor and clerk of the school board shall provide copies to the members of the boards, as directed by their respective boards. The 30-day requirement is waived if the boards of the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information.

(b) For purposes of this subdivision, "fiscal and economic implications of the proposed tax increment financing district" includes:

(1) an estimate of the total amount of tax increment that will be generated over the life of the district;

(2) a description of the probable impact of the district on city-provided services such as police and fire protection, public infrastructure, and ~~borrowing costs~~ the impact of any general obligation tax increment bonds attributable to the district upon the ability to issue other debt for general fund purposes;

(3) the estimated amount of tax increments over the life of the district that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same;

(4) the estimated amount of tax increments over the life of the district that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same; and

(5) ~~any~~ additional information regarding the size, timing, or type of development in the district requested by the county or the school district that would enable it to determine additional costs that will accrue to it due to the development proposed for the district. If a county or school district has not adopted standard questions in a written policy on information requested for fiscal and economic implications, a county or school district must request additional information no later than 15 days after receipt of the tax increment financing plan and the request does not require an additional 30 days of notice before the public hearing.

**EFFECTIVE DATE.** This section is effective for proposed tax increment financing plans provided after June 30, 2006.

Sec. 8. 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.

(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 all districts, regardless of when the request for certification was made, and applies to plan amendments adopted after the day following final enactment.

Sec. 9. Minnesota Statutes 2005 Supplement, section 469.175, subdivision 5, is amended to read:

Subd. 5. **Annual disclosure.** An annual statement showing for each district the information required to be reported under subdivision 6, paragraph (c), clauses (1), (2), (3), (11), (12), (18), and (19); the amounts of tax increment received and expended in the reporting period; and any additional information the authority deems necessary must be published in a newspaper of general circulation in the municipality that approved the tax increment financing plan. The annual statement must inform readers that additional information regarding each district may be obtained from the authority, and must explain how the additional information may be requested. The authority must publish the annual statement for a year no later than August 15 of the next year. The authority must identify the newspaper of general circulation in the municipality to which the annual statement has been or will be submitted for publication and provide a copy of the annual statement to the county board, the county auditor, ~~the school board,~~ the state auditor, and, if the authority is other than the municipality, the governing body of the municipality on or before August 1 of the year in which the statement must be published.

The disclosure requirements imposed by this subdivision apply to districts certified before, on, or after August 1, 1979.

**EFFECTIVE DATE.** This section is effective for disclosures required to be provided after June 30, 2006.

Sec. 10. Minnesota Statutes 2004, section 469.176, subdivision 1, is amended to read:

Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the limitations contained in subdivisions 1a to 1f, any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding. The municipality may, at the time of approval of the initial tax increment financing plan, provide for a shorter maximum duration limit than specified in subdivisions 1a to 1f. The specified limit applies in place of the otherwise applicable limit, unless the authority modifies the plan following the procedures under section 469.175, subdivision 4, paragraph (b).

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority are pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

**EFFECTIVE DATE.** This section is effective for all districts, regardless of when the request for certification was made, and applies to plan amendments adopted after the day following final enactment.

Sec. 11. Minnesota Statutes 2004, section 469.176, subdivision 3, is amended to read:

Subd. 3. **Limitation on administrative expenses.** (a) For districts for which certification was requested before August 1, 1979, or after June 30, 1982 and before August 1, 2001, no tax increment shall be used to pay any administrative expenses for a project which exceed ten percent of the total estimated tax increment expenditures authorized by the tax increment financing plan or the total tax increment expenditures for the project, whichever is less.

(b) For districts for which certification was requested after July 31, 1979, and before July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the total tax increment expenditures authorized by the tax increment financing plan or the total estimated tax increment expenditures for the district, whichever is less.

(c) For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for a project which exceed ten percent of total estimated tax increment expenditures authorized by the tax increment financing plan or the total tax increments, as defined in section 469.174, subdivision 25, clause (1), from the district, whichever is less.

(d) No administrative expenses or consulting costs incurred before certification of a district may be paid from tax increments.

Sec. 12. Minnesota Statutes 2005 Supplement, 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, or for an existing district located within such a zone, 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. Public infrastructure expenditures are considered as expenditures for activities within the district.

Sec. 13. Minnesota Statutes 2004, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, ~~paragraph~~ paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

Sec. 14. Minnesota Statutes 2004, section 469.1763, subdivision 4, is amended to read:

Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the sixth year following certification of the district, if the applicable in-district percent of the revenues derived from tax increments paid by properties in the district exceeds the amount of expenditures that have been made for costs permitted under subdivision 3, an amount equal to the difference between the in-district percent of the revenues derived from tax increments paid by properties in the district and the amount of expenditures that have been made for costs permitted under subdivision 3 must be used and only used to pay or defease the following or be set aside to pay the following:

(1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

(2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); ~~or~~

(3) credit enhanced bonds to which the revenues derived from tax increments are pledged, but only to the extent that revenues of the district for which the credit enhanced bonds were issued are insufficient to pay the bonds and to the extent that the increments from the applicable pooling

percent share for the district are insufficient; or

(4) the amount provided by the tax increment financing plan to be paid under subdivision 2, paragraphs (b), (d), and (e).

(b) The district must be decertified and the pledge of tax increment discharged when the outstanding bonds have been defeased and when sufficient money has been set aside to pay, based on the increment to be collected through the end of the calendar year, the following amounts:

(1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and (4), ~~the district must be decertified and the pledge of tax increment discharged;~~

(2) the amount specified in the tax increment financing plan for activities qualifying under subdivision 2, paragraph (b), that have not been funded with the proceeds of bonds; and

(3) the additional expenditures permitted by the tax increment financing plan for housing activities under an election under subdivision 2, paragraph (d), that have not been funded with the proceeds of bonds.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification was made after April 30, 1990.

Sec. 15. Minnesota Statutes 2005 Supplement, section 469.1763, subdivision 6, is amended to read:

Subd. 6. **Pooling permitted for deficits.** (a) This subdivision applies only to districts for which the request for certification was made before August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. The municipality may transfer increments as provided by this subdivision without regard to whether the transfer or expenditure is authorized by the tax increment financing plan for the district from which the transfer is made. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments collected or to be collected from properties located within the district that are available for the calendar year including amounts collected in prior years that are currently available; plus

(iii) total increments from properties located in other districts in the municipality including amounts collected in prior years that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First Special Session chapter 5, or the elimination of the general education tax levy under Laws 2001, First Special Session chapter 5.

The authority may compute the deficit amount under clause (1) only (without regard to the limit under clause (2)) if the authority makes an irrevocable commitment, by resolution, to use increments from the district to which increments are to be transferred and any transferred increments are only used to pay preexisting obligations and administrative expenses for the district that are required to be paid under section 469.176, subdivision 4h, paragraph (a).



(c) A preexisting obligation means:

(1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a binding contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before August 1, 2001, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district; and

(2) binding contracts entered into before August 1, 2001, to the extent that the contracts require payments secured by a pledge of increments from the tax increment financing district.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments including amounts collected in prior years that are currently available for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality. The municipality may use this authority only after it has first used all available increments of the receiving development authority to eliminate the insufficiency and exercised any permitted action under section 469.1792, subdivision 3, for preexisting districts of the receiving development authority to eliminate the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c, 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the other provisions of this section; and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(2) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The existence of a guarantee of obligations by the individual or entity that would receive the payment under this paragraph is disregarded in the determination of eligibility to pool under this subdivision. The authority to transfer increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

(g) For transfers of increments made in calendar year 2005 and later, the reduction in increments as a result of the elimination of the general education tax levy for purposes of paragraph (b), clause (2), for a taxes payable year equals the general education tax rate for the school district under Minnesota Statutes 2000, section 273.1382, subdivision 1, for taxes payable in 2001, multiplied by the captured tax capacity of the district for the current taxes payable year.

**EFFECTIVE DATE.** This section is effective for all districts, regardless of when the request for certification was made, and applies retroactively to any transfer made under subdivision 6.

Sec. 16. Minnesota Statutes 2005 Supplement, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

(b) If the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after certification of the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original net tax capacity.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section

469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

**EFFECTIVE DATE.** This section is effective for improvements made to tax exempt property made after June 30, 2006.

Sec. 17. Minnesota Statutes 2004, section 469.1771, subdivision 2a, is amended to read:

Subd. 2a. **Suspension of distribution of tax increment.** (a) If an authority fails to make a disclosure or to submit a report containing the information required by section 469.175, subdivisions 5 and 6, regarding a tax increment financing district within the time provided in section 469.175, subdivisions 5 and 6, the state auditor shall mail to the authority a written notice that it or the municipality has failed to make the required disclosure or to submit a required report with respect to a particular district. The state auditor shall mail the notice on or before the third Tuesday of August of the year in which the disclosure or report was required to be made or submitted. The notice must describe the consequences of failing to disclose or submit a report as provided in paragraph (b). If the state auditor has not received a copy of a disclosure or a report described in this paragraph on or before the ~~third Tuesday of November~~ first day of October of the year in which the disclosure or report was required to be made or submitted, the state auditor shall mail a written notice to the county auditor to hold the distribution of tax increment from a particular district.

(b) Upon receiving written notice from the state auditor to hold the distribution of tax increment, the county auditor shall hold:

(1) ~~25~~ 100 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after the ~~third Friday in November~~ first day of October but during the year in which the disclosure or report was required to be made or submitted; or

(2) 100 percent of the amount of tax increment that otherwise would be distributed, if the distribution is made after December 31 of the year in which the disclosure or report was required to be made or submitted.

