

STATE OF MINNESOTA

# Journal of the Senate

EIGHTY-FIFTH LEGISLATURE

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SIXTY-FIFTH DAY

St. Paul, Minnesota, Wednesday, May 9, 2007

The Senate met at 1:00 p.m. and was called to order by the President.

## CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. Ralph Talbot.

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

Anderson	Fischbach	Langseth	Olson, G.	Scheid
Bakk	Foley	Larson	Olson, M.	Senjem
Berglin	Frederickson	Latz	Ortman	Sheran
Betzold	Gerlach	Limmer	Pappas	Sieben
Bonoff	Gimse	Lourey	Pariseau	Skoe
Carlson	Hann	Lynch	Pogemiller	Skogen
Chaudhary	Higgins	Marty	Prettner Solon	Sparks
Clark	Ingebrigtsen	Metzen	Rest	Tomassoni
Cohen	Johnson	Michel	Robling	Torres Ray
Day	Jungbauer	Moua	Rosen	Vandever
Dibble	Koch	Murphy	Rummel	Vickerman
Doll	Koering	Neuville	Saltzman	Wergin
Erickson Ropes	Kubly	Olseen	Saxhaug	Wiger

The President declared a quorum present.

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

## EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

May 7, 2007

The Honorable James P. Metzen  
President of the Senate

Dear President Metzen:

Please be advised that I have received, approved, signed and deposited in the Office of the

Secretary of State, S.F. No. 372.

Sincerely,  
Tim Pawlenty, Governor

May 7, 2007

The Honorable Margaret Anderson Kelliher  
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 2007 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 2007	Date Filed 2007
372		47	3:55 p.m. May 7	May 7
	829	54	4:10 p.m. May 7	May 7

Sincerely,  
Mark Ritchie  
Secretary of State

May 8, 2007

The Honorable James P. Metzen  
President of the Senate

Dear President Metzen:

Please be advised that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 358 and 555.

Sincerely,  
Tim Pawlenty, Governor

May 8, 2007

The Honorable James P. Metzen  
President of the Senate

Dear Senator Metzen:

It is my honor to inform you that I have received, approved, signed, and deposited in the Office of the Secretary of State, Chapter 57, Senate File 2096, with the exception of line item vetoes listed

below.

I have exercised a line item veto of the following appropriations:

Page 17, lines 17.29 - 18.11: A \$150,000 appropriation, \$75,000 each year, in Chapter 57, Article 1, Section 4, for a shade-tree protection task force and grants. The DNR already works closely with the Minnesota Department of Agriculture, U.S. Forest Service, other agencies, and private stakeholder groups to provide these services. Creation and funding of a new task force would add minimal value to ongoing efforts. In addition, the grants funded by this appropriation are not state-wide and would be limited to St. Paul, Minneapolis, and Duluth.

Page 19, lines 19.18 - 19.20: A \$10,000 appropriation in Chapter 57, Article 1, Section 4, for the Cuyuna Country State Recreation Area Citizens Advisory Council. The Advisory Council funded by this appropriation is established in Article 1, Section 40, of this bill. However, the activities and duties described for the Advisory Council do not involve expenses or spending authority and there appears to be no justification for \$10,000 in funding.

Page 42, lines 42.23 - 42.34: A \$200,000 appropriation in Chapter 57, Article 1, Section 5, for a grant to the city of Gaylord for storm water and sewer reconstruction. Although this is an important water quality initiative, it is more appropriately funded in an upcoming capital improvements bill, either this year or in the traditional bonding year.

Page 142, line 142.19: Chapter 57, Article 2, Section 3, page 142, appropriates "\$1,000,000 each year" to the Center for Rural Policy and Development at Minnesota State University at Mankato to make a grant to a non-profit organization. I am exercising an item veto to eliminate the words "each year" from the appropriation, thereby eliminating the \$1,000,000 appropriated for the second year. As a result, the \$1,000,000 appropriated for the first year of the biennium will remain in law and the \$1,000,000 for the second year of the biennium is vetoed and will not take effect. The \$1,000,000 appropriated in the first year is a reasonable amount to fund the purposes of this grant. This bill also provides \$2 million from the Renewable Development fund for financial assistance to these types of community wind projects.

Page 146, lines 146.10 - 146.25: A \$45,000 appropriation for fiscal year 2008 in Chapter 57, Article 2, Section 3, to fund a grant to Linden Hills Power and Light for preliminary engineering and design work. There are other potential avenues for this project to receive funding other than through a direct appropriation from the state general fund. As the proponents move forward, I encourage them to look at the wide array of available funds from other sources, such as the University of Minnesota's Initiative for Renewable Energy and the Environment ("IREE") program or grants awarded by the NextGen board.

Sincerely,  
Tim Pawlenty, Governor

Senator Betzold moved that the line item veto message on S.F. No. 2096, be laid on the table. The motion prevailed.

May 8, 2007

The Honorable Margaret Anderson Kelliher  
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 2007 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 2007	Date Filed 2007
	966	46	4:05 p.m. May 8	May 8
	854	48	4:00 p.m. May 8	May 8
358		49	4:05 p.m. May 8	May 8
555		50	4:05 p.m. May 8	May 8
*2096		57	3:45 p.m. May 8	May 8

\*Chapter with line item vetoes

Sincerely,  
Mark Ritchie  
Secretary of State

May 8, 2007

The Honorable James P. Metzen  
President of the Senate

Dear President Metzen:

I have vetoed and am returning Chapter 58, Senate File 2171, the Omnibus Health and Human Services Bill.

As I have indicated previously, in order for a bill of this magnitude to gain my signature, the Legislature must articulate an overall plan for revenues and expenditures. The health and human services budget accounts for 28 percent of general fund and 34 percent of all funds spending, so a complete budget picture is vitally important to setting priorities and determining reasonable spending levels. We do not have such an agreement at this time. In addition, the level of spending in this bill is excessive and it does not contain sufficient reforms. For these reasons, I am not able to sign this bill.

The bill spends \$277.5 million more in the general fund in FY08/09 and \$445 million more in FY10/11 than my recommended budget. When combined with the automatic spending increases in the forecast of \$1.2 billion, this bill would result in biennial spending growth of 19 percent—a rate of growth that cannot be sustained.

This bill will spend over \$3 billion more in the FY08/09 biennium than in the current biennium. Under this bill, 56 percent of this general fund spending growth will go to support 28 percent of the state's budget. While we can all agree that the services funded in this bill are important, this level

of increase is disproportionate and needs to be balanced with other key priorities.

Furthermore, this bill over-promises what is affordable in 2011 and beyond by backloading proposals and delaying implementation dates to give the appearance of near-term affordability, while creating automatic inflation and predictable fiscal pressure in years beyond the Legislature's budget horizon. It also exacerbates human services' already ballooning trend lines. Although it is difficult, taxpayers expect their elected officials to weigh and prioritize how limited tax dollars should best be used.

As I have previously stated, I have serious concerns about the level of spending in the MFIP/TANF program and provisions that will undo areas of past reform that will help recipients move toward self-sufficiency. The conference report contains the following problematic provisions:

Reducing the portion of the MFIP support services grants that is based on county performance. This is problematic as we will increasingly rely on county performance to achieve the new federal work participation rates for the state's TANF program.

Restricting unpaid work experience. This is an important tool that counties have used judiciously and with effect in increasing work participation.

Buying back equity adjustments to MFIP. Restricting the MFIP program from counting a portion of SSI and subsidized housing when determining cash grants creates an inequity for MFIP participants who don't have access to subsidized housing or who don't qualify for SSI.

Establishing a new Family Stabilization Program. In spite of changes in conference committee, this program still shifts about twice as many people out of federally regulated MFIP as I recommended. This shift, in addition to lenient sanction provisions, undermines the work focus of our cash program for low-income families.

I share your goal of expanding health care coverage, especially for kids. However, this expansion must be fiscally responsible and must be accompanied by changes that will improve quality and slow the rate of growth in our health care system. The provisions in the bill that expand coverage have significant future budget implications and are not accompanied with sufficient reforms to make this investment sustainable. The bill contains several proposals that restore changes to the MinnesotaCare program that will lead us back to growth rates for these programs that are unsound. I also cannot support proposals that expand public coverage at the expense of private coverage.

The conference report phases in rebasing of operating rates over five years, with changes to property rates, special facility rates, and recognition of performance in FYs 2012, FY 2013, and FY 2014. The only explanation for this approach is to delay recognition of the significant cost of rebasing in the budget. This approach is inherently inflationary and cannot be described as sustainable when the cost of the policy changes being made is not recognized within the budget horizon. Furthermore, this approach rewards the status quo and continues the geographic disparities inherent in the current payment system.

Language is included prohibiting the declaration of "essential" status for security counselors who guard convicted sex offenders. These state employees provide security for sex offenders who have been indefinitely confined in a locked and secured facility because the courts have determined them to be potentially dangerous and a threat to the general public. This provision interferes with the legislatively established process of making these employees "essential" and may create a threat to

the well being of the citizens of Minnesota should state workers go on strike.

The bill includes language pertaining to state employee compensation increases that cannot be effectively implemented. Other conference reports have dropped similar language.

As I indicated in my letter to conferees on April 26, the Minnesota Health Insurance Exchange and expanded use of section 125 pre-tax premium-only plans are vital to increasing the affordability of health coverage for Minnesotans participating in the individual insurance market, while also increasing the accessibility and transparency of that market. Underfunding the establishment of the Exchange will undermine the development of this important component of health reform. In addition, language added requiring that health plans operating through the Exchange have an 82 percent minimum loss ratio is unacceptable and will severely limit the ability of the Exchange to foster competition among health plans. It will also ultimately result in even further consolidation in the individual health insurance market in Minnesota.

Even if my concerns about these policy provisions were to be resolved, I am unable to approve this bill until the Legislature more fully identifies an overall budget plan. My hope is that the Legislature will present comprehensive budget targets soon so that work on this, and other important budget bills, can proceed in a timely manner.

My staff and I look forward to working with you in this regard.

Sincerely,  
Tim Pawlenty, Governor

Senator Betzold moved that S.F. No. 2171 and the veto message thereon be laid on the table. The motion prevailed.

May 9, 2007

The Honorable James P. Metzen  
President of the Senate

Dear Senator Metzen:

Pursuant to Senate Rule 8.2, the following appointment has been withdrawn from the following committee and placed on the Confirmation Calendar:

From the Committee on Transportation, to which was referred the following appointment as reported in the Journal for January 11, 2007:

DEPARTMENT OF TRANSPORTATION  
COMMISSIONER  
Carol Molnau

Sincerely,  
Patrick E. Flahaven  
Secretary of the Senate

**MESSAGES FROM THE HOUSE**

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 218 and 1073.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2007

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

**S.F. No. 26:** A bill for an act relating to health occupations; extending the expiration dates for the Board of Medical Practices' advisory councils; amending Minnesota Statutes 2006, sections 147A.27, subdivision 2; 147B.05, subdivision 2; 147C.35, subdivision 2; 147D.25, subdivision 2; 214.32, subdivision 1.