(c) Upon receiving the copy of the disclosure and all of the reports described in paragraph (a) with respect to a district regarding which the state auditor has mailed to the county auditor a written notice to hold distribution of tax increment, the state auditor shall mail to the county auditor a written notice lifting the hold and authorizing the county auditor to distribute to the authority or municipality any tax increment that the county auditor had held pursuant to paragraph (b). The state auditor shall mail the written notice required by this paragraph within five working days after receiving the last outstanding item. The county auditor shall distribute the tax increment to the authority or municipality within 15 working days after receiving the written notice required by this paragraph.

(d) Notwithstanding any law to the contrary, any interest that accrues on tax increment while it is being held by the county auditor pursuant to paragraph (b) is not tax increment and may be retained by the county.

(e) For purposes of sections 469.176, subdivisions 1a to 1g, and 469.177, subdivision 11, tax increment being held by the county auditor pursuant to paragraph (b) is considered distributed to or received by the authority or municipality as of the time that it would have been distributed or received but for paragraph (b).

**EFFECTIVE DATE.** This section is effective for disclosures and reports required to be filed

after December 30, 2006.

Sec. 18. Minnesota Statutes 2004, section 469.312, subdivision 5, is amended to read:

Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

(b) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by three calendar years for each parcel of property that meets the following requirements:

(1) the qualified business operates an ethanol plant, as defined in section 41A.09, on the site that includes the parcel; and

(2) the business subsidy agreement was executed after April 30, 2006.

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

Sec. 19. Minnesota Statutes 2004, section 475.58, subdivision 1, is amended to read:

Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

(1) to pay any unpaid judgment against the municipality;

(2) for refunding obligations;

(3) for an improvement or improvement program, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement or by an improvement within the improvement program, ~~or of taxes levied upon the increased value of property within a district for the development of which the improvement is undertaken from tax increments, as defined in section 469.174, subdivision 25, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or taxes tax increments~~ and not less than 20 percent of the cost of the improvement or the improvement program is to be assessed against benefited property or is to be paid from the proceeds of federal grant funds or a combination thereof, or is estimated to be received from ~~such taxes within the district tax increments;~~

(4) payable wholly from the income of revenue producing conveniences;

(5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;

(6) under the provisions of a law which permits the issuance of obligations of a municipality without an election;

(7) to fund pension or retirement fund liabilities pursuant to section 475.52, subdivision 6;

(8) under a capital improvement plan under section 373.40; and

(9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if the proceeds of the bonds are not used for a purpose prohibited under section 469.176, subdivision 4g, paragraph (b).

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

Sec. 20. 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, 2006, is deposited in the housing development account of the authority and expended according to the tax increment financing plan.

Sec. 21. 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 469.174, subdivision 29, clause (1), for rental housing.

Sec. 22. **ANOKA COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. **Authority to impose; rate.** (a) The governing body of Anoka County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. **General law provisions apply.** The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Anoka County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the Anoka County Board of Commissioners and must be deposited in the county's environmental response fund under section 15.

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, 2013.

Sec. 23. **ANOKA COUNTY ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed by section 14 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board, a housing and redevelopment authority, or a regional rail authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property;

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances; or

(5) paying for the costs associated with improving the property for economic development, recreational, housing, transportation or rail traffic.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 14 to bonds issued under this chapter and Minnesota Statutes, chapters 398A, 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with the county and any affected municipality by providing technical assistance and support in cleaning up a contaminated site related to a trunk highway or railroad improvement.

#### Sec. 24. **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. 25. **BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT FINANCING.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the words and phrases defined have the meanings given them in this subdivision.

(b) "Project area" means the area in the city bounded on the south, southeast, and southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest by the Minnesota River; and on the west by the westerly corporate limits of the city; together with a single parcel to the east of said Interstate Highway I-35W described as the North 1370 feet of the West 1075 feet of the NW 1/4 of Section 34 Township 27 Range 24 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph.

(c) "Soils deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use;

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local improvement as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses (1) to (7), (11) and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soils condition district, or soils deficiency district established by the city of Burnsville or a development authority of the city in the project area.

(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for any district.

(c) The limitations on spending tax increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, but increments may only be expended on

improvements or activities within the project area.

(d) In the case of a soil deficiency district:

(1) increments may be collected through 20 years after the receipt by the authority of the first increment from the district; and

(2) except as otherwise provided in this subdivision, increments may be used only to: (i) acquire parcels on which the improvements described in clause (ii) will occur; (ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and (iii) pay for the administrative expenses of the authority allocable to the district.

(e) Increments spent for any infrastructure costs (whether inside a district or outside a district but within the project area) are deemed to satisfy the requirements of paragraph (d) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

(f) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires December 31, 2026.

**EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 26. BURNSVILLE; HEART OF THE CITY TAX INCREMENT FINANCING DISTRICT.**

Notwithstanding any contrary provision of law, the five-year rule under Minnesota Statutes, section 469.1763, subdivisions 3 and 4, is extended to ten years for tax increment derived from the parcel described as Lot 2, Block 1, Nicollet Commons Park within tax increment financing District No. 6 established by the city and its economic development authority on April 15, 2002.

**EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 27. 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 section.

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. 28. 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. 29. CITY OF MINNEAPOLIS; HOMELESS ASSISTANCE TAX INCREMENT DISTRICT.**

Subdivision 1. **Definitions.** (a) "City" means the city of Minneapolis.

(b) "Homeless assistance tax increment district" means a contiguous area of the city that:

(1) is no larger than six acres;

(2) is located within the boundaries of a city municipal development district; and

(3) contains at least two shelters for homeless persons that have been owned or operated by nonprofit corporations that (i) are qualified charitable organizations under section 501(c)(3) of the United States Internal Revenue Code, (ii) have operated such homeless facilities within the district for at least five years, and (iii) have been recipients of emergency services grants under Minnesota Statutes, section 256E.36.

Subd. 2. **Establishment of tax increment district.** The city may create one homeless assistance tax increment district. To establish the homeless assistance tax increment district, the city shall adopt a homeless assistance tax increment plan and otherwise comply with the requirements of Minnesota Statutes, section 469.175, except that the determinations required in Minnesota Statutes, section 469.175, subdivision 3, paragraph (b), clauses (1) and (2), items (i) and (ii), are not required.

Subd. 3. **Application of tax increment law.** Minnesota Statutes, sections 469.174 to 469.179, shall apply to the administration of the district, except:

(1) as this section provides otherwise; and

(2) with respect to the portion of the increment to be expended for homeless shelter and services pursuant to subdivision 5, paragraph (b):

(i) the use for which tax increment that may be expended is as provided by subdivision 5; and

(ii) Minnesota Statutes, sections 469.1761 and 469.1763, do not apply.

Subd. 4. **Duration limitation.** No tax increment generated by the district shall be paid to the city after the expiration of 25 years from the receipt by the city of the first increment from that district.

Subd. 5. **Limitations on use of increment.** (a) All increment received by the city from the district shall be used in accordance with the homeless assistance tax increment district plan.

(b) No less than 40 percent of the increment, after deduction of allowable administrative expenses under Minnesota Statutes, section 469.176, subdivision 3, shall be used to provide emergency shelter and services for homeless persons within and outside the district.

(c) The remainder of the tax increment derived from the district shall be used for purposes allowed under Minnesota Statutes, section 469.176, subdivision 4.



Subd. 6. **Applicability of other laws.** References in Minnesota Statutes to tax increment financing districts created and tax increment generated under Minnesota Statutes, sections 469.174 to 469.179, include the homeless assistance district and tax increment subject to this section.

**EFFECTIVE DATE.** This section is effective upon compliance by the city of Minneapolis with Minnesota Statutes, section 645.021.

**Sec. 30. CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING; EXPENDITURES OUTSIDE DISTRICT.**

Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision 2, the city of New Brighton may expend tax increments from District No. 26 for eligible activities described in Minnesota Statutes, section 469.176, subdivision 4e, outside of Tax Increment District No. 26, but only within the area described in Laws 1998, chapter 389, article 11, section 24, subdivision 1. Minnesota Statutes, section 469.1763, subdivision 3, and Minnesota Statutes, section 469.1763, subdivision 4, shall not apply to expenditures permitted in this section.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of New Brighton and compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 31. CITY OF RAMSEY; TAX INCREMENT FINANCING.**

Subdivision 1. **Authority.** The governing body of the city of Ramsey or a development authority established by the city may create a tax increment financing district, consisting of the property defined as outlot L, Ramsey Town Center Addition and lot 2, block 1, Ramsey Town Center Addition.

Subd. 2. **Special rules.** Establishment of the district is subject to the requirements of Minnesota Statutes, sections 469.174 to 469.1799, with the following exceptions:

(1) the district is deemed to be a redevelopment district without regard to the requirements of Minnesota Statutes, section 469.174, subdivision 10;

(2) the provisions of Minnesota Statutes, section 469.176, subdivision 7, do not apply to the district;

(3) housing receiving assistance, directly or indirectly, from the expenditures of the district's increments must meet the requirements of Minnesota Statutes, sections 469.174, subdivision 11, and 469.1761;

(4) the district's increments must be used only to pay for costs related to the Sunwood on Grand project, including land acquisition, public infrastructure, parking ramps, and administrative expenses, whether paid directly to reimburse for payment of those costs or to repay bonds or other obligations issued and sold to pay those costs initially; and

(5) general obligations bonds issued to pay for costs related to the project subject to this section are not subject to the net debt limit of the city under Minnesota Statutes, section 475.53, or any other law or charter provision.