Senate File No. 26 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2007

Senator Marty moved that the Senate do not concur in the amendments by the House to S.F. No. 26, and that a Conference Committee of 3 members be appointed by the Subcommittee on Conference 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 the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

**S.F. No. 1509:** A bill for an act relating to Hennepin County; modifying design-build contract provisions; amending Minnesota Statutes 2006, sections 383B.158, subdivisions 1, 3, 4; 383B.1581, subdivisions 2, 3; 383B.1584; repealing Minnesota Statutes 2006, section 383B.1586.

Senate File No. 1509 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2007

**CONCURRENCE AND REPASSAGE**

Senator Rest moved that the Senate concur in the amendments by the House to S.F. No. 1509

and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1509 was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 59 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Latz	Ortman	Sheran
Berglin	Gerlach	Limmer	Pappas	Sieben
Betzold	Gimse	Lourey	Pariseau	Skoe
Bonoff	Hann	Lynch	Prettner Solon	Skogen
Carlson	Higgins	Marty	Rest	Sparks
Chaudhary	Ingebrigtsen	Metzen	Robling	Tomassoni
Clark	Johnson	Michel	Rosen	Torres Ray
Day	Jungbauer	Moua	Rummel	Vandever
Doll	Koch	Neuville	Saltzman	Vickerman
Erickson Ropes	Kubly	Olseen	Saxhaug	Wergin
Fischbach	Langseth	Olson, G.	Scheid	Wiger
Foley	Larson	Olson, M.	Senjem	

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

#### MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

**S.F. No. 118:** A bill for an act relating to state government; adding legislators who represent the capitol area as nonvoting members of the Capitol Area Architectural and Planning Board; amending Minnesota Statutes 2006, section 15B.03, subdivision 1.

Senate File No. 118 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2007

Senator Pappas moved that the Senate do not concur in the amendments by the House to S.F. No. 118, and that a Conference Committee of 3 members be appointed by the Subcommittee on Conference 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 has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

**S.F. No. 493:** A bill for an act relating to public nuisances; providing that certain criminal gang behavior is a public nuisance; authorizing injunctive relief and other remedies; proposing coding



for new law in Minnesota Statutes, chapter 617.

There has been appointed as such committee on the part of the House:

Lesch, Mullery and Cornish.

Senate File No. 493 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2007

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 1989, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 1989:** A bill for an act relating to higher education; appropriating money for higher education and related purposes to the Minnesota Office of Higher Education, the Board of Trustees of the Minnesota State Colleges and Universities, the board of Regents of the University of Minnesota, and the Mayo Clinic, with certain conditions; requiring certain studies; making technical changes; eliminating certain report requirements; permitting certain interest rate savings and other agreements; requiring summary statistics in required reports; repealing certain data sharing and collecting requirements; modifying financial aid programs; establishing the Minnesota GI bill program; regulating private higher education institutions; providing penalties; amending Minnesota Statutes 2006, sections 13.322, subdivision 3; 135A.01; 135A.031, subdivisions 1, 7; 135A.034, subdivision 1; 135A.14, subdivision 1; 135A.52, subdivisions 1, 2; 136A.01, subdivision 2; 136A.031, subdivision 5; 136A.0411; 136A.08, subdivision 7; 136A.101, subdivisions 4, 5a; 136A.121, subdivisions 6, 7a, by adding a subdivision; 136A.125, subdivisions 2, 4; 136A.15, subdivisions 1, 6; 136A.16, subdivisions 1, 2, 5, 8, 9, 10, by adding a subdivision; 136A.17, subdivision 1; 136A.1701, subdivisions 1, 2, 5; 136A.233, subdivision 3; 136A.29, subdivision 9; 136A.62, subdivision 3; 136A.63; 136A.65, subdivision 1, by adding a subdivision; 136A.653; 136A.657, subdivisions 1, 2, 3, by adding a subdivision; 136A.66; 136A.67; 136A.68; 136A.69; 136A.71; 136A.861, subdivisions 1, 2, 3, 6; 136F.02, subdivisions 1, 2; 136F.03, subdivision 3; 136F.42, subdivision 1; 136F.58; 136F.70, by adding a subdivision; 136F.71, subdivision 2, by adding a subdivision; 136G.11, subdivision 5; 137.0245, subdivision 4; 137.0246, subdivision 2; 141.21, subdivisions 1a, 5; 141.25, subdivisions 1, 5, 7, 9, 10, 12; 141.255, subdivision 2; 141.265, subdivision 2; 141.271, subdivisions 10, 12; 141.28, subdivision 1; 141.32; 141.35; 197.775, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 135A; 136A; 141; 197; repealing Minnesota Statutes 2006, sections 135A.031, subdivisions 2, 3, 5, 6; 135A.032; 135A.033; 135A.045; 135A.053; 136A.07; 136A.08, subdivision 8; 136A.1702; 136A.61; Laws 2001, First Special Session chapter 1, article 1, sections 3, subdivision 3; 4, subdivision 5.

Senate File No. 1989 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2007

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 1758.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 8, 2007

### FIRST READING OF HOUSE BILLS

The following bill was read the first time.

**H.F. No. 1758:** A bill for an act relating to commerce; regulating access devices; establishing liability for security breaches; providing enforcement powers; proposing coding for new law in Minnesota Statutes, chapter 325E.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1574, now on General Orders

### REPORTS OF COMMITTEES

Senator Betzold moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

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

**S.F. No. 2249:** A bill for an act relating to tax increment financing; making technical and minor policy changes; amending Minnesota Statutes 2006, sections 469.174, subdivisions 10, 10a; 469.175, subdivision 3; 469.176, subdivisions 2, 4l, 7; 469.1761, subdivision 1; 469.177, subdivision 1; 469.178, subdivision 7; 469.1791, subdivision 3; repealing Minnesota Statutes 2006, section 469.174, subdivision 29.

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

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

**S.F. No. 6:** A bill for an act relating to natural and cultural resources; proposing an amendment to the Minnesota Constitution, article XI; increasing the sales tax rate by three-eighths of one percent and dedicating the receipts for natural and cultural heritage purposes; creating a cultural legacy fund; creating a heritage enhancement fund; creating a great outdoors Minnesota fund; establishing a Heritage Enhancement Council; amending Minnesota Statutes 2006, sections 10A.01, subdivision 35; 297A.62, subdivision 1; 297A.94; 297B.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 97A; 129D; proposing coding for new law as Minnesota Statutes, chapter 84E.

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

Page 1, delete section 2

Page 2, delete section 3

Page 3, line 22, delete ", if the" and insert a period

Page 3, delete line 23

Page 3, line 25, delete "the Minnesota Constitution," and insert "section 297A.94"

Page 3, line 26, delete everything before the period

Page 3, line 31, delete ", if the constitutional" and insert a period

Page 3, delete line 32

Page 4, line 4, delete "the Minnesota Constitution, article XI, section 15" and insert "section 297A.94"

Page 4, line 10, delete everything before "25" and insert "section 297A.94,"

Page 6, line 13, delete ", if the" and insert a period

Page 6, delete line 14

Page 6, line 16, delete "the Minnesota" and insert "section 297A.94"

Page 6, line 17, delete everything before the period

Page 6, line 25, delete ", if the constitutional" and insert a period

Page 6, delete line 26

Page 6, line 28, after "in" insert "this subdivision or in"

Page 7, delete lines 1 and 2 and insert:

"(b) Beginning July 1, 2009, until June 30, 2034, the sales and use tax rate shall be increased by three-eighths of one percent on sales and uses taxable under the general state sales and use tax law."

Page 7, line 3, delete ", if the constitutional" and insert a period

Page 7, delete line 4

Page 7, line 7, delete the new language and insert "and in section 297A.62, subdivision 1, paragraph (b)"

Page 7, line 8, delete the new language

Page 8, after line 26, insert:

"(g) Receipts from the sales tax imposed in section 297A.62, subdivision 1, paragraph (b), plus penalties and interest and reduced by any refunds, are dedicated as follows: 33 percent of the receipts shall be deposited in the heritage enhancement fund and may be spent only to preserve, enhance, or protect the state's fish, wildlife, habitat, and land resources; 43 percent of the receipts shall be deposited in the great outdoors Minnesota fund and may be spent only on protection and restoration of the state's lakes, rivers, streams, wetlands, groundwater, parks, trails, natural areas, and historic

sites; and 24 percent of the receipts shall be deposited in the cultural legacy fund and may be spent only on arts, arts education, and arts access. A cultural legacy fund; a heritage enhancement fund; and a great outdoors Minnesota fund are created in the state treasury. The money dedicated under this section shall be appropriated by law. The money dedicated under this section shall not be used as a substitute for traditional funding sources for the purposes specified, but the dedicated money shall supplement traditional sources of funding for those purposes. Land acquired by fee with money deposited in the heritage enhancement fund under this section must be open to public taking of fish and game during the open season unless otherwise provided by law."

Page 8, line 27, delete ", if the constitutional" and insert a period

Page 8, delete line 28

Page 9, line 4, delete ", if the constitutional" and insert a period

Page 9, delete line 5

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete everything after the semicolon

Page 1, line 3, delete everything before "increasing"

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

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

**S.F. No. 2276:** A bill for an act relating to taxation; requiring a study of tax incentives to certain industries; providing a tax credit for film production expenditures; amending Minnesota Statutes 2006, section 290.06, by adding a subdivision.

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

Page 1, line 7, before "The" insert "The commissioner of employment and economic development with the assistance of"

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

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

**H.F. No. 2294:** A bill for an act relating to taxation; modifying the levy authority of the Cook-Orr Hospital District; amending Laws 1988, chapter 645, section 3, as amended.

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

Delete everything after the enacting clause and insert:

### **"ARTICLE 1**

### **HOMESTEAD CREDIT STATE REFUND**

**HOMEOWNERS AND RENTERS**

Section 1. Minnesota Statutes 2006, section 273.1384, subdivision 1, is amended to read:

Subdivision 1. **Residential homestead market value credit.** (a) Each county auditor shall determine a homestead credit for each class 1a, 1b, 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 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 not all the spouses 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. 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.

(b) For property taxes payable in 2008 and thereafter, the county auditor shall determine the amount of the homestead credit under paragraph (a) and this paragraph. The county auditor shall report the amount of the credit to the taxpayer on the property tax statement or in another manner, as authorized by the commissioner of revenue. The amount of the credit allowed for the property taxes payable year is to be computed as the following percentage of the credit amount under paragraph (a):

- (1) for property taxes payable in 2008, 100 percent;
- (2) for property taxes payable in 2009, 60 percent;
- (3) for property taxes payable in 2010, 30 percent; and
- (4) for property taxes payable in 2011 or thereafter, no credit is allowed.