**EFFECTIVE DATE.** This section is effective upon local approval by the governing body of the city of Ramsey in compliance with the requirement of Minnesota Statutes, section 645.021.

**Sec. 32. 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. 33. QUALIFIED BUSINESS; SMALL DECLINING POPULATION COUNTY.**

Notwithstanding Minnesota Statutes, section 469.310, subdivision 11, paragraph (f), a qualified business for purposes of Minnesota Statutes, section 469.310, subdivision 11, includes a food service business if the business is located solely in a qualified county, and if the business began operations in January 2004, with employment of between 15 and 20 part-time and full-time employees. For the purpose of this section, a "qualified county" is a county having an estimated population of less than 5,000 in 2004 and that experienced a reduction in population of at least 7.5 percent between 2000 and 2004, according to the state demographer.

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

**Sec. 34. REPEALER.**

(a) Laws 1994, chapter 587, article 9, section 20, subdivision 4, is repealed.

(b) Laws 1996, chapter 464, article 1, section 8, subdivision 5, is repealed.

**Sec. 35. REPEALER; DISTRIBUTION OF CERTAIN BURNSVILLE TAX INCREMENTS.**

Laws 1998, chapter 389, article 11, section 18, is repealed. The balance of tax increments derived from tax increment financing district no. 2-1 as of the effective date of this act must be returned to the county for distribution in accordance with Minnesota Statutes, section 469.176, subdivision 2.

**EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

**ARTICLE 12**

**AIDS AND CREDITS**

Section 1. Minnesota Statutes 2005 Supplement, 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) 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.

(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.

(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.

(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.

(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.

(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 by an additional \$89,000 in calendar years 2007 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, and by an additional \$89,000 in calendar year 2007 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.

(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.

(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.

(n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011, and by an additional \$50,000 in calendar years 2007 to 2016, 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, and by an additional \$50,000 in calendar year 2007 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.

(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.

(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.

(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.

(r) The city aid base for a city is increased by \$25,000 in 2006 only and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(s) The city aid base for a city with a population less than 5,000 is increased in 2006 and thereafter and the minimum and maximum amount of total aid it may receive under this section is also increased in calendar year 2006 only by an amount equal to \$6 multiplied by its population.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

Sec. 2. Minnesota Statutes 2005 Supplement, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** In calendar year 2004 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) the sum of the city's net tax capacity multiplied by the tax effort rate; the taconite aids under sections 298.28 and 298.282 to any city except a city directly impacted by a taconite mine or plant, multiplied by the following percentages:

- (i) zero percent for aids payable in 2004;
- (ii) 25 percent for aids payable in 2005;
- (iii) 50 percent for aids payable in 2006;
- (iv) 75 percent for aids payable in 2007; and
- (v) 100 percent for aids payable in 2008 and thereafter.

For purposes of this subdivision, "a city directly impacted by a taconite mine or plant" means: (1) Babbitt, (2) Eveleth, (3) Hibbing, (4) Keewatin, (5) Mountain Iron, (6) Silver Bay, or (7) Virginia.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

~~The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5 is 100 percent for aids payable in 2007 and thereafter.~~

Sec. 3. Minnesota Statutes 2004, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year 2002 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

~~(b) The aid for a city in calendar year 2004 shall not exceed the amount of its aid in calendar year 2003 after the reductions under Laws 2003, First Special Session chapter 21, article 5.~~

~~(c) For aids payable in 2005 and thereafter, and 2006, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2005 and thereafter, the total aid for any city with a population of 2,500 or more may not decrease from its total aid under this section in the previous year by an amount greater than ten percent of its net levy in the year prior to the aid distribution.~~

~~(d) For aids payable in 2004 only, the total aid for a city with a population less than 2,500 may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session chapter 21, article 5, or (2) five percent of its 2003 aid amount. (c) For aids payable in 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus five percent of its 2003 certified aid amount.~~

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2007.

Sec. 4. Minnesota Statutes 2004, section 477A.03, subdivision 2, is amended to read:

Subd. 2. **Annual appropriation.** (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) In fiscal year 2007, \$41,000,000 is appropriated from the general fund to the commissioner of revenue to be used for the purposes of paragraph (a) for distributions in calendar years 2007 and 2008. These amounts do not cancel, and remain available until expended.

Sec. 5. Minnesota Statutes 2005 Supplement, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005, the total aids paid under section 477A.013, subdivision 9, are limited to \$437,052,000. For aids payable in 2006 ~~and thereafter~~, the total aids paid under section 477A.013, subdivision 9, is limited to \$485,052,000, plus the amount of the payments provided in section 5.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2006.

Sec. 6. Laws 2005, First Special Session chapter 3, article 2, section 5, is amended to read:

Sec. 5. **2005 AND 2006 CITY AID PAYMENTS.**

In 2005 ~~and 2006~~, market value credit reimbursements for each city payable under Minnesota Statutes, section 273.1384, are reduced by the dollar amount of the 2003 reduction in market value credit reimbursements for that city due to Laws 2003, First Special Session chapter 21, article 5, section 12. No city's 2005 ~~or 2006~~ market value credit reimbursements are reduced to less than zero under this section. To the extent sufficient information is available on each payment date, the commissioner shall pay the annual 2005 ~~and 2006~~ market value credit reimbursement amounts, after reduction under this section, to cities in equal installments on the dates specified in Minnesota Statutes, section 273.1384.

Sec. 7. **ONETIME 2006 ADDITIONAL CITY AID.**

Subdivision 1. **Computation.** For aid payable in 2006 only, the aid payable to each city under Minnesota Statutes, section 477A.013, subdivision 9, is increased by the difference between the amount that would have been paid to the city under that provision and the amount that would be payable to the city if the aid were determined as follows:

(1) the city revenue need under Minnesota Statutes, section 477A.011, subdivision 34, must be multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce for 2004 to the 2002 implicit price deflator for state and local government purchases;

(2) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, must not be added to the city net tax capacity under Minnesota Statutes, section 477A.013, subdivision 8;

(3) the need increase percentage under Minnesota Statutes, section 477A.013, subdivision 8,

shall be equal to 100 percent;

(4) the restriction under Minnesota Statutes, section 477A.013, subdivision 9, that the total aid for any city shall not exceed the sum of ten percent of the city's net levy in the previous year plus its total aid in the previous year shall not apply; and

(5) no city shall receive less aid than it was originally certified to receive for aids payable in 2006.

The aid payable under this section must be used by cities for debt reduction, pension funding, capital improvements, deferred maintenance, fee reduction, or to pay costs related to public safety.

Subd. 2. **Appropriation; payment.** The commissioner of revenue shall make the payments of the additional 2006 city aid in three installments on May 1, July 20, and December 26, 2006. An amount sufficient to pay the aid under this section is appropriated to the commissioner of revenue from the general fund.

**EFFECTIVE DATE.** This section is effective for aids payable in 2006.

**Sec. 8. COUNTY TARGETED CASE MANAGEMENT AID.**

Subdivision 1. **Distribution.** For 2006 and 2007 only, county targeted case management aid shall be allocated to counties based on each county's share of the state total of children's social services and mental health services administered by the counties under the jurisdiction of the Minnesota Department of Human Services. The aid payable under this section must be used by counties to offset reductions in federal funding under the Deficit Reduction Act of 2005 for targeted case management.

Subd. 2. **Appropriation; payment.** For aids payable in 2006, the total aid under this section is limited to \$40,000,000. For aids payable in 2007, the total aid under this section is limited to \$20,000,000. The commissioner of revenue shall make the payments of the county targeted case management aid in two installments on July 20 and December 26 in 2006, and on March 31 and May 31 in 2007. An amount sufficient to pay the aid under this section is appropriated to the commissioner of revenue from the general fund.

**EFFECTIVE DATE.** This section is effective for aids payable in 2006 and 2007.

**Sec. 9. MAHNOMEN COUNTY; TEMPORARY COUNTY AND CITY AIDS.**

\$600,000 is appropriated from the general fund to the commissioner of revenue to be used to make payments to Mahnomen County and the city of Mahnomen to compensate them for the loss of property tax revenue due to the placement of land located in the city of Mahnomen in trust status during calendar year 2006. The appropriation shall be reduced by the amount of any payment in lieu of tax received by Mahnomen County or the city of Mahnomen for the property placed in trust status. The payment shall be made on July 20, 2006.

**Sec. 10. COUNTY REFERENDUM COST REIMBURSEMENT; APPROPRIATION.**

If one or more bills are enacted during the 2006 session of the legislature that provides for a referendum in 2006 on a proposed constitutional amendment, \$122,000 is appropriated from the general fund to the commissioner of revenue to be distributed to the counties in proportion to each county's share of the state's registered voters. This is a onetime payment, to be paid on July 20, 2006, to compensate the counties for the cost of preparing ballots for the constitutional amendment or amendments.

**Sec. 11. LOCAL TRUNK HIGHWAY IMPROVEMENTS; APPROPRIATION.**

\$5,000,000 is appropriated from the general fund to the commissioner of transportation to be distributed, \$2,500,000 to the City of Nisswa and \$2,500,000 to the City of Pequot Lakes, to be used to pay the local share of trunk highway improvement projects. The advisory committee established under Minnesota Statutes, section 174.52, shall provide recommendations to the cities on the most



efficient use of the funds provided.