**EFFECTIVE DATE.** This section is effective beginning for property taxes payable in 2008.

Sec. 2. Minnesota Statutes 2006, 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); any items required by the commissioner of revenue under section 273.1384, subdivision 1, paragraph (b); and
- (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) (4) 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.~~

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

Sec. 3. Minnesota Statutes 2006, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, ~~273.1384~~, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. Beginning for property taxes payable in 2008, the amount of the credit under section 273.1384, subdivision 1, must not be deducted in computing property taxes payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 19 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

**EFFECTIVE DATE.** This section is effective beginning for refund claims based on property taxes payable in 2008.

Sec. 4. Minnesota Statutes 2006, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. **Renters.** (a) A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
<del>\$0 to 3,589</del>	1.0 percent	5 percent	\$1,190
<u>\$0 to 4,579</u>			<u>\$1,500</u>
<del>3,590 to 4,779</del>	1.0 percent	10 percent	\$1,190
<u>4,580 to 6,099</u>			<u>\$1,500</u>
<del>4,780 to 5,969</del>	1.1 percent	10 percent	\$1,190
<u>6,100 to 7,619</u>			<u>\$1,500</u>
<del>5,970 to 8,369</del>	1.2 percent	10 percent	\$1,190
<u>7,620 to 10,669</u>			<u>\$1,500</u>
<del>8,370 to 10,759</del>	1.3 percent	15 percent	\$1,190
<u>10,670 to 13,729</u>			<u>\$1,500</u>
<del>10,760 to 11,949</del>	1.4 percent	15 percent	\$1,190
<u>13,730 to 15,239</u>			<u>\$1,500</u>
<del>11,950 to 13,139</del>	1.4 percent	20 percent	\$1,190
<u>15,240 to 16,769</u>			<u>\$1,500</u>
<del>13,140 to 15,539</del>	1.5 percent	20 percent	\$1,190
<u>16,770 to 19,829</u>			<u>\$1,500</u>
<del>15,540 to 16,729</del>	1.6 percent	20 percent	\$1,190
<u>19,830 to 21,349</u>			<u>\$1,500</u>
<del>16,730 to 17,919</del>	1.7 percent	25 percent	\$1,190
<u>21,350 to 22,859</u>			<u>\$1,500</u>
<del>17,920 to 20,319</del>	1.8 percent	25 percent	\$1,190
<u>22,860 to 25,929</u>			<u>\$1,500</u>
<del>20,320 to 21,509</del>	1.9 percent	30 percent	\$1,190
<u>25,930 to 27,439</u>			<u>\$1,500</u>
<del>21,510 to 22,699</del>	2.0 percent	30 percent	\$1,190
<u>27,440 to 28,959</u>			<u>\$1,500</u>
<del>22,700 to 23,899</del>	2.2 percent	30 percent	\$1,190
<u>28,960 to 30,499</u>			<u>\$1,500</u>
<del>23,900 to 25,089</del>	2.4 percent	30 percent	\$1,190
<u>30,500 to 32,009</u>			<u>\$1,500</u>
<del>25,090 to 26,289</del>	2.6 percent	35 percent	\$1,190



<u>32,010 to 33,539</u>			\$1,500
<del>26,290 to 27,489</del>	2.7 percent	35 percent	\$1,190
<u>33,540 to 35,079</u>			\$1,500
<del>27,490 to 28,679</del>	2.8 percent	35 percent	\$1,190
<u>35,080 to 36,589</u>			\$1,500
<del>28,680 to 29,869</del>	2.9 percent	40 percent	\$1,190
<u>36,590 to 38,109</u>			\$1,500
<del>29,870 to 31,079</del>	3.0 percent	40 percent	\$1,190
<u>38,110 to 39,649</u>			\$1,500
<del>31,080 to 32,269</del>	3.1 percent	40 percent	\$1,190
<u>39,650 to 41,169</u>			\$1,500
<del>32,270 to 33,459</del>	3.2 percent	40 percent	\$1,190
<u>41,170 to 42,689</u>			\$1,500
<del>33,460 to 34,649</del>	3.3 percent	45 percent	\$1,080
<u>42,690 to 49,729</u>			\$1,370
<del>34,650 to 35,849</del>	3.4 percent	45 percent	\$ 960
<u>49,730 to 51,459</u>			\$1,220
<del>35,850 to 37,049</del>	3.5 percent	45 percent	\$ 830
<u>51,460 to 53,189</u>			\$1,050
<del>37,050 to 38,239</del>	3.5 percent	50 percent	\$ 720
<u>53,190 to 54,899</u>			\$910
<del>38,240 to 39,439</del>	3.5 percent	50 percent	\$ 600
<u>54,900 to 56,609</u>			\$760
<del>38,440 to 40,629</del>	3.5 percent	50 percent	\$ 360
<u>56,610 to 58,319</u>			\$450
<del>40,630 to 41,819</del>	3.5 percent	50 percent	\$ 120
<u>58,320 to 60,000</u>			\$150

(b) The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~ \$60,000 or more.

**EFFECTIVE DATE.** This section is effective beginning for claims filed for rent paid after December 31, 2006.

Sec. 5. Minnesota Statutes 2006, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. **Additional refund.** (a) If the gross property taxes payable on a homestead increase

more than 12 percent over the property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16, or to the reduction in and elimination of the homestead market value credit under section 273.1384, subdivision 1, paragraph (b).

The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision "gross property taxes payable" means property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

**EFFECTIVE DATE.** This section is effective for claims based on property taxes payable in 2008 and thereafter.

Sec. 6. Minnesota Statutes 2006, section 290A.04, is amended by adding a subdivision to read:

**Subd. 2k. Homestead credit state refund.** (a) A claimant who is a homeowner is entitled to a state refund of the amount of the property taxes payable in excess of two percent of the claimant's household income, based on the percentage and maximum for the appropriate household income level shown below. The refund amount determined from the table must be reduced further by the amount of the homestead market value credit under section 273.1384, subdivision 1, paragraph (b), but not to an amount that is less than zero.

<u>Household Income</u>	<u>Refund Percentage</u>	<u>Maximum State Refund</u>
<u>0 to \$5,399</u>	<u>90 percent</u>	<u>\$2,500</u>
<u>5,400 to 18,899</u>	<u>85 percent</u>	<u>2,500</u>
<u>18,900 to 26,999</u>	<u>80 percent</u>	<u>2,500</u>
<u>27,000 to 32,399</u>	<u>75 percent</u>	<u>2,500</u>
<u>32,400 to 37,799</u>	<u>70 percent</u>	<u>2,500</u>
<u>37,800 to 45,899</u>	<u>65 percent</u>	<u>2,500</u>
<u>45,900 to 64,699</u>	<u>60 percent</u>	<u>2,500</u>

<u>64,700 to 80,899</u>	<u>55 percent</u>	<u>2,300</u>
<u>80,900 to 94,399</u>	<u>50 percent</u>	<u>2,100</u>
<u>94,400 to 99,299</u>	<u>45 percent</u>	<u>1,900</u>
<u>99,300 to 104,099</u>	<u>40 percent</u>	<u>1,700</u>
<u>104,100 to 115,599</u>	<u>30 percent</u>	<u>1,500</u>
<u>115,600 to 127,199</u>	<u>30 percent</u>	<u>1,250</u>
<u>127,200 to 134,099</u>	<u>25 percent</u>	<u>1,000</u>
<u>134,100 to 138,799</u>	<u>25 percent</u>	<u>750</u>
<u>138,800 to 144,399</u>	<u>25 percent</u>	<u>500</u>
<u>144,400 to 150,000</u>	<u>25 percent</u>	<u>250</u>

(b) No payment is allowed under paragraph (a) if the claimant's household income is more than \$150,000.

**EFFECTIVE DATE.** This section is effective beginning for claims based on property taxes payable in 2008.

Sec. 7. Minnesota Statutes 2006, section 290A.04, subdivision 3, is amended to read:

Subd. 3. **Table.** The commissioner of revenue shall construct and make available to taxpayers a comprehensive table showing the ~~property taxes to be paid and~~ refund allowed at various levels of income ~~and assessment~~. The table shall follow the schedule of income percentages, maximums and other provisions specified in ~~subdivision 2~~ this section, except that the commissioner may graduate the transition between income brackets. All refunds shall be computed in accordance with tables prepared and issued by the commissioner of revenue.

The commissioner shall include on the form an appropriate space or method for the claimant to identify if the property taxes paid are for a manufactured home, as defined in section 273.125, subdivision 8, paragraph (c), or a park trailer taxed as a manufactured home under section 168.012, subdivision 9.

Sec. 8. Minnesota Statutes 2006, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** Beginning for property tax refunds payable in calendar year ~~2002~~ 2009, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions ~~2 and 2a and 2k~~ for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2007, to the year ending on June 30 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions ~~2 and 2a and 2k~~ for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

**EFFECTIVE DATE.** This section is effective beginning for claims based on property taxes payable in 2009.

**Sec. 9. HOMESTEAD CREDIT STATE REFUND TRANSITION RESERVE.**

**Subdivision 1. Reserve account.** A homestead credit state refund transition reserve account is established in the general fund to provide two additional years of transition funding for the homestead credit state refund.

**Subd. 2. Transfer to account.** On June 29, 2009, the commissioner of finance shall transfer \$129,000,000 from the general fund to the homestead credit state refund transition reserve account.

**Subd. 3. Transfer to general fund.** On July 1, 2009, the commissioner of finance shall transfer the balance in the homestead credit state refund transition reserve account to the general fund.

**Subd. 4. Expiration date.** This section expires July 2, 2009.

**Sec. 10. REPEALER.**

Minnesota Statutes 2006, section 290A.04, subdivisions 2 and 2b, are repealed.

**EFFECTIVE DATE.** This section is effective for claims based on property taxes payable in 2008 and later.

## ARTICLE 2

### EDUCATION PROPERTY TAX RELIEF

Section 1. Minnesota Statutes 2006, section 123B.53, subdivision 4, is amended to read:

**Subd. 4. Debt service equalization revenue.** ~~(a) The debt service equalization revenue of a district equals the sum of the first tier debt service equalization revenue and the second tier debt service equalization revenue.~~

~~(b) The first tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue minus the amount raised by a levy of 15 percent times the adjusted debt service net tax capacity of the district minus the second tier debt service equalization revenue of the district.~~

~~(c) The second tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue, excluding alternative facilities levies under section 123B.59, subdivision 5, minus the amount raised by a levy of 25 percent times the adjusted net tax capacity of the district.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2009.

Sec. 2. Minnesota Statutes 2006, 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 debt service 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~~ 100 percent of the statewide adjusted net tax capacity equalizing factor.

~~(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 2009.

Sec. 3. Minnesota Statutes 2006, section 123B.54, is amended to read:

**123B.54 DEBT SERVICE AND SCHOOL BOND AGRICULTURAL CREDIT APPROPRIATION.**

(a) ~~\$21,624,000~~ \$14,813,000 in fiscal year 2008 ~~and \$20,403,000,~~ \$26,100,000 in fiscal year 2009, \$29,816,000 in fiscal year 2010, and \$30,538,000 in fiscal year 2011 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) \$16,200,000 in fiscal year 2009, \$18,531,000 in fiscal year 2010, and \$18,531,000 in fiscal year 2011 and each year thereafter are appropriated from the general fund to the commissioner of education for payment of school bond agricultural credit aid under section 123B.555.

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

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2009.

**Sec. 4. [123B.555] SCHOOL BOND AGRICULTURAL CREDIT.**

Subdivision 1. **Eligibility.** All class 2 property under section 273.13, subdivision 23, except for (1) property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, and (2) property classified under section 273.13, subdivision 23, paragraph (b), clause (4), is eligible to receive the credit under this section.

Subd. 2. **Credit amount.** For each qualifying property, the school bond agricultural credit is equal to 36 percent of the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b.

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted under section 275.29. Any

prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

Subd. 4. **Payment.** The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of education, who shall pay the reimbursement amounts to each school district as provided in section 273.1392.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

Sec. 5. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision to read:

Subd. 2a. **Statewide adjusted net tax capacity equalizing factor.** The statewide adjusted net tax capacity equalizing factor equals the quotient derived by dividing the total adjusted net tax capacity of all school districts in the state for the year before the year the levy is certified by the total number of adjusted pupil units in the state for the fiscal year preceding the year the levy is certified.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

Sec. 6. Minnesota Statutes 2006, 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 years 2007 and later 2008, and \$21,250 for fiscal year 2009 and later.

Sec. 7. Minnesota Statutes 2006, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~ A district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$476,000 111 percent of the referendum market value equalizing factor.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$270,000 60 percent of the referendum market value equalizing factor.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

Sec. 8. Minnesota Statutes 2006, section 127A.48, is amended by adding a subdivision to read:

Subd. 17. **Adjusted debt service net tax capacity.** To calculate each district's adjusted debt service net tax capacity, the commissioner of revenue must recompute the amounts in this section

using an alternative sales ratio comparing the sales price to the estimated market value of the property.

**EFFECTIVE DATE.** This section is effective the day following final enactment for computing taxes payable in 2008.

Sec. 9. Minnesota Statutes 2006, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. **Limited market value.** In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment years 2004, 2005, and 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2007, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2008, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect through assessment year 2008 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, excluding section 123B.53, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

**EFFECTIVE DATE.** This section is effective the day following final enactment for computing taxes payable in 2008.

Sec. 10. Minnesota Statutes 2006, section 273.1393, is amended to read:

### **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

- (1) disaster credit as provided in section 273.123;
- (2) powerline credit as provided in section 273.42;
- (3) agricultural preserves credit as provided in section 473H.10;
- (4) enterprise zone credit as provided in section 469.171;

- (5) disparity reduction credit;
- (6) conservation tax credit as provided in section 273.119;
- (7) homestead and agricultural credits as provided in section 273.1384;
- (8) school bond agricultural credit as provided in section 123B.555;
- ~~(8)~~ (9) taconite homestead credit as provided in section 273.135; and
- ~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391.

The combination of all property tax credits must not exceed the gross tax amount.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

Sec. 11. Minnesota Statutes 2006, section 275.065, subdivision 3, is amended to read:

Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384 and the school bond agricultural credit under section 123B.555, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

- (i) the actual tax for taxes payable in the current year; and
- (ii) the proposed tax amount.



If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and

the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) The governing body of a county, city, or school district may, with the consent of the county board, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

(1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;

(2) population growth and decline;

(3) state or federal government action; and

(4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

Sec. 12. Minnesota Statutes 2006, section 275.07, subdivision 2, is amended to read:

Subd. 2. **School district in more than one county levies; special requirements.** (a) In school districts lying in more than one county, the clerk shall certify the tax levied to the auditor of the county in which the administrative offices of the school district are located.

(b) The clerk shall identify the portion of the school district levy that is levied for the purposes specified in section 123B.53, subdivision 5, as the school debt levy at the time that the levy is certified under this section.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

Sec. 13. Minnesota Statutes 2006, section 275.08, subdivision 1b, is amended to read:

Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against net tax capacity under section 275.07 by an individual local government unit shall be divided by the total net tax capacity of all taxable properties within the local government unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by each property's net tax capacity shall be each property's net tax capacity tax for that local government unit before reduction by any credits.

(b) The auditor shall also determine the school debt tax rate for each school district equal to the school debt levy certified under section 275.07 divided by the total net tax capacity of all taxable property within the district.

(c) Any amount certified to the county auditor to be levied against market value shall be divided by the total referendum market value of all taxable properties within the taxing district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by each property's referendum market value shall be each property's new referendum tax before reduction by any credits. For the purposes of this subdivision, "referendum market value" means the market value as defined in section 126C.01, subdivision 3.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

### ARTICLE 3

#### INCOME TAX

Section 1. Minnesota Statutes 2006, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first ~~\$25,680~~ \$31,150, 5.35 percent;
- (2) On all over ~~\$25,680~~ \$31,150, but not over ~~\$102,030~~ \$123,750, 7.05 percent;
- (3) On all over ~~\$102,030~~ \$123,750, but not over \$400,000, 7.85 percent;
- (4) On all over \$400,000, 9 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$17,570~~ \$21,310, 5.35 percent;
- (2) On all over ~~\$17,570~~ \$21,310, but not over ~~\$57,710~~ \$69,990, 7.05 percent;
- (3) On all over ~~\$57,710~~ \$69,990, but not over \$226,230, 7.85 percent;
- (4) On all over \$226,230, 9 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first ~~\$21,630~~ \$26,230, 5.35 percent;
- (2) On all over ~~\$21,630~~ \$26,230, but not over ~~\$86,910~~ \$105,410, 7.05 percent;
- (3) On all over ~~\$86,910~~ \$105,410, but not over \$340,720, 7.85 percent;
- (4) On all over \$340,720, 9 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), and (9), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9), (10), (14), (15), and (16).

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

Sec. 2. Minnesota Statutes 2006, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2007, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2006, and before January 1, ~~2004~~ 2008. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~" "2006" shall be substituted for the word "1992." For ~~2004~~ 2008, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2006, to the 12 months ending on August 31, ~~2000~~ 2007, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2006, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

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

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; modifying property tax provisions, credits, and levies; providing a homestead credit state refund; increasing property tax refunds; providing a school bond agricultural credit; adding an income tax bracket and rate; amending Minnesota Statutes 2006, sections 123B.53, subdivisions 4, 5; 123B.54; 126C.01, by adding a subdivision; 126C.10, subdivision 13a; 126C.17, subdivision 6; 127A.48, by adding a subdivision; 273.11, subdivision 1a; 273.1384, subdivision 1; 273.1393; 275.065, subdivision 3; 275.07, subdivision 2; 275.08, subdivision 1b; 276.04, subdivision 2; 290.06, subdivisions 2c, 2d; 290A.03, subdivision 13; 290A.04, subdivisions 2a, 2h, 3, 4, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 123B; repealing Minnesota Statutes 2006, section 290A.04, subdivisions 2, 2b."

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

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

**S.F. No. 610:** A bill for an act relating to taxation; making policy, technical, administrative, and clarifying changes to various taxes and tax-related provisions; changing provisions relating to revenue recapture, tax-forfeited land sales, sustainable forest management incentive program,

publication of certain tax preparers, and certain firefighters' supplemental benefits reimbursement applications; providing for training, licensing, and oversight of assessors; imposing civil penalties; amending Minnesota Statutes 2006, sections 62I.06, subdivision 6; 71A.04, subdivision 1; 163.051, subdivision 5; 270.071, subdivision 7; 270.072, subdivisions 2, 3, 6; 270.074, subdivision 3; 270.076, subdivision 1; 270.41, subdivisions 1, 2, 3, 5, by adding a subdivision; 270.44; 270.45; 270.46; 270.47; 270.48; 270.50; 270A.03, subdivision 5; 270C.306; 270C.34, subdivision 1; 270C.446, subdivision 2; 272.02, subdivision 64; 272.115, subdivision 1; 273.05, by adding a subdivision; 273.111, subdivision 3; 273.117; 273.121; 273.123, subdivisions 2, 3; 273.124, subdivisions 13, 14, 21; 273.128, subdivision 1; 273.13, subdivisions 22, 25; 273.1398, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2; 273.371, subdivision 1; 274.01, subdivision 1; 274.13, subdivision 1; 275.065, subdivisions 3, 5a; 275.067; 276.04, by adding a subdivision; 277.01, subdivision 2; 279.01, subdivision 1; 282.01, subdivisions 1a, 1d, 1e, by adding a subdivision; 287.22; 287.2205; 289A.08, subdivision 11; 289A.09, subdivision 2; 289A.12, subdivision 14; 289A.18, subdivision 1; 289A.40, subdivision 2; 289A.56, by adding a subdivision; 289A.60, subdivisions 8, 12, 25, 27, by adding subdivisions; 290.01, subdivisions 19c, 19d; 290.06, subdivision 33; 290.067, subdivision 2b; 290.0671, subdivision 7; 290.0677, subdivision 1; 290.091, subdivision 3; 290.191, subdivision 8; 290A.03, subdivision 7; 290B.03, subdivision 2; 290C.02, subdivision 3; 290C.04; 290C.05; 290C.11; 291.215, subdivision 1; 295.52, subdivisions 4, 4a; 295.54, subdivision 2; 297A.61, subdivisions 3, 4, 7, 10, 24, by adding subdivisions; 297A.63, subdivision 1; 297A.665; 297A.669, subdivisions 3, 13, 14, by adding subdivisions; 297A.67, subdivisions 8, 9; 297A.68, subdivisions 11, 16, 35; 297A.70, subdivision 7, by adding a subdivision; 297A.72; 297A.90, subdivision 2; 297B.035, subdivision 1; 297F.06, subdivision 4; 297F.25, by adding a subdivision; 297I.06, subdivisions 1, 2; 297I.20, subdivision 2; 297I.40, subdivision 5; 297I.85, by adding a subdivision; 424A.10, subdivision 3; 469.1734, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 270; 270C; 273; 274; 290C; 297A; repealing Minnesota Statutes 2006, sections 270.073; 270.41, subdivision 4; 270.43; 270.51; 270.52; 270.53; 279.01, subdivision 2; 295.60; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22.