## ARTICLE 13

### MINERALS

Section 1. Minnesota Statutes 2004, section 298.001, is amended by adding a subdivision to read:

Subd. 3a. **Producer.** "Producer" means a person engaged in the business of mining or producing iron ore, taconite concentrate, or direct reduced ore in this state.

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

Sec. 2. Minnesota Statutes 2005 Supplement, section 298.01, subdivision 3, is amended to read:

Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of mining or producing ores in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. 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), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

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

Sec. 3. 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. If more than one mineral, metal, or energy resource referred to in section 298.016 is mined and processed at the same mine and plant, a gross income for each mineral, metal, or energy resource must be determined separately. The gross incomes may be combined on one occupation tax return to arrive at the gross income of all production.

(b) In applying section 290.191, subdivision 5, transfers of ores are deemed to be sales ~~outside in~~ this state ~~if the ores are transported out of this state after the ores have been converted to a marketable quality.~~

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

Sec. 4. Minnesota Statutes 2004, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable ores are produced, unless the expenses are included in gross income. The allowable deductions from a mine or plant that mines and produces more than one mineral, metal, or energy resource must be determined separately for the purposes of computing the deduction in section 290.01, subdivision 19c, clause (9). These deductions may be combined on one occupation tax return to arrive at the deduction from gross income for all production.

(b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d, clauses (7) and (11), are not used to determine taxable income.

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

Sec. 5. Minnesota Statutes 2005 Supplement, 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), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax shall be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

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

Sec. 6. Minnesota Statutes 2004, section 298.01, subdivision 4a, is amended to read:

Subd. 4a. **Gross income.** (a) For purposes of determining a person's taxable income under subdivision 4, gross income is determined by the mine value of the ore mined in Minnesota and includes any gain or loss recognized from the sale or disposition of assets used in the business in this state.

(b) Mine value is the value, or selling price, of iron ore or taconite concentrates, f.o.b. mine. The mine value is calculated by multiplying the iron unit price for the period, as determined by the commissioner, by the tons produced and the weighted average analysis.

(c) In applying section 290.191, subdivision 5, transfers of iron ore and taconite concentrates are deemed to be sales outside in this state ~~if the iron ore or taconite concentrates are transported out of this state after the raw iron ore and taconite concentrates have been converted to a marketable quality.~~

(d) If iron ore or taconite and a mineral, metal, or energy resource referred to in section 298.016 is mined and processed at the same mine and plant, a gross income for each mineral, metal, or energy resource must be determined separately from the mine value for the iron ore or taconite. The gross income may be combined on one occupation tax return to arrive at the gross income from all production.

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

Sec. 7. Minnesota Statutes 2004, section 298.01, subdivision 4b, is amended to read:

Subd. 4b. **Deductions.** For purposes of determining taxable income under subdivision 4, the deductions from gross income include only those expenses necessary to convert raw iron ore or taconite concentrates to marketable quality. Such expenses include costs associated with beneficiation and refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable iron ore or taconite pellets are produced. The allowable deductions from a mine or plant that mines and produces iron ore or taconite and one or more mineral or metal referred to in section 298.016 must be determined separately for the purposes of computing the deduction in section 290.01, subdivision 19c, clause (9). These deductions may be combined on one occupation tax return to arrive at the deduction from gross income for all production.

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

Sec. 8. Minnesota Statutes 2004, section 298.01, is amended by adding a subdivision to read:

Subd. 6. **Deductions applicable to mining both taconite and other ores; ratio applied.** If a person is engaged in the business of mining or producing both iron ores, taconite concentrates, or direct reduced ore, and other ores from the same mine or facility, that person must separately determine the mine value of (1) the iron ore, taconite concentrates, and direct reduced ore, and (2) the amount of gross proceeds from mining other ores in Minnesota. The ratio of mine value from iron ore, taconite concentrates, and direct reduced ore to gross proceeds from mining other ores must be applied to deductions common to both processes to determine taxable income for tax paid pursuant to subdivisions 3 and 4.

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

Sec. 9. Minnesota Statutes 2004, section 298.17, is amended to read:

#### **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

Subdivision 1. **Apportionment under Constitution.** All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university.

Subd. 2. **Apportionment to IRRRB.** Of the moneys apportioned to the general fund by this section, and not used for the support of elementary and secondary schools or the university, there is annually appropriated and credited to the Iron Range Resources and Rehabilitation Board account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated pursuant to this section shall be used (1) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (2)

to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the Iron Range Resources and Rehabilitation Board regarding the loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be made by May 15 annually.

Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission.

**Subd. 3. Apportionment to Minnesota minerals 21st century fund.** The money apportioned to the general fund by this section that is not used for the support of elementary and secondary schools or the university, and that is not apportioned under subdivision 2, is annually appropriated to the Minnesota minerals 21st century fund created in section 116J.423.

**EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent years.

Sec. 10. Minnesota Statutes 2005 Supplement, 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 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; and

(e) local renewable energy investments undertaken in cooperation with local units of government and mineland areas reforestation, reclamation, or development projects. The projects must be approved by the Iron Range Resources and Rehabilitation Board and located within the taconite assistance area as defined in section 273.1341. The board may enter into joint ventures with private or public entities to advance these projects.

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

Sec. 11. Minnesota Statutes 2004, section 298.227, is amended to read:

**298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each

local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for acquisition of equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton beginning with distributions in 2002. If a producer uses money from the fund for procuring haulage trucks, mobile equipment, and mining shovels more than once in a three-year period, the second and subsequent purchases of such pieces of equipment must be assembled by employees of the producer on the producer's property in this state. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within two years of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

Sec. 12. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision to read:

Subd. 2a. **Cities and towns.** Two cents per taxable ton is allocated to the city or town in the county in which the land from which the taconite was mined or quarried or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among the subdivisions by attributing 50 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each taxing district. The commissioner's apportionment order is subject to review by the Tax Court upon petition by any of the interested taxing districts, in the same manner as other orders of the commissioner.

**EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent years.

Sec. 13. Minnesota Statutes 2004, section 298.28, subdivision 6, is amended to read:

Subd. 6. **Property tax relief.** (a) In 2002 and thereafter, 33.9 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .4541 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

Sec. 14. Minnesota Statutes 2004, section 298.28, subdivision 8, is amended to read:

Subd. 8. **Range Association of Municipalities and Schools.** ~~20~~ .30 cent per taxable ton shall be paid to the Range Association of Municipalities and Schools, for the purpose of providing an areawide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron range area of northeast Minnesota.

**EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent years.

Sec. 15. Minnesota Statutes 2004, section 298.28, is amended by adding a subdivision to read:

Subd. 9c. **Taconite environmental fund-renewable energy.** 4.4 cents per taxable ton is allocated to the taconite environmental protection fund for projects under section 298.223, subdivision 1, paragraph (e).

**EFFECTIVE DATE.** This section is effective for taxes paid in 2007 and subsequent years.

Sec. 16. Minnesota Statutes 2005 Supplement, section 298.2961, subdivision 4, is amended 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.

(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~~ the first \$2,000,000 of the 2008 distribution must be paid to St. Louis County for deposit in its county road and bridge fund to be used for relocation of St. Louis County Road 715, commonly referred to as Pike River Road, \$250,000 must be paid to the Hibbing Public Utilities Commission for a new well, and the remainder of the 2008 distribution and the full amount of the distributions in 2009 and subsequent years is allocated for projects under section 298.223, subdivision 1, clause (e).

Sec. 17. Minnesota Statutes 2004, section 298.2961, is amended by adding a subdivision to read:

Subd. 5. **Public works and local economic development fund.** For distributions in 2007 only, a special fund is established to receive 38.4 cents per ton that otherwise would be allocated under section 298.28, subdivision 6. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the specific purposes:

(1) 13.4 cents per ton for the Central Iron Range Sanitary Sewer District for construction of a combined wastewater facility;

(2) six cents per ton to the city of Eveleth to redesign and design and construct improvements to renovate its water treatment facility;

(3) one cent per ton for the East Range Joint Powers Board to acquire land for and to design a central wastewater collection and treatment system;

- (4) 0.5 cents per ton to the city of Hoyt Lakes to repair Leeds Road;
- (5) 0.7 cents per ton to the city of Virginia to extend Eighth Street South;
- (6) 0.7 cents per ton to the city of Mountain Iron to repair Hoover Road;
- (7) 0.9 cents per ton to the city of Gilbert for alley repairs between Michigan and Indiana Avenues and for repayment of a loan to the Minnesota Department of Employment and Economic Development;
- (8) 0.4 cents per ton to the city of Keewatin for a new city well;
- (9) 0.3 cents per ton to the city of Grand Rapids for planning for a fire and hazardous materials center;
- (10) 0.9 cents per ton to Aitkin County Growth for an economic development project for peat harvesting;
- (11) 0.4 cents per ton to the city of Nashwauk to develop a comprehensive city plan;
- (12) 0.4 cents per ton to the city of Taconite for development of a city comprehensive plan;
- (13) 0.3 cents per ton to the city of Marble for water and sewer infrastructure;
- (14) 0.8 cents per ton to Aitkin County for improvements to the Long Lake Environmental Learning Center;
- (15) 0.3 cents per ton to the city of Coleraine for the Coleraine Technology Center;
- (16) 0.5 cents per ton to the Economic Development Authority of the city of Grand Rapids for planning for the North Central Research and Technology Laboratory;
- (17) 0.6 cents per ton to the city of Bovey for sewer and water extension;
- (18) 0.3 cents per ton to the city of Calumet for infrastructure improvements; and
- (19) ten cents per ton to an economic development authority in a city through which State Highway 1 passes, or a city in Independent School District No. 2142 that has an active mine, for an economic development project approved by the Iron Range Resources and Rehabilitation Board.