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 AND FRANCHISE TAXES

Section 1. Minnesota Statutes 2006, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **Debt.** (a) "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125, fines imposed for petty misdemeanors as defined in section 609.02, subdivision 4a, and restitution. The term also includes the co-payment for the appointment of a district public defender imposed under section 611.17, paragraph (c). A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to

a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

(b) A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of \$8,800 or less;
- (2) for a debtor with one dependent, an income of \$11,270 or less;
- (3) for a debtor with two dependents, an income of \$13,330 or less;
- (4) for a debtor with three dependents, an income of \$15,120 or less;
- (5) for a debtor with four dependents, an income of \$15,950 or less; and
- (6) for a debtor with five or more dependents, an income of \$16,630 or less.

~~The income amounts in this subdivision shall be adjusted for inflation for debts incurred in calendar years 2001 and thereafter. The dollar amount of each income level that applied to debts incurred in the prior year shall be increased in the same manner as provided in section 1(f) of the Internal Revenue Code of 1986, as amended through December 31, 2000, except that for the purposes of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for debts incurred after December 31, 2000.~~ (c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

(d) Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

**EFFECTIVE DATE.** This section is effective for debts incurred after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States, and must state;

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers, ~~and must state; and~~

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

(b) The taxpayer must attach to the taxpayer's Minnesota state income tax return a copy of the federal income tax return that the taxpayer has filed or is about to file for the period, unless the taxpayer is eligible to telefile the federal return and does file the Minnesota return by telefiling.

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

Sec. 3. Minnesota Statutes 2006, 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~~ (a) 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~~ in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. For wages paid in calendar year 2007, an employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 100 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. For calendar year 2008, the 100 statements threshold is reduced to 50, and for calendar year 2009, the threshold is reduced to 25, and for 2010 and after, the threshold is reduced to ten.

(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 wages paid after December 31, 2006.

Sec. 4. Minnesota Statutes 2006, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder no later than 30 days after the close of the taxable year. The return provided to the shareholder must include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. ~~The commissioner may by notice and demand require the~~ regulated investment company is required in a manner prescribed by the commissioner to file a copy of the return with the commissioner.

(b) This subdivision applies to regulated investment companies required to register under chapter 80A.

(c) For purposes of this subdivision, the following definitions apply.

(1) "Exempt-interest dividends" mean exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, but does not include the portion of exempt-interest dividends that are not required to be added to federal taxable income under section 290.01, subdivision 19a, clause (1)(ii).

(2) "Regulated investment company" means regulated investment company as defined in section 851(a) of the Internal Revenue Code or a fund of the regulated investment company as defined in

section 851(g) of the Internal Revenue Code.

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

Sec. 5. Minnesota Statutes 2006, section 289A.18, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, corporate franchise, and entertainment taxes; partnership and S corporation returns; information returns; mining company returns.** The returns required to be made under sections 289A.08 and 289A.12 must be filed at the following times:

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations must be filed on March 15 following the close of the calendar year;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations must be filed on the 15th day of the third month following the close of the fiscal year;

(3) returns for a fractional part of a year must be filed on the 15th day of the fourth month following the end of the month in which falls the last day of the period for which the return is made, except that the returns of corporations must be filed on the 15th day of the third month following the end of the tax year of the unitary group in which falls the last day of the period for which the return is made;

(4) in the case of a final return of a decedent for a fractional part of a year, the return must be filed on the 15th day of the fourth month following the close of the 12-month period that began with the first day of that fractional part of a year;

(5) in the case of the return of a cooperative association, returns must be filed on or before the 15th day of the ninth month following the close of the taxable year;

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.34, subdivision 2, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

(7) returns of entertainment entities must be filed on April 15 following the close of the calendar year;

(8) returns required to be filed under section 289A.08, subdivision 4, must be filed on the 15th day of the fifth month following the close of the taxable year;

(9) returns of mining companies must be filed on May 1 following the close of the calendar year; and

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, ~~or 4 to 10, or 14,~~ must be filed within 30 days after being demanded by the commissioner.

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

Sec. 6. Minnesota Statutes 2006, section 289A.60, subdivision 8, is amended to read:

Subd. 8. **Penalty for Penalties; failure to file informational return; incorrect taxpayer identification number.** (a) In the case of a failure to file an informational return required by section 289A.12 with the commissioner on the date prescribed (determined with regard to any extension of time for filing), the person failing to file the return shall pay a penalty of \$50 for each failure or in the case of a partnership, S corporation, or fiduciary return, \$50 for each partner, shareholder, or beneficiary; but the total amount imposed on the delinquent person for all failures during any calendar year must not exceed \$25,000. If a failure to file a return is due to intentional disregard of the filing requirement, then the penalty imposed under the preceding sentence must not be less than an amount equal to:

(1) in the case of a return not described in clause (2) or (3), ten percent of the aggregate amount of the items required to be reported;

(2) in the case of a return required to be filed under section 289A.12, subdivision 5, five percent of the gross proceeds required to be reported; and

(3) in the case of a return required to be filed under section 289A.12, subdivision 9, relating to direct sales, \$100 for each failure; however, the total amount imposed on the delinquent person for intentional failures during a calendar year must not exceed \$50,000. The penalty must be collected in the same manner as a delinquent income tax.

(b) If a partnership or S corporation files a partnership or S corporation return with an incorrect tax identification number used for a partner or shareholder after being notified by the commissioner that the identification number is incorrect, the partnership or S corporation must pay a penalty of \$50 for each such incorrect number.

**EFFECTIVE DATE.** This section is effective for returns filed after December 31, 2007.

Sec. 7. Minnesota Statutes 2006, section 289A.60, subdivision 12, is amended to read:

Subd. 12. **Penalties relating to property tax refunds.** (a) If it is determined that a property tax refund claim is excessive and was negligently prepared, a claimant is liable for a penalty of ten percent of the corrected claim must be disallowed claim. If the claim has been paid, the amount disallowed must be recovered by assessment and collection.

(b) An owner who without reasonable cause fails to give a certificate of rent constituting property tax to a renter, as required by section 290A.19, paragraph (a), is liable to the commissioner for a penalty of \$100 for each failure.

(c) If the owner or managing agent knowingly gives rent certificates that report total rent constituting property taxes in excess of the amount of actual rent constituting property taxes paid on the rented part of a property, the owner or managing agent is liable for a penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. An overstatement of rent constituting property taxes is presumed to be knowingly made if it exceeds by ten percent or more the actual rent constituting property taxes.

**EFFECTIVE DATE.** This section is effective for property tax refund claims filed on or after July 1, 2007.

Sec. 8. Minnesota Statutes 2006, section 289A.60, subdivision 27, is amended to read:

Subd. 27. **Reportable transaction understatement.** (a) If a taxpayer has a reportable transaction understatement for any taxable year, an amount equal to 20 percent of the amount of the reportable transaction understatement must be added to the tax.

(b)(1) For purposes of this subdivision, "reportable transaction understatement" means the product of:

(i) the amount of the increase, if any, in taxable income that results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer's treatment of that item as shown on the taxpayer's tax return; and

(ii) the highest rate of tax imposed on the taxpayer under section 290.06 determined without regard to the understatement.

(2) For purposes of clause (1)(i), any reduction of the excess of deductions allowed for the taxable year over gross income for that year, and any reduction in the amount of capital losses which would, without regard to section 1211 of the Internal Revenue Code, be allowed for that year, must be treated as an increase in taxable income.

(c) This subdivision applies to any item that is attributable to:

(1) any listed transaction under section 289A.121; and

(2) any reportable transaction, other than a listed transaction, if a significant purpose of that transaction is the avoidance or evasion of federal income tax liability.

(d) Paragraph (a) applies by substituting "30 percent" for "20 percent" with respect to the portion of any reportable transaction understatement with respect to which the disclosure requirements of section 289A.121, subdivision 5, and section 6664(d)(2)(A) of the Internal Revenue Code are not met.

(e)(1) No penalty applies under this subdivision with respect to any portion of a reportable transaction understatement if the taxpayer shows that there was reasonable cause for the portion and that the taxpayer acted in good faith with respect to the portion. This paragraph applies only if:

(i) the relevant facts affecting the tax treatment of the item are adequately disclosed as required under section 289A.121;

(ii) there is or was substantial authority for the treatment; and

(iii) the taxpayer reasonably believed that the treatment was more likely than not the proper treatment.

(2) A taxpayer who did not adequately disclose under section 289A.121 meets the requirements of clause (1)(i), if the commissioner abates the penalty imposed by subdivision 26, paragraph (d), under ~~section 270C.34~~ subdivision 26, paragraph (g).

(3) For purposes of clause (1)(iii), a taxpayer is treated as having a reasonable belief with respect to the tax treatment of an item only if the belief:

(i) is based on the facts and law that exist when the return of tax which includes the tax treatment is filed; and

(ii) relates solely to the taxpayer's chances of success on the merits of the treatment and does not take into account the possibility that a return will not be audited, the treatment will not be raised on audit, or the treatment will be resolved through settlement if it is raised.

(4) An opinion of a tax advisor may not be relied upon to establish the reasonable belief of a taxpayer if:

(i) the tax advisor:

(A) is a material advisor, as defined in section 289A.121, and participates in the organization, management, promotion, or sale of the transaction or is related (within the meaning of section 267(b) or 707(b)(1) of the Internal Revenue Code) to any person who so participates;

(B) is compensated directly or indirectly by a material advisor with respect to the transaction;

(C) has a fee arrangement with respect to the transaction which is contingent on all or part of the intended tax benefits from the transaction being sustained; or

(D) has a disqualifying financial interest with respect to the transaction, as determined under United States Treasury regulations prescribed to implement the provisions of section 6664(d)(3)(B)(ii)(IV) of the Internal Revenue Code; or

(ii) the opinion:

(A) is based on unreasonable factual or legal assumptions, including assumptions as to future events;

(B) unreasonably relies on representations, statements, findings, or agreements of the taxpayer or any other person;

(C) does not identify and consider all relevant facts; or

(D) fails to meet any other requirement as the Secretary of the Treasury may prescribe under federal law.

(f) The penalty imposed by this subdivision applies in lieu of the penalty imposed under subdivision 4.

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

Sec. 9. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

**Subd. 28. Preparer identification number.** Any Minnesota individual income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund or return preparer who prepares a Minnesota individual income tax return or claim for refund and fails to include the required number on the return or claim is subject to a penalty of \$50 for each failure.

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

Sec. 10. Minnesota Statutes 2006, section 290.01, subdivision 19b, as amended by Laws 2007,

chapter 1, section 2, 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)~~ (14), 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)~~ (14), 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) to the extent included in federal taxable income, 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) to the extent included in federal taxable income, 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)~~ (15), 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)~~ (15), 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.

**EFFECTIVE DATE.** Clauses (11) and (12) are effective retroactively for taxable years beginning after December 31, 2004.

Sec. 11. Minnesota Statutes 2006, 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 and 965 of the Internal Revenue Code;

(6) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(7) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code;

(8) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code;

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

(10) ~~for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the~~



~~amortization deduction allowed in computing federal taxable income for those facilities;~~

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

~~(12)~~ (11) 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)~~ (12) the amount of net income excluded under section 114 of the Internal Revenue Code;

~~(14)~~ (13) 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 103 of Public Law 109-222;

~~(15)~~ (14) 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)~~ (15) 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)~~ (16) 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)~~ (17) 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 tax years beginning after December 31, 2006.

Sec. 12. Minnesota Statutes 2006, 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~~ work opportunity 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)~~ (9), 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)~~ (9) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

~~(11)~~ (10) 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)~~ (11) the amount of disability 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)~~ (12) 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)~~ (13) 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)~~ (14) 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)~~ (15) 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)~~ (16) 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 614 103 of Public Law ~~107-147~~ 109-222;

~~(19)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (14), 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)~~ (14). The resulting delayed depreciation cannot be less than zero; and

~~(20)~~ (18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth of the amount of the addition.

**EFFECTIVE DATE.** The amendment to clause (2) is effective the day following final enactment. The rest of this section is effective for taxable years beginning after December 31, 2006.

Sec. 13. Minnesota Statutes 2006, section 290.06, subdivision 33, is amended to read:

Subd. 33. **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.

(d) Expenses incurred in a calendar year in which tuberculosis testing of cattle in Minnesota is not federally required are not allowed in claiming the credit under paragraph (a).

**EFFECTIVE DATE.** This section is effective for tax years beginning after December 31, 2007.

Sec. 14. Minnesota Statutes 2006, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 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, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act. by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

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

Sec. 15. Minnesota Statutes 2006, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 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 shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For 2001, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to

the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

Sec. 16. Minnesota Statutes 2006, 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.

(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 commissioner shall adjust the exemption amount by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2005" shall be substituted for the word "1992."~~ For 2007, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2005, to the 12 months ending on August 31, 2006, and in each subsequent year, from the 12 months ending on August 31, 2005, to the 12 months ending on August 31 of the year preceding the taxable year. The exemption amount as adjusted must be rounded to the nearest \$10. If the amount ends in \$5, it must be rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

Sec. 17. Minnesota Statutes 2006, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota

Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(16)~~ (14), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(19)~~ (17), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3)

of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause ~~(4)~~ (8), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause ~~(4)~~ (9).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) Alternative minimum taxable income excludes the income from operating in an international economic development zone as provided under section 469.326.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

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

Sec. 18. Minnesota Statutes 2006, section 290.191, subdivision 8, is amended to read:

Subd. 8. **Deposit; definition.** (a) "Deposit," as used in subdivision ~~7~~ 6, paragraph (n), has the meanings in this subdivision.

(b) "Deposit" means the unpaid balance of money or its equivalent received or held by a financial institution in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account whether or not advance notice is required to withdraw the credited funds, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, or certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the financial institution, or a letter of credit or a traveler's check on which the financial institution is primarily liable. However, without limiting the generality of the term "money or its equivalent," any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining the credit or instrument is primarily or secondarily liable, or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to the bank for collection.

(c) "Deposit" means trust funds received or held by the financial institution, whether held in the trust department or held or deposited in any other department of the financial institution.

(d) "Deposit" means money received or held by a financial institution, or the credit given for money or its equivalent received or held by a financial institution, in the usual course of business for a special or specific purpose, regardless of the legal relationship so established. Under this paragraph, "deposit" includes, but is not limited to, escrow funds, funds held as security for an obligation due to the financial institution or others, including funds held as dealers reserves, or for securities loaned by the financial institution, funds deposited by a debtor to meet maturing obligations, funds deposited as advance payment on subscriptions to United States government securities, funds held for distribution or purchase of securities, funds held to meet its acceptances or letters of credit, and withheld taxes. It

does not include funds received by the financial institution for immediate application to the reduction of an indebtedness to the receiving financial institution, or under condition that the receipt of the funds immediately reduces or extinguishes the indebtedness.

(e) "Deposit" means outstanding drafts, including advice or another such institution, cashier's checks, money orders, or other officer's checks issued in the usual course of business for any purpose, but not including those issued in payment for services, dividends, or purchases or other costs or expenses of the financial institution itself.

(f) "Deposit" means money or its equivalent held as a credit balance by a financial institution on behalf of its customer if the entity is engaged in soliciting and holding such balances in the regular course of its business.

(g) Interinstitution fund transfers are not deposits.

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

Sec. 19. Minnesota Statutes 2006, section 290A.03, subdivision 7, is amended to read:

Subd. 7. **Dependent.** "Dependent" means any person who is considered a dependent under sections 151 and 152 of the Internal Revenue Code. ~~In the case of a son, stepson, daughter, or stepdaughter of the claimant, amounts received as a Minnesota family investment program grant, allowance to or on behalf of the child, surplus food, or other relief in kind supplied by a governmental agency must not be taken into account in determining whether the child received more than half of the child's support from the claimant.~~

**EFFECTIVE DATE.** This section is effective for property tax refunds based on rents paid after December 31, 2006, and property taxes payable after December 31, 2007.

Sec. 20. Minnesota Statutes 2006, section 291.215, subdivision 1, is amended to read:

Subdivision 1. **Determination.** All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. ~~Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.~~ Except as otherwise provided in section 291.075, the value of all property includable in the Minnesota gross estate of a decedent may be independently determined under those sections for Minnesota estate tax purposes.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after December 31, 2005.

Sec. 21. **TRANSITION; POLLUTION CONTROL FACILITIES AMORTIZATION.**

The amount of additions to federal taxable income pursuant to Minnesota Statutes, section 290.01, subdivision 19c, clause (10), that are properly subtractable pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), for taxable years beginning after December 31, 2006, and have not been subtracted pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), are subtractable in the taxpayer's first taxable year beginning after December 31, 2006.

## ARTICLE 2



**SALES AND USE TAXES**

Section 1. Minnesota Statutes 2006, section 289A.40, subdivision 2, is amended to read:

Subd. 2. **Bad debt loss.** If a claim relates to an overpayment because of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim is considered timely if filed within seven years from the date prescribed for the filing of the return. A claim relating to an overpayment of taxes under chapter 297A must be filed within 3-1/2 years from the date ~~prescribed for filing the return, plus any extensions granted for filing the return, but only if filed within the extended time when the bad debt was~~ (1) written off as uncollectible in the taxpayer's books and records, and (2) either eligible to be deducted for federal income tax purposes or would have been eligible for a bad debt deduction for federal income tax purposes if the taxpayer were required to file a federal income tax return, or within one year from the date the taxpayer's federal income tax return is timely filed claiming the bad debt deduction, whichever period is later. The refund or credit is limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes of this subdivision, has the same meaning as that term is used in United States Code, title 26, section 166, except that for a claim relating to an overpayment of taxes under chapter 297A the following are excluded from the calculation of bad debt: financing charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid; expenses incurred in attempting to collect any debt; and repossessed property. For purposes of reporting a payment received on previously claimed bad debt under chapter 297A, any payments made on a debt or account are applied first proportionally to the taxable price of the property or service and the sales tax on it, and secondly to interest, service charges, and any other charges.

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

Sec. 2. Minnesota Statutes 2006, section 289A.56, is amended by adding a subdivision to read:

Subd. 8. **Border city zone refunds.** Notwithstanding subdivision 3, for refunds payable under section 469.1734, subdivision 6, interest is computed from 90 days after the refund claim is filed with the commissioner.

**EFFECTIVE DATE.** This section is effective for refund claims filed on or after July 1, 2007.

Sec. 3. Minnesota Statutes 2006, section 289A.60, subdivision 25, is amended to read:

Subd. 25. **Penalty for failure to properly complete sales and use tax return.** A person who fails to report local sales tax taxes required to be reported on a sales and use tax return or who fails to report local sales tax taxes on separate tax lines on the sales and use tax return is subject to a penalty of five percent of the amount of tax not properly reported on the return. A person who files a consolidated tax return but fails to report location information is subject to a \$500 penalty for each return not containing location information. In addition, the commissioner may revoke the privilege for a taxpayer to file consolidated returns and may require the taxpayer to separately register each location and to file a tax return for each location.

**EFFECTIVE DATE.** This section is effective for returns filed after June 30, 2007.

Sec. 4. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

Subd. 29. **Penalty for failure to report liquor sales.** In the case of a failure to file an

informational return required by section 297A.8155 with the commissioner on or before the date prescribed, the person failing to file the report shall pay a penalty of \$500 each failure. If a failure to file a report is intentional, the penalty shall be \$1,000 each failure.

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

Sec. 5. Minnesota Statutes 2006, 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, including furnishing the guest of the facility with access to telecommunication services, 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 services and pest control 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 "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" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, 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~~ ancillary services associated with telecommunication services, cable television services ~~and~~, direct satellite services, and ring tones. ~~Telecommunications~~ Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph 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 sales and purchases made after June 30, 2007, except that the amendments to paragraphs (g), clause (2), and (i), are effective for sales and purchases made on or after January 1, 2008.