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

Sec. 18. Minnesota Statutes 2004, section 298.75, is amended by adding a subdivision to read:

**Subd. 10. Tax may be imposed; Sylvan Township.** (a) If Cass County does not impose a tax under this section and approves imposition of the tax under this subdivision, the town of Sylvan in Cass County may impose the aggregate materials tax under this section.

(b) For purposes of exercising the powers contained in this section, the "town" is deemed to be the "county."

(c) All provisions in this section apply to the town of Sylvan, except that, in lieu of the distribution of the tax proceeds under subdivision 7, all proceeds of the tax must be retained by the town.

(d) If Cass County imposes an aggregate materials tax under this section, the tax imposed by the town of Sylvan under this subdivision is repealed on the effective date of the Cass County tax.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the town of Sylvan and its chief clerical officer comply with section 645.021, subdivisions 2 and 3.

Sec. 19. **TRANSITION PROVISIONS.**

Each person with an alternative minimum tax credit on December 31, 2005, pursuant to Minnesota Statutes 2004, section 298.01, may take that credit against occupation tax under Minnesota Statutes 2004, section 298.01, subdivisions 3d and 4e.

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

Sec. 20. **REPEALER.**

Minnesota Statutes 2004, section 298.01, subdivisions 3c, 3d, 4d, and 4e, are repealed effective for tax years beginning after December 31, 2005.

## ARTICLE 14

### MISCELLANEOUS

Section 1. Minnesota Statutes 2004, section 256.482, subdivision 8, is amended to read:

Subd. 8. **Sunset.** Notwithstanding section 15.059, subdivision 5, the Council on Disability shall not sunset until June 30, ~~2007~~ 2011.

**EFFECTIVE DATE.** This section is effective upon final enactment.

Sec. 2. Minnesota Statutes 2004, section 270A.03, subdivision 2, is amended to read:

Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city ~~presenting a claim for a municipal hospital or a public library or a municipal ambulance service,~~ a hospital district, a private nonprofit hospital that leases its building from the county in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program, and the Minnesota collection enterprise as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under section 16D.11. A county may act as a claimant agency on behalf of an ambulance service licensed under chapter 144E if the ambulance service's primary service area is located at least in part within the county, but more than one county may not act as a claimant agency for a licensed ambulance service with respect to the same debt.

Sec. 3. **[270C.415] INCOME TAX RETURN PROCESSING; AGREEMENT WITH INTERNAL REVENUE SERVICE.**

The commissioner of revenue shall enter into an agreement with the United States Internal Revenue Service to participate in a tax processing program whereby the Internal Revenue Service processes electronically filed state returns together with the federal returns. If possible, the ability of taxpayers to file property tax refund claims under chapter 290A with state income tax returns must be preserved.

Sec. 4. Minnesota Statutes 2005 Supplement, section 272.02, subdivision 83, is amended to read:

Subd. 83. **International economic development zone property.** (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within the international economic development zone designated under section 469.322, are exempt from ad valorem taxes levied under chapter 275, if the improvements are:

- (1) part of a regional distribution center as defined in section 469.321; or
  - (2) occupied by a qualified business as defined in section 469.321, that uses the improvements primarily in freight forwarding operations.
- (b) ~~The exemption applies beginning for the first assessment year after designation of the~~



~~international economic development zone.~~ The exemption applies to each assessment year that begins during the duration of the international economic development zone. To be exempt under paragraph (a), clause (2), the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement by July 1 of the assessment year.

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

Sec. 5. Minnesota Statutes 2004, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by this paragraph with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) ~~The employer must submit the statements required to be sent to the commissioner on magnetic media, if the magnetic media was required to satisfy the federal reporting requirements of section 6011(c) of the Internal Revenue Code and the regulations issued under it~~ by electronic means.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

**EFFECTIVE DATE.** This section is effective for returns due after June 30, 2006.

Sec. 6. Minnesota Statutes 2005 Supplement, 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;
- (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; and

(8) an entity, if for the taxable year all of its property is located in an international economic development zone designated under section 469.322, and all of its payroll is international economic development zone payroll under section 469.321. The exemption under this clause applies to taxable years beginning during the duration of the international economic development zone.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

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

Sec. 7. Minnesota Statutes 2005 Supplement, section 290.0922, subdivision 3, is amended to read:

Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota, but does not include: (1) property located in a job opportunity building zone designated under section 469.314, ~~or~~ (2) property of a qualified business located in a biotechnology and health sciences industry zone designated under section 469.334, or (3) for taxable years beginning during the duration of the zone, property of a qualified business located in the international economic development zone designated under section 469.322. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191,

subdivision 12, but does not include: (1) job opportunity building zone payrolls under section 469.310, subdivision 8, ~~or~~ (2) biotechnology and health sciences industry zone payrolls under section 469.330, subdivision 8, or (3) for taxable years beginning during the duration of the zone, international economic development zone payrolls under section 469.321, subdivision 9. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

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

Sec. 8. Minnesota Statutes 2004, section 295.53, subdivision 4a, is amended to read:

Subd. 4a. **Credit for research.** (a) In addition to the exemptions allowed under subdivision 1, a hospital or health care provider may claim an annual credit against the total amount of tax, if any, the hospital or health care provider owes for that calendar year under sections 295.50 to 295.57. The credit shall equal ~~2.5~~ five percent of revenues for patient services used to fund expenditures for qualifying research conducted by an allowable research program. The amount of the credit shall not exceed the tax liability of the hospital or health care provider under sections 295.50 to 295.57.

(b) For purposes of this subdivision, the following requirements apply:

(1) expenditures must be for program costs of qualifying research conducted by an allowable research program;

(2) an allowable research program must be a formal program of medical and health care research conducted by an entity which is exempt under section 501(c)(3) of the Internal Revenue Code of 1986 or is owned and operated under authority of a governmental unit;

(3) qualifying research must:

(A) be approved in writing by the governing body of the hospital or health care provider which is taking the deduction under this subdivision;

(B) have as its purpose the development of new knowledge in basic or applied science relating to the diagnosis and treatment of conditions affecting the human body;

(C) be subject to review by individuals with expertise in the subject matter of the proposed study but who have no financial interest in the proposed study and are not involved in the conduct of the proposed study; and

(D) be subject to review and supervision by an institutional review board operating in conformity with federal regulations if the research involves human subjects or an institutional animal care and use committee operating in conformity with federal regulations if the research involves animal subjects. Research expenses are not exempt if the study is a routine evaluation of health care methods or products used in a particular setting conducted for the purpose of making a management decision. Costs of clinical research activities paid directly for the benefit of an individual patient are excluded from this exemption. Basic research in fields including biochemistry, molecular biology, and physiology are also included if such programs are subject to a peer review process.

(c) No credit shall be allowed under this subdivision for any revenue received by the hospital or health care provider in the form of a grant, gift, or otherwise, whether from a government or nongovernment source, on which the tax liability under section 295.52 is not imposed.

(d) The taxpayer shall apply for the credit under this section on the annual return under section 295.55, subdivision 5.

(e) Beginning September 1, 2001, if the actual or estimated amount paid under this section for the calendar year exceeds ~~\$2,500,000~~ \$7,000,000, the commissioner of finance shall determine the rate of the research credit for the following calendar year to the nearest one-half percent so that

refunds paid under this section will most closely equal ~~\$2,500,000~~ \$7,000,000. The commissioner of finance shall publish in the State Register by October 1 of each year the rate of the credit for the following calendar year. A determination under this section is not subject to the rulemaking provisions of chapter 14.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2006.

Sec. 9. **[295.61] SPORTS MEMORABILIA TAX.**

**Subdivision 1. Tax.** A tax is imposed on each sale at wholesale of sports memorabilia in the state. The rate of the tax is 13 percent of the gross revenues from the sale.

**Subd. 2. Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Buyer" means any person who purchases sports memorabilia at wholesale.

(c) "Commissioner" means the commissioner of revenue.

(d) "Sale" means a transfer of title or possession of tangible personal property, whether absolutely or conditionally.

(e) "Sports memorabilia" means items available for sale to the public that are sold under a license granted by either:

(1) a professional baseball, football, basketball, or hockey league, association, or team;

(2) the National Collegiate Athletic Association (NCAA);

(3) an NCAA Division I college or university, excluding any multidivision classification NCAA member schools that have only one Division I sport; or

(4) an individual athlete.

**Sports memorabilia includes:**

(1) one-of-a-kind items related to sports figures, teams, or events;

(2) trading cards;

(3) photographs;

(4) clothing;

(5) sports event licensed items;

(6) sports equipment; and

(7) similar items.

(f) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section 297A.61, subdivision 9, for the purpose of reselling the property to a third party.

(g) "Wholesaler" means any person making wholesale sales of sports memorabilia to purchasers in the state.

**Subd. 3. Quarterly estimated payments.** (a) Each wholesaler must make estimated payments of the tax for the calendar year to the commissioner in quarterly installments by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if the tax for the calendar year is less than \$500.

(c) An underpayment of estimated installments bears interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return at the rate specified in section 270C.40. 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, or (2) the tax for the actual gross revenues received during the quarter.

Subd. 4. **Electronic funds-transfer payments.** A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30, must remit all liabilities by funds-transfer as defined in section 336.4A-104, paragraph (a), in the next calendar year. The funds-transfer payment date, as defined in section 336.4A-401, is on or before the first funds-transfer business day after the date the tax is due.