Sec. 6. Minnesota Statutes 2006, section 297A.61, subdivision 4, is amended to read:

Subd. 4. **Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any purpose, other than resale, sublease, or subrent of items by the purchaser in the normal course of business as defined in subdivision 21.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 5, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

(m) A sale of a bundled transaction in which one or more of the products included in the bundle is a taxable product is a retail sale, except that if one of the products is a telecommunication service, ancillary service, Internet access, or audio or video programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

(1) the books and records maintained by the seller must be maintained in the regular course of business, and do not include books and records created and maintained by the seller primarily for tax purposes;

(2) books and records maintained in the regular course of business include, but are not limited to, financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; and

(3) books and records are maintained primarily for tax purposes when the books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 7. Minnesota Statutes 2006, section 297A.61, subdivision 7, is amended to read:

Subd. 7. **Sales price.** (a) "Sales price" means the measure subject to sales tax, and means the total amount of consideration, including cash, credit, personal property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

- (1) the seller's cost of the property sold;
- (2) the cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expenses of the seller;
- (3) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;
- (4) delivery charges, except the percentage of the delivery charge allocated to delivery of tax exempt property, when the delivery charge is allocated by using either (i) a percentage based on the total sales price of the taxable property compared to the total sales price of all property in the shipment, or (ii) a percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment; and

(5) installation charges; ~~and~~

~~(6) the value of exempt property given to the purchaser when taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise.~~

(b) Sales price does not include:

- (1) discounts, including cash, terms, or coupons, that are not reimbursed by a third party and that are allowed by the seller and taken by a purchaser on a sale;
- (2) interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and
- (3) any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(c) Sales price includes consideration received by the seller from third parties if:

- (1) the seller actually receives consideration from a party other than the purchaser and the consideration is directly related to a price reduction or discount on the sale;
- (2) the seller has an obligation to pass the price reduction or discount through to the purchaser;

(3) the amount of the consideration attributable to the sale is fixed and determinable by the seller at the time of the sale of the item to the purchaser; and

(4) one of the following criteria is met:

(i) the purchaser presents a coupon, certificate, or other documentation to the seller to claim a price reduction or discount when the coupon, certificate, or documentation is authorized, distributed, or granted by a third party with the understanding that the third party will reimburse any seller to whom the coupon, certificate, or documentation is presented;

(ii) the purchaser identifies himself or herself to the seller as a member of a group or organization entitled to a price reduction or discount. A "preferred customer" card that is available to any customer does not constitute membership in such a group; or

(iii) the price reduction or discount is identified as a third-party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate, or other documentation presented by the purchaser.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008, except that the amendment to paragraph (a), clause (4), is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2006, section 297A.61, subdivision 10, is amended to read:

Subd. 10. **Tangible personal property.** (a) "Tangible personal property" means personal property that can be seen, weighed, measured, felt, or touched, or that is in any other manner perceptible to the senses. "Tangible personal property" includes, but is not limited to, electricity, water, gas, steam, and prewritten computer software, and prepaid calling cards.

(b) Tangible personal property does not include:

(1) large ponderous machinery and equipment used in a business or production activity which at common law would be considered to be real property;

(2) property which is subject to an ad valorem property tax;

(3) property described in section 272.02, subdivision 9, clauses (a) to (d); and

(4) property described in section 272.03, subdivision 2, clauses (3) and (5).

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 9. Minnesota Statutes 2006, section 297A.61, subdivision 24, is amended to read:

Subd. 24. **Telecommunications services.** (a) "Telecommunications services" means the electronic transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points, by or through any electronic, satellite, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission, conveyance, or routing.

(b) Telecommunications services includes the furnishing for consideration of access to telephone services by a hotel to its guests include transmission, conveyance, or routing in which computer

processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing, without regard to whether the service is referred to as voice over Internet protocol services or is classified by the Federal Communications Commission as enhanced or value added.

(c) Telecommunications services do not include:

- ~~(1) services purchased with a prepaid telephone calling card;~~
- ~~(2) private communication service purchased by an agent acting on behalf of the State Lottery;~~
- ~~(3) information services; and~~
- ~~(4) purchases of telecommunications when the purchaser uses the purchased services as a component part of or integrates such service into another telecommunications service that is sold by the purchaser in the normal course of business.~~

~~(d) For purposes of this subdivision, "information services" means the offering of the capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information.~~

(1) data processing and information services that allow data to be generated, acquired, stored, processed, or retrieved and delivered by an electronic transmission to a purchaser when the purchaser's primary purpose for the underlying transaction is the processed data or information;

(2) installation or maintenance of wiring or equipment on a customer's premises;

(3) tangible personal property;

(4) advertising, including, but not limited to, directory advertising;

(5) billing and collection services provided to third parties;

(6) Internet access service;

(7) radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance, and routing of such services by the programming service provider. Radio and television audio and video programming services includes, but is not limited to, cable service as defined in United States Code, title 47, section 522(6), and audio and video programming services delivered by commercial mobile radio service providers, as defined in Code of Federal Regulations, title 47, section 20.3;

(8) ancillary services; or

(9) digital products delivered electronically, including, but not limited to, software, music, video, reading materials, or ring tones.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 10. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 38. **Bundled transaction.** (a) "Bundled transaction" means the retail sale of two or more products when the products are otherwise distinct and identifiable, and the products are sold for



one nonitemized price. As used in this subdivision, "product" includes tangible personal property, services, intangibles, and digital goods, but does not include real property or services to real property. A bundled transaction does not include the sale of any products in which the sales price varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

(b) For purposes of this subdivision, "distinct and identifiable" products does not include:

(1) packaging and other materials, such as containers, boxes, sacks, bags, and bottles, wrapping, labels, tags, and instruction guides, that accompany the retail sale of the products and are incidental or immaterial to the retail sale. Examples of packaging that are incidental or immaterial include grocery sacks, shoe boxes, dry cleaning garment bags, and express delivery envelopes and boxes;

(2) a promotional product provided free of charge with the required purchase of another product. A promotional product is provided free of charge if the sales price of another product, which is required to be purchased in order to receive the promotional product, does not vary depending on the inclusion of the promotional product; and

(3) items included in the definition of sales price.

(c) For purposes of this subdivision, the term "one nonitemized price" does not include a price that is separately identified by product on binding sales or other supporting sales-related documentation made available to the customer in paper or electronic form including, but not limited to an invoice, bill of sale, receipt, contract, service agreement, lease agreement, periodic notice of rates and services, rate card, or price list.

(d) A transaction that otherwise meets the definition of a bundled transaction is not a bundled transaction if it is:

(1) the retail sale of tangible personal property and a service and the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service;

(2) the retail sale of services if one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service;

(3) a transaction that includes taxable products and nontaxable products and the purchase price or sales price of the taxable products is de minimis; or

(4) the retail sale of exempt tangible personal property and taxable tangible personal property if:

(i) the transaction includes food and food ingredients, drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or medical supplies; and

(ii) the seller's purchase price or sales price of the taxable tangible personal property is 50 percent or less of the total purchase price or sales price of the bundled tangible personal property. Sellers must not use a combination of the purchase price and sales price of the tangible personal property when making the 50 percent determination for a transaction.

(e) For purposes of this subdivision, "purchase price" means the measure subject to use tax on purchases made by the seller, and "de minimis" means that the seller's purchase price or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled

products. Sellers shall use either the purchase price or the sales price of the products to determine if the taxable products are de minimis. Sellers must not use a combination of the purchase price and sales price of the products to determine if the taxable products are de minimis. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 11. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 39. **Ancillary services.** "Ancillary services" means services that are associated with or incidental to the provision of telecommunications services, including, but not limited to, conference bridging service, detailed telecommunications billing, directory assistance, vertical service, and voice mail services.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 12. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 40. **Conference bridging service.** "Conference bridging service" means an ancillary service that links two or more participants of an audio or video conference call and may include the provision of a telephone number. Conference bridging service does not include the telecommunications services used to reach the conference bridge.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 13. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 41. **Detailed telecommunications billing service.** "Detailed telecommunications billing service" means an ancillary service of separately stating information pertaining to individual calls on a customer's billing statement.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 14. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 42. **Directory assistance.** "Directory assistance" means an ancillary service of providing telephone number information or address information, or both.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 15. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 43. **Vertical service.** "Vertical service" means an ancillary service that is offered in connection with one or more telecommunications services and which offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections, including conference bridging services.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January

1, 2008.

Sec. 16. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 44. **Voice mail service.** "Voice mail service" means an ancillary service that enables the customer to store, send, or receive recorded messages. Voice mail service does not include any vertical services that the customer may be required to have in order to utilize the voice mail service.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 17. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 45. **Ring tone.** "Ring tone" means a digitized sound file that is downloaded onto a device and that may be used to alert the customer of a telecommunication service with respect to a communication.

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

Sec. 18. Minnesota Statutes 2006, section 297A.61, is amended by adding a subdivision to read:

Subd. 46. **Fur clothing.** "Fur clothing" means human wearing apparel that is required by the Federal Fur Products Labeling Act, United States Code, title 15, section 69, to be labeled as a fur product, and the value of the fur components in the product is more than three times the value of the next most valuable tangible component. For purposes of this subdivision, "fur" means any animal skin or part of an animal skin with hair, fleece, or fur fibers attached to it, either in its raw or processed state, but does not include animal skins that have been converted into leather or suede, or from which the hair, fleece, or fur fiber has been completely removed in processing the skins.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after July 1, 2007.

Sec. 19. Minnesota Statutes 2006, section 297A.63, subdivision 1, is amended to read:

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 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.

(d) When a transaction otherwise meets the definition of a bundled transaction, but is not a bundled transaction under section 297A.61, subdivision 38, paragraph (d), and the seller's purchase price of the taxable product or taxable tangible personal property is equal to or greater than \$100,

then use tax is imposed on the purchase price of the taxable product or taxable personal property. For purposes of this paragraph, "purchase price" means the measure subject to use tax on purchases made by the seller.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 20. Minnesota Statutes 2006, section 297A.665, is amended to read:

**297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

(a) For the purpose of the proper administration of this chapter and to prevent evasion of the tax, until the contrary is established, it is presumed that:

(1) all gross receipts are subject to the tax; and

(2) all retail sales for delivery in Minnesota are for storage, use, or other consumption in Minnesota.

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. ~~However, the seller may take from the purchaser at the time of the sale a fully completed exemption certificate which conclusively relieves the seller from collecting and remitting the tax. This~~ However, a seller is relieved of liability if:

(1) the seller obtains a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, at the time of the sale or within 90 days after the date of the sale; or

(2) if the seller has not obtained a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, within the time provided in clause (1), within 120 days after a request for substantiation by the commissioner, the seller either:

(i) obtains in good faith a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser; or

(ii) proves by other means that the transaction was not subject to tax.

(c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption. If a seller claiming that certain sales are exempt is not in possession of the required exemption certificates within 60 days after receiving written notice from the commissioner that the certificates are required, deductions claimed by the seller that required delivery of the certificates must be disallowed. If the certificates are delivered to the commissioner within the 60-day period, the commissioner may verify the reason or basis for the exemption claimed in the certificates before allowing any deductions. A deduction must not be granted on the basis of certificates delivered to the commissioner after the 60-day period.

~~(e)~~ (d) A purchaser of tangible personal property or any items listed in section 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the property was not purchased from a retailer for storage, use, or consumption in Minnesota.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 21. Minnesota Statutes 2006, section 297A.669, subdivision 3, is amended to read:

Subd. 3. **Defined telecommunications services sourcing.** The sale of the following telecommunication services shall be sourced to each level of taxing jurisdiction in paragraphs (a) to (d).

(a) A sale of mobile telecommunications services, other than air-to-ground radiotelephone service and prepaid calling service, is sourced to the customer's place of primary use as required by the Mobile Telecommunications Sourcing Act.

(b) A sale of postpaid calling service is sourced to the origination point of the telecommunications signal as first identified by either:

(1) the seller's telecommunications system; or

(2) information received by the seller from its service provider, where the system used to transport such signals is not that of the seller.