Subd. 5. **Annual return.** The taxpayer must file an annual return reconciling the estimated payments by March 15 of the following calendar year.

Subd. 6. **Form of returns.** The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.

Subd. 7. **Use tax.** If the tax is not paid under this section, a tax is imposed on possession for sale or use of sports memorabilia in the state. The rate of tax equals the rate under this section, and must be paid by the possessor of the items.

Subd. 8. **Application of other chapters.** Unless specifically provided otherwise by this section, the enforcement, interest, and penalty provisions under chapter 270C, appeal provisions in sections 289A.43 and 289A.65, criminal penalties under section 289A.63, refund provisions in section 289A.50, and collection and rulemaking provisions under chapter 270C, apply to the tax under this section.

Subd. 9. **Disposition of revenues.** The commissioner shall deposit all revenues, including interest and penalties, derived from the tax imposed under this section in the state treasury. A portion of the proceeds from the tax imposed in subdivision 1 are intended to fund the continuation of the Council on Disability.

**EFFECTIVE DATE.** This section is effective for sales after December 31, 2006.

Sec. 10. Minnesota Statutes 2005 Supplement, section 297A.68, subdivision 41, is amended to read:

Subd. 41. **International economic development zones.** (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.321, are exempt if the property or services are primarily used or consumed in the international economic development zone designated under section 469.322. This exemption applies only if the purchase is made and delivery received after the business signed the business subsidy agreement required under chapter 469.

(b) Purchase and use of construction materials, supplies, and equipment incorporated into the construction of improvements to real property in the international economic development zone are exempt if the improvements after completion of construction are to be used as a regional distribution center as defined in section 469.321 or otherwise used in the conduct of freight forwarding activities of a qualified business as defined in section 469.321. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax, regardless of whether the local tax is imposed on sales taxable under this chapter or in another law, ordinance, or charter provision.

(d) ~~The exemption in paragraph (a) applies~~ exemptions in this section apply to sales during the duration of the zone and after June 30, 2007, if the purchase was made and delivery received after the business signs the business subsidy agreement required under chapter 469 and purchases made after the date of final zone designation under section 469.322, paragraph (c), and before the expiration of

the zone under section 469.322, paragraph (d).

(e) For purchases made for improvements to real property to be occupied by a business that has not signed a business subsidy agreement at the time of the purchase, 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 ~~beginning in fiscal year 2008~~. The taxpayer must attach to the claim for refund information sufficient for the commissioner to be able to determine that the improvements are being occupied by a business that has signed a business subsidy agreement.

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

Sec. 11. **[469.193] FOREIGN TRADE ZONES.**

A city, county, town, or other political subdivision may apply to the board defined in United States Code, title 19, section 81a, for the right to use the powers provided in United States Code, title 19, sections 81a to 81u. If the right is granted, the city, county, town, or other political subdivision may use the powers within or outside of a port district. Any city, county, town, or other political subdivision may apply jointly with any other city, county, town, or other political subdivision.

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

Sec. 12. Minnesota Statutes 2005 Supplement, section 469.322, is amended to read:

**469.322 DESIGNATION OF INTERNATIONAL ECONOMIC DEVELOPMENT ZONE.**

(a) An area designated as a foreign trade zone may be designated by the foreign trade zone authority as an international economic development zone if within the zone a regional distribution center is being developed pursuant to section 469.323. The zone must consist of contiguous area of not less than 500 acres and not more than 1,000 acres. The designation authority under this section is limited to one zone.

(b) In making the designation, the foreign trade zone authority, in consultation with the Minnesota Department of Transportation and the Metropolitan Council, shall consider access to major transportation routes, consistency with current state transportation and air cargo planning, adequacy of the size of the site, access to airport facilities, present and future capacity at the designated airport, the capability to meet integrated present and future air cargo, security, and inspection services, and access to other infrastructure and financial incentives. The border of the international economic development zone must be no more than 60 miles distant or 90 minutes drive time from the border of the Minneapolis-St. Paul International Airport.

(c) Before final designation of the zone, the foreign trade zone authority, in consultation with the applicant, must conduct a transportation impact study based on the regional model and utilizing traffic forecasting and assignments. The results must be used to evaluate the effects of the proposed use on the transportation system and identify any needed improvements. If the site is in the metropolitan area the study must also evaluate the effect of the transportation impacts on the Metropolitan Transportation System plan as well as the comprehensive plans of the municipalities that would be affected. The authority shall provide copies of the study to the legislature under section 3.195 and to the chairs of the committees with jurisdiction over transportation and economic development. The applicant must pay the cost of the study.

~~(e)~~ (d) Final zone designation must be made by June 30, ~~2006~~ 2008.

~~(d)~~ (e) Duration of the zone is a 12-year period beginning on January 1, ~~2007~~ 2010.

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

Sec. 13. Minnesota Statutes 2005 Supplement, section 469.323, subdivision 2, is amended to read:

Subd. 2. **Business plan.** Before designation of an international economic development zone under section 469.322, the governing body of the foreign trade zone authority shall prepare a business plan. The findings of the business plan shall be presented to the legislature pursuant to section 3.195. Copies of the business plan shall be provided to the chairs of committees with jurisdiction over transportation and economic development. The plan must include an analysis of the economic feasibility of the regional distribution center once it becomes operational and of the operations of freight forwarders and other businesses that choose to locate within the boundaries of the zone. The analysis must provide profitability models that:

- (1) include the benefits of the incentives;
- (2) estimate the amount of time needed to achieve profitability; and
- (3) analyze the length of time incentives will be necessary to the economic viability of the regional distribution center.

If the governing body of the foreign trade authority determines that the models do not establish the economic feasibility of the project, the regional distribution center does not meet the development requirements of this section and section 469.322.

Sec. 14. Minnesota Statutes 2005 Supplement, section 469.327, is amended to read:

**469.327 JOBS CREDIT.**

Subdivision 1. **Credit allowed.** (a) A qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

- (1) lesser of:
  - (i) zone payroll for the taxable year, less the zone payroll for the base year; or
  - (ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus
- (2) \$30,000 multiplied by the number of full-time equivalent employees that the qualified business employs in the international economic development zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero.

(b) This section applies only to tax years beginning during the duration of the international economic development zone.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Base year" means the taxable year beginning during the calendar year immediately preceding the calendar year in which the zone designation was made duration of the zone begins under section 469.322, paragraph (d).

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds \$70,000.

Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, ~~2006~~ 2010, the

dollar amounts in subdivisions 1, clause (2); and 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

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

Sec. 15. Laws 2005, First Special Session chapter 3, article 10, section 23, is amended to read:

**Sec. 23. GRANTS TO QUALIFYING BUSINESSES.**

\$750,000 is appropriated in fiscal year 2006 from the general fund to the commissioner of employment and economic development to be distributed to the foreign trade zone authority to provide grants to qualified businesses as determined by the authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide incentives for the businesses to locate their operations in an international economic development zone. If the money is not distributed during fiscal year 2006, it remains available for distribution under this section ~~during fiscal year 2007~~ until December 31, 2010.

**Sec. 16. PROPERTY TAX REFUND COLLECTION ACTION PROHIBITED; REFUNDS REQUIRED.**

Notwithstanding Minnesota Statutes, section 289A.60, subdivision 12, or any other law to the contrary, the commissioner of revenue shall not disallow any part of a claim for a property tax refund filed in 2005 or an earlier year to the extent that the claim was excessive because it did not include in the claimant's income as determined under Minnesota Statutes, section 290A.03, subdivision 3, the cash value of a tuition discount provided by a postsecondary education institution. If a claimant was required to repay any part of a property tax refund based on inclusion of this discount in the claimant's income on a claim filed in 2005 or an earlier year, the commissioner must refund that amount to the claimant.

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

**Sec. 17. JOINT STUDY BY COMMISSIONERS OF REVENUE AND DEPARTMENT OF EMPLOYEE RELATIONS.**

In order to increase compliance with income and franchise taxes and tax laws, the commissioners of the Departments of Revenue and Employee Relations, in consultation with the affected bargaining units, shall study the competitiveness of compensation of tax compliance auditors within the Department of Revenue. The study shall consider the performance of compliance auditors, including training, experience, employment classification, and duties. The study shall be completed by October 15, 2006, and the commissioner of employee relations shall implement its recommendations.

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

**Sec. 18. SALES AND USE TAX; SERVICES TO TAXPAYERS WITH LIMITED ENGLISH PROFICIENCY.**

The commissioner of revenue shall study and implement procedures and services that will assist sales and use taxpayers of limited English proficiency in complying with sales and use tax laws. The benefits of translating sales and use tax fact sheets, forms, and instructions into Spanish and other languages must be considered. In addition, the commissioner shall study how to direct taxpayers of limited English proficiency who contact the Department of Revenue by telephone to assistance



in Spanish and other languages as determined by the commissioner. The commissioner shall report on the results of the study and a plan to implement them to the senate and house of representatives committees with jurisdiction over tax laws by February 1, 2007.

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

Sec. 19. **TRANSFER OF MONEY.**

Any money in the tax relief account under Minnesota Statutes, section 16A.1522, subdivision 4, on the day following final enactment of this act is transferred to the general fund.

Sec. 20. **COOK-ORR HOSPITAL DISTRICT; ADDITION OF TERRITORY.**

The board of the hospital district created under Laws 1988, chapter 645, may enter into an agreement with the Tribal Council of the Bois Forte Band of Minnesota Chippewa that would permit the reservation lands of the Bois Forte Band at Nett Lake and Lake Vermilion to be included in the territory of the hospital district. The agreement must establish the terms and conditions under which the territory would be so expanded, including the amount of or means for determining the amount of the contribution by the Bois Forte Band to the district.

Sec. 21. **APPROPRIATION.**

\$2,000,000 is appropriated from the general fund to the commissioner of public safety to be used to reimburse state and local law enforcement agencies for additional law enforcement efforts, focused on downtown Minneapolis."

Amend the title accordingly

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

## **SECOND READING OF HOUSE BILLS**

H.F. No. 3374 was read the second time.

## **RECESS**

Senator Johnson, D.E. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

## **APPOINTMENTS**

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

H.F. No. 4162: Senators Cohen, Berglin, Hottinger, Stumpf and Frederickson.

H.F. No. 2480: Senators Kelley, Betzold, Higgins, Marko and Rosen.

Senator Johnson, D.E. moved that the foregoing appointments be approved. The motion prevailed.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Murphy moved that S.F. No. 3764 be laid on the table. The motion prevailed.

Pursuant to Rule 26, Senator Johnson, D.E., Chair of the Committee on Rules and Administration, designated S.F. No. 2833 a Special Order to be heard immediately.

**SPECIAL ORDER**

**S.F. No. 2833:** A bill for an act relating to human services; providing an exception for notification of a variance or set-aside; amending Minnesota Statutes 2005 Supplement, sections 245C.22, subdivision 7; 245C.301.

Senator Hottinger moved to amend S.F. No. 2833 as follows:

Page 1, after line 5, insert:

"Section 1. Minnesota Statutes 2004, section 245A.023, is amended to read:

**245A.023 IN-SERVICE TRAINING.**

(a) For purposes of child care centers, in-service training must be completed within the license period for which it is required. In-service training completed by staff persons as required must be transferable upon a staff person's change in employment to another child care program. License holders shall record all staff in-service training on forms prescribed by the commissioner of human services.

(b) For purposes of family and group family child care, the license holder and each primary caregiver must complete 12 hours of training each year. For purposes of this section, a primary caregiver is an adult caregiver who provides services in the licensed setting more than 30 days in any 12-month period.

Sec. 2. Minnesota Statutes 2004, section 245A.14, is amended by adding a subdivision to read:

Subd. 9a. **Early childhood development training.** (a) For purposes of child care centers, the director and all staff hired after July 1, 2006, shall complete and document at least two hours of early childhood development training within the first year of employment. Training completed under this subdivision may be used to meet the requirements of Minnesota Rules, part 9503.0035, subparts 1 and 4.

(b) For purposes of family and group family child care, the license holder and each adult caregiver who provides care in the licensed setting more than 30 days in any 12-month period shall complete and document at least two hours of early childhood development training within the first year of licensure or employment. Training completed under this subdivision may be used to meet the requirements of Minnesota Rules, part 9502.0385, subparts 2 and 3.

(c) Notwithstanding paragraphs (a) and (b), individuals are exempt from this requirement if they:

- (1) have taken a three-credit course on early childhood development within the past five years;
- (2) have received a baccalaureate or masters degree in early childhood education or school age child care within the past five years;
- (3) are licensed in Minnesota as a prekindergarten teacher, an early childhood educator, a kindergarten to sixth grade teacher with a prekindergarten specialty, an early childhood special education teacher, or an elementary teacher with a kindergarten endorsement; or
- (4) have received a baccalaureate degree with a Montessori certificate within the past five years.

Sec. 3. Minnesota Statutes 2005 Supplement, section 245A.14, subdivision 12, is amended to read:

Subd. 12. **First aid training requirements.** ~~(a) Notwithstanding Minnesota Rules, part 9503.0035, subpart 2,~~ When children are present in a family child care home governed by Minnesota Rules, parts 9502.0315 to 9502.0445, ~~or a child care center governed by Minnesota Rules, parts 9503.0005 to 9503.0170,~~ at least one staff person must be present in the center or home who has been trained in first aid. The first aid training must have been provided by an individual approved to provide first aid instruction. First aid training may be less than eight hours and persons qualified to provide first aid training shall include individuals approved as first aid instructors.

(b) All teachers and assistant teachers in a child care center governed by Minnesota Rules, parts 9503.0005 to 9503.0170, and at least one staff person during field trips and when transporting children in care must satisfactorily complete first aid training within 90 days of the start of work, unless the training has been completed within the previous three years. The first aid training must be repeated at least every three years; documented in the person's personnel record and indicated on the center's staffing chart; and provided by an individual approved as a first aid instructor. This training may be less than eight hours."

Page 2, after line 34, insert:

"Sec. 6. **RAMSEY COUNTY CHILD CARE PILOT PROJECT.**

Subdivision 1. **Authorization for pilot project.** The commissioner of human services shall approve a pilot project in Ramsey County that will help teen parents remain in school and complete the student's education while providing child care assistance for the student's child. The pilot project shall increase coordination between services from the Minnesota family investment program, the child care assistance program, and area public schools with the goal of removing barriers that prevent teen parents from pursuing educational goals.

Subd. 2. **Program design and implementation.** The Ramsey County child care pilot project shall be established to improve the coordination of services to teen parents. The pilot project shall:

(1) provide a streamlined process for sharing information between the Minnesota family investment program under Minnesota Statutes, chapter 256J, the child care assistance program under Minnesota Statutes, chapter 119B, and public schools in Ramsey County;

(2) determine eligibility for child care assistance using the teen parent's eligibility for reduced-cost or free school lunches in place of income verification; and

(3) waive the child care parent fee under Minnesota Statutes, section 119B.12, subdivision 2, for teen parents whose income is below poverty level and whose children attend school-based child care centers.

Subd. 3. **Costs.** Increased costs incurred under this section shall not increase the basic sliding fee appropriation and shall not affect funds available for distribution under Minnesota Statutes, sections 119B.06 and 119B.08."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Sams moved to amend S.F. No. 2833 as follows:

Page 1, after line 5, insert:

"Section 1. Minnesota Statutes 2005 Supplement, section 245A.146, subdivision 3, is amended to read:

Subd. 3. **License holder documentation of cribs.** (a) Annually, from the date printed on the license, all license holders shall check all their cribs' brand names and model numbers against the United States Consumer Product Safety Commission Web site listing of unsafe cribs.

(b) The license holder shall maintain written documentation to be reviewed on site for each crib showing that the review required in paragraph (a) has been completed, and which of the following conditions applies:

(1) the crib was not identified as unsafe on the United States Consumer Product Safety Commission Web site;

(2) the crib was identified as unsafe on the United States Consumer Product Safety Commission Web site, but the license holder has taken the action directed by the United States Consumer Product Safety Commission to make the crib safe; or

(3) the crib was identified as unsafe on the United States Consumer Product Safety Commission Web site, and the license holder has removed the crib so that it is no longer used by or accessible to children in care.

(c) Documentation of the review completed under this subdivision shall be maintained by the license holder on site and made available to parents of children in care and the commissioner.

(d) Notwithstanding Minnesota Rules, part 9502.0425, a family child care provider that complies with this section may use a mesh sided playpen or crib that has not been identified as unsafe on the United States Consumer Product Safety Commission Web site for the care or sleeping of infants."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 2833 as follows:

Page 2, after line 19, insert:

"Sec. 2. Minnesota Statutes 2005 Supplement, section 245C.24, subdivision 2, is amended to read:

Subd. 2. **Permanent bar to set aside a disqualification.** (a) Except as provided in paragraph (b), the commissioner may not set aside the disqualification of any individual disqualified pursuant to this chapter, regardless of how much time has passed, if the individual was disqualified for a crime or conduct listed in section 245C.15, subdivision 1.

(b) For an individual who was disqualified for a crime or conduct listed under section 245C.15, subdivision 1, and whose disqualification was set aside prior to July 1, 2005, the commissioner must consider granting a subsequent set aside for the same or different license holder based on the evaluation under section 245C.22, subdivision 4. A request for reconsideration evaluated under this paragraph must include a letter of recommendation from the license holder that was subject to the prior set aside decision addressing the individual's quality of care to children or vulnerable adults and the circumstances of the individual's departure from that service."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

### CALL OF THE SENATE

Senator LeClair imposed a call of the Senate for the balance of the proceedings on S.F. No. 2833.

The Sergeant at Arms was instructed to bring in the absent members.

Senator LeClair moved to amend the Berglin amendment to S.F. No. 2833 as follows:

Page 1, line 10, before "and" insert "except for an individual who has committed the offense of murder in the first degree under section 609.185, murder in the second degree under section 609.19, murder in the third degree under section 609.195, manslaughter in the first degree under section 609.20, or manslaughter in the second degree under section 609.205,"

The question was taken on the adoption of the LeClair amendment to the Berglin amendment.

Senator Betzold moved that those not voting be excused from voting.

The question was taken on the adoption of the Betzold motion.

The roll was called, and there were yeas 40 and nays 24, as follows:

Those who voted in the affirmative were:

Anderson	Foley	Lourey	Ortman	Scheid
Bakk	Higgins	Marko	Pappas	Skoe
Berglin	Hottinger	Marty	Pogemiller	Skoglund
Betzold	Johnson, D.E.	Metzen	Ranum	Solon
Bonoff	Kelley	Moua	Rest	Sparks
Clark	Kiscaden	Murphy	Robling	Stumpf
Cohen	Kubly	Neuville	Sams	Tomassoni
Dibble	Langseth	Olson	Saxhaug	Vickerman

Those who voted in the negative were:

Bachmann	Gerlach	Koch	McGinn	Ruud
Belanger	Hann	Koering	Michel	Senjem
Day	Johnson, D.J.	Larson	Nienow	Wergin
Fischbach	Jungbauer	LeClair	Reiter	Wiger
Frederickson	Kierlin	Limmer	Rosen	

The motion prevailed.

The roll was called on the LeClair amendment, and there were yeas 56 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Kubly	Nienow	Skoe
Bachmann	Gerlach	Langseth	Pogemiller	Skoglund
Bakk	Hann	Larson	Ranum	Sparks
Belanger	Higgins	LeClair	Reiter	Stumpf
Betzold	Johnson, D.E.	Limmer	Rest	Tomassoni
Bonoff	Johnson, D.J.	Lourey	Robling	Vickerman
Clark	Jungbauer	Marko	Rosen	Wergin
Cohen	Kelley	McGinn	Ruud	Wiger
Day	Kierlin	Metzen	Sams	
Dille	Kiscaden	Michel	Saxhaug	
Fischbach	Koch	Moua	Scheid	
Foley	Koering	Murphy	Senjem	

The motion prevailed. So the amendment to the amendment was adopted.

Senator LeClair moved to amend the first LeClair amendment to S.F. No. 2833, adopted by the Senate May 11, 2006, as follows:

Page 1, line 6, delete "or"

Page 1, line 7, after the comma, insert "criminal sexual conduct in the first degree under section 609.342, criminal sexual conduct in the second degree under section 609.343, criminal sexual conduct in the third degree under section 609.644, criminal sexual conduct in the fourth degree under section 609.345, criminal sexual conduct in the fifth degree under section 609.3451, criminal"

sexual predatory conduct under section 609.3453, solicitation, inducement, and promotion of prostitution under section 609.322, a felony level offense of engaging, hiring, or agreeing to hire minors in prostitution under section 609.324, subdivision 1, use of minors in a sexual performance prohibited under section 617.246, possession of pictorial representations of minors under section 617.247, or incest under section 609.365,"

The question was taken on the adoption of the LeClair amendment to the first LeClair amendment.

The roll was called, and there were yeas 26 and nays 9, as follows:

Those who voted in the affirmative were:

Bachmann	Gerlach	Limmer	Reiter	Wergin
Belanger	Johnson, D.E.	Lourey	Robling	Wiger
Clark	Jungbauer	McGinn	Sams	
Day	Koch	Michel	Sparks	
Fischbach	Koering	Nienow	Stumpf	
Frederickson	LeClair	Pogemiller	Vickerman	

Those who voted in the negative were:

Berglin	Dille	Kierlin
Betzold	Higgins	Marty
Cohen	Hottinger	Metzen

The motion prevailed. So the amendment to the amendment was adopted.

Senator Hottinger moved that S.F. No. 2833 be laid on the table. The motion prevailed.

Pursuant to Rule 26, Senator Johnson, D.E., Chair of the Committee on Rules and Administration, designated S.F. No. 2743 a Special Order to be heard immediately.

### SPECIAL ORDER

**S.F. No. 2743:** A bill for an act relating to elections; setting the criteria for voting systems to be used in elections; establishing a voting machines options working group; providing appointments; amending Minnesota Statutes 2005 Supplement, sections 206.56, subdivisions 1b, 3, 7a, 7b, 8; 206.61, subdivision 5; 206.80; 206.805, subdivision 1; 206.83; 206.90, subdivision 8.

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

So the bill passed and its title was agreed to.

Pursuant to Rule 26, Senator Johnson, D.E., Chair of the Committee on Rules and Administration, designated H.F. No. 3488 a Special Order to be heard immediately.

### SPECIAL ORDER

**H.F. No. 3488:** A bill for an act relating to legislation; correcting erroneous, ambiguous, and omitted text and obsolete references; eliminating certain redundant, conflicting, and superseded provisions; making miscellaneous technical corrections to statutes and other laws; amending Minnesota Statutes 2004, sections 3.736, subdivision 8; 13.322, subdivision 3, by adding a subdivision; 13.6905, by adding a subdivision; 16B.85, subdivision 5; 45.011, subdivision 1; 62D.03, subdivision 4; 62D.30, subdivision 8; 62Q.19, subdivision 2; 82.50, subdivision 7; 97A.445, subdivision 3; 103F.205, subdivision 1; 103G.293; 115A.0716, subdivision 3; 145A.09, subdivision 4; 168.187, subdivision 12; 169.781, subdivision 1; 253B.045, subdivision 2; 256.9831, subdivision 1; 256B.0917, subdivision 13; 256B.093, subdivision 3a; 256J.88; 260C.007, subdivision 6; 273.03, subdivision 3; 273.111, subdivision 3; 290.48, subdivision 10; 295.50, subdivision 10b; 297E.01, subdivision 8; 299A.292, subdivision 2; 299A.80, subdivision 1; 299C.091, subdivision 2; 349.12, subdivision 21; 353.27, subdivision 9; 353.33, subdivision 1; 353.656, subdivision 8; 354.05, subdivision 13; 466.06; 581.02; 609.652, subdivision 2; 609.671, subdivision 1; 626.5572, subdivision 2; Minnesota Statutes 2005 Supplement, sections 16C.33, subdivision 3; 116J.575, subdivision 1; 138.17, subdivision 10; 144.225, subdivision 7; 144.335, subdivision 1; 144.602, subdivision 1; 148B.60, subdivision 3; 148D.240, subdivision 5; 168.128, subdivision 2; 168.33, subdivision 2; 169.18, subdivision 11; 216B.1612, subdivision 2; 237.763; 245C.15, subdivision 3; 256B.441, subdivision 13; 270C.96; 289A.42, subdivision 1; 296A.22, subdivision 9; 325E.61, subdivision 5; 349.153; 357.021, subdivision 1a; 604A.33, subdivision 1; Laws 2005, chapter 20, article 2, section 1; Laws 2005, chapter 88, article 3, section 10; Laws 2005, First Special Session chapter 6, article 3, section 95; repealing Minnesota Statutes 2004, sections 155A.03, subdivision 11; 299J.061; 309.50, subdivision 8; 326.991, subdivision 2; Laws 2001, First Special Session chapter 5, article 12, sections 31; 32; Laws 2005, chapter 156, article 5, section 20; Laws 2005, First Special Session chapter 4, article 5, section 14.

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

So the bill passed and its title was agreed to.

Pursuant to Rule 26, Senator Johnson, D.E., Chair of the Committee on Rules and Administration, designated S.F. No. 3236 a Special Order to be heard immediately.

**SPECIAL ORDER**

**S.F. No. 3236:** A bill for an act relating to agriculture; modifying financial statement requirements for grain buyers; amending Minnesota Statutes 2005 Supplement, section 223.17, subdivision 6.

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	Foley	Kubly	Neuville	Skoe
Bachmann	Frederickson	Langseth	Nienow	Skoglund
Bakk	Gerlach	Larson	Olson	Solon
Belanger	Hann	LeClair	Pappas	Sparks
Berglin	Higgins	Limmer	Pogemiller	Stumpf
Betzold	Hottinger	Lourey	Reiter	Tomassoni
Bonoff	Johnson, D.E.	Marko	Rest	Vickerman
Clark	Jungbauer	Marty	Rosen	Wergin
Cohen	Kelley	McGinn	Ruud	Wiger
Day	Kierlin	Metzen	Sams	
Dibble	Kiscaden	Michel	Saxhaug	
Dille	Koch	Moua	Scheid	
Fischbach	Koering	Murphy	Senjem	

So the bill passed and its title was agreed to.

**RECESS**

Senator Johnson, D. E. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, 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****SUSPENSION OF RULES**

Senator Johnson, D.E. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 3374 and that the rules of the Senate be so far suspended as to give H.F. No. 3374, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

**H.F. No. 3374:** A bill for an act relating to human services; changing a Council on Disability provision; amending Minnesota Statutes 2004, section 256.482, subdivision 8.

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 36 and nays 28, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Marko	Rest	Stumpf
Bakk	Hottinger	Marty	Sams	Tomassoni
Berglin	Johnson, D.E.	Metzen	Saxhaug	Vickerman
Betzold	Kelley	Moua	Scheid	Wiger
Clark	Kiscaden	Murphy	Skoe	
Cohen	Kubly	Pappas	Skoglund	
Dibble	Langseth	Pogemiller	Solon	
Foley	Lourey	Ranum	Sparks	

Those who voted in the negative were:

Bachmann	Frederickson	Koering	Neuville	Rosen
Belanger	Gerlach	Larson	Nienow	Ruud
Bonoff	Hann	LeClair	Olson	Senjem
Day	Jungbauer	Limmer	Ortman	Wergin
Dille	Kierlin	McGinn	Reiter	
Fischbach	Koch	Michel	Robling	

So the bill passed and its title was agreed to.

#### **MEMBERS EXCUSED**

Senator Pariseau was excused from the Session of today. Senator Scheid was excused from the Session of today from 3:10 to 4:45 p.m. Senator Chaudhary was excused from the Session of today at 4:55 p.m. Senator Anderson was excused from the Session of today from 7:00 to 7:25 p.m. Senator Johnson, D.J. was excused from the Session of today at 7:10 p.m.

#### **ADJOURNMENT**

Senator Johnson, D.E. moved that the Senate do now adjourn until 11:00 a.m., Monday, May 15, 2006. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