(c) A sale of prepaid calling service or prepaid wireless calling service is sourced in accordance with section 297A.668, subdivision 2. However, in the case of a sale of ~~mobile telecommunications service that is a prepaid telecommunications wireless calling~~ service, the rule provided in section 297A.668, subdivision 2, paragraph (f), shall include as an option the location associated with the mobile telephone number.

(d) A sale of a private communication service is sourced as follows:

(1) service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which the customer channel termination point is located;

(2) service where all customer termination points are located entirely within one jurisdiction or levels of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located;

(3) service for segments of a channel between two customer channel termination points located in different jurisdictions and which segment of channel are separately charged is sourced 50 percent in each level of jurisdiction in which the customer channel termination points are located; and

(4) service for segments of a channel located in more than one jurisdiction or levels of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in the jurisdiction by the total number of customer channel termination points.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 22. Minnesota Statutes 2006, section 297A.669, subdivision 13, is amended to read:

Subd. 13. **Postpaid calling service.** "Postpaid calling service," for purposes of this section, means the telecommunications service obtained by making a payment on a call-by-call basis either

through the use of a credit card or payment mechanism such as a bank card, travel card, credit card, or debit card, or by a charge made to a telephone number that is not associated with the origination or termination of the telecommunications service. A postpaid calling service includes a telecommunications service, except a prepaid wireless calling service, that would be a prepaid calling service except it is not exclusively a telecommunication service.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 23. Minnesota Statutes 2006, section 297A.669, subdivision 14, is amended to read:

Subd. 14. **Prepaid calling service.** "Prepaid calling service," for purposes of this section, means a telecommunications service that:

- (1) provides the right to access exclusively telecommunications services, ~~which~~;
- (2) must be paid for in advance ~~and which~~;
- (3) enables the origination of calls using an access number or authorization code, whether manually or electronically dialed,; and ~~that~~
- (4) is sold in predetermined units or dollars of which the number declines with use in a known amount.

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

Sec. 24. Minnesota Statutes 2006, section 297A.669, is amended by adding a subdivision to read:

Subd. 14a. **Prepaid wireless calling service.** "Prepaid wireless calling service," for purposes of this section, means a telecommunications service that:

- (1) provides the right to utilize mobile wireless service as well as other nontelecommunications services, including the download of digital products delivered electronically, content, and ancillary services;
- (2) must be paid for in advance; and
- (3) is sold in predetermined units or dollars of which the number declines with use in a known amount.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 25. Minnesota Statutes 2006, section 297A.669, is amended by adding a subdivision to read:

Subd. 17. **Ancillary service.** The sale of an ancillary service is sourced to the customer's place of primary use.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 26. Minnesota Statutes 2006, section 297A.67, subdivision 7, is amended to read:

Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical devices are exempt:

- (1) drugs for human use, including over-the-counter drugs;
- (2) single-use finger-pricking devices for the extraction of blood and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes;
- (3) insulin and medical oxygen for human use, regardless of whether prescribed or sold over the counter;
- (4) prosthetic devices;
- (5) durable medical equipment for home use only;
- (6) mobility enhancing equipment; ~~and~~
- (7) prescription corrective eyeglasses; and
- (8) kidney dialysis equipment, including repair and replacement parts.

(b) For purposes of this subdivision:

(1) "Drug" means a compound, substance, or preparation, and any component of a compound, substance, or preparation, other than food and food ingredients, dietary supplements, or alcoholic beverages that is:

(i) recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or official National Formulary, and supplement to any of them;

(ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease; or

(iii) intended to affect the structure or any function of the body.

(2) "Durable medical equipment" means equipment, including repair and replacement parts, but not including mobility enhancing equipment, that:

(i) can withstand repeated use;

(ii) is primarily and customarily used to serve a medical purpose;

(iii) generally is not useful to a person in the absence of illness or injury; and

(iv) is not worn in or on the body.

(3) "Mobility enhancing equipment" means equipment, including repair and replacement parts, but not including durable medical equipment, that:

(i) is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;

(ii) is not generally used by persons with normal mobility; and

(iii) does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

(4) "Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The label must include a "drug facts" panel or a statement of the active ingredients with a list of those ingredients contained in the compound, substance, or preparation. Over-the-counter drugs do not include grooming and hygiene products, regardless of whether they otherwise meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

(5) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

(6) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts, worn on or in the body to:

- (i) artificially replace a missing portion of the body;
- (ii) prevent or correct physical deformity or malfunction; or
- (iii) support a weak or deformed portion of the body.

Prosthetic device does not include corrective eyeglasses.

(7) "Kidney dialysis equipment" means equipment that:

(i) is used to remove waste products that build up in the blood when the kidneys are not able to do so on their own; and

(ii) can withstand repeated use, including multiple use by a single patient.

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

Sec. 27. Minnesota Statutes 2006, section 297A.67, subdivision 8, is amended to read:

Subd. 8. **Clothing.** (a) Clothing is exempt. For purposes of this subdivision, "clothing" means all human wearing apparel suitable for general use.

(b) Clothing includes, but is not limited to, aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; children and adult diapers, including disposable; ear muffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoe laces; slippers; sneakers; socks and stockings; steel-toed boots; underwear; uniforms, athletic and nonathletic; and wedding apparel.

(c) Clothing does not include the following:

- (1) belt buckles sold separately;
- (2) costume masks sold separately;
- (3) patches and emblems sold separately;
- (4) sewing equipment and supplies, including but not limited to, knitting needles, patterns, pins,



scissors, sewing machines, sewing needles, tape measures, and thimbles;

(5) sewing materials that become part of clothing, including but not limited to, buttons, fabric, lace, thread, yarn, and zippers;

(6) clothing accessories or equipment;

(7) sports or recreational equipment; and

(8) protective equipment.

Clothing also does not include ~~apparel made from fur if a uniform definition of "apparel made from fur" is developed by the member states of the Streamlined Sales and Use Tax Agreement~~ "fur clothing" as defined in section 297A.61, subdivision 46.

For purposes of this subdivision, "clothing accessories or equipment" means incidental items worn on the person or in conjunction with clothing. Clothing accessories and equipment include, but are not limited to, briefcases; cosmetics; hair notions, including barrettes, hair bows, and hairnets; handbags; handkerchiefs; jewelry; nonprescription sunglasses; umbrellas; wallets; watches; and wigs and hairpieces. "Sports or recreational equipment" means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. Sports and recreational equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic shoes; gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf gloves; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins. "Protective equipment" means items for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. Protective equipment includes, but is not limited to, breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; finger guards; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after July 1, 2007.

Sec. 28. Minnesota Statutes 2006, section 297A.67, subdivision 9, is amended to read:

Subd. 9. **Baby products.** Breast pumps, baby bottles and nipples, pacifiers, teething rings, and infant syringes are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after the day following final enactment.

Sec. 29. Minnesota Statutes 2006, section 297A.68, subdivision 11, is amended to read:

Subd. 11. **Advertising materials.** Materials designed to advertise and promote the sale of merchandise or services are exempt if these materials are mailed or transferred to a person outside the state for use solely outside the state. Mailing and reply envelopes and cards and other shipping materials including, but not limited to, boxes, labels, containers, and banding, used exclusively in connection with these advertising and promotional materials are included in this exemption. The exemption applies regardless of where the mailing occurs. The storage of these materials in the

state for the purpose of subsequently shipping or otherwise transferring the material out of state is also exempt if the other conditions in this subdivision are met. For purposes of this subdivision, materials that have a primary purpose other than advertising, such as fulfilling a legal obligation or furnishing nonadvertising information, are not materials designed to advertise and promote the sale of merchandise or services even if they do include advertising content.

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

Sec. 30. Minnesota Statutes 2006, section 297A.68, subdivision 16, is amended to read:

Subd. 16. **Packing materials.** Packing materials used to pack and ship household goods and that are provided to and remain with the customer of a for-hire carrier are exempt if the ultimate destination of the goods is outside Minnesota and if the goods packing materials are not later returned to a point within Minnesota, except in the course of interstate commerce. This exemption does not apply to tools, equipment, pads, or accessories owned or leased by the for-hire carrier.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2007.

Sec. 31. Minnesota Statutes 2006, section 297A.68, subdivision 35, is amended to read:

Subd. 35. **Telecommunications, cable television, and direct satellite equipment.** (a) Telecommunications, cable television, or direct satellite machinery and equipment purchased or leased for use directly by a telecommunications, cable television, or direct satellite service provider primarily in the provision of telecommunications, cable television, or direct satellite services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications, cable television, or direct satellite machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications, cable television, or direct satellite services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications, cable television, or direct satellite services, radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, but not wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating, and air conditioning equipment necessary to the operation of the telecommunications, cable television, or direct satellite equipment; and software necessary to the operation of the telecommunications, cable television, or direct satellite equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

~~(c) For purposes of this subdivision, "telecommunications services" means telecommunications services as defined in section 297A.61, subdivision 24, paragraphs (a), (c), and (d).~~

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 32. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

Subd. 2. **Materials consumed in agricultural production.** Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use by farmers in a federal or state farm or conservation program;

(2) materials sold to a veterinarian to be used or consumed in the care, medication, and treatment of agricultural production animals and horses;

(3) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(4) materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process;

(5) fuels, electricity, gas, and steam used or consumed in the production process, ~~except that including electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product~~ of facilities housing agricultural animals;

(6) petroleum products and lubricants;

(7) packaging materials, including returnable containers used in packaging food and beverage products; and

(8) accessory tools and equipment that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product.

Machinery, equipment, implements, tools, accessories, appliances, contrivances, and furniture and fixtures, except those listed in this clause are not included within this exemption.

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

Sec. 33. Minnesota Statutes 2006, 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, 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.

(e) An entity that contains both a hospital and a nonprofit unit may claim this exemption on purchases made for both the hospital and nonprofit unit provided that:

(1) the nonprofit unit would have qualified for exemption under subdivision 4; and

(2) the items purchased would have qualified for the exemption.

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

Sec. 34. Minnesota Statutes 2006, section 297A.70, is amended by adding a subdivision to read:

Subd. 17. **Private communication service for State Lottery.** Private communication service, as defined in section 297A.61, subdivision 26, is exempt if the service is purchased by an agent acting on behalf of the State Lottery.

**EFFECTIVE DATE.** This section is effective for sales and purchases made on or after January 1, 2008.

Sec. 35. Minnesota Statutes 2006, section 297A.72, is amended to read:

**297A.72 EXEMPTION CERTIFICATES.**

Subd. 2. **Content and form of exemption certificate.** An exemption certificate must be

substantially in the form prescribed by the commissioner ~~and~~. To be fully completed, the exemption certificate must:

(1) either be signed by the purchaser if it is a paper form, or meet the requirements of section 270C.304 if in electronic form;

(2) bear the name and address of the purchaser; and

(3) indicate the sales tax account identification number, if any, issued to the purchaser- as follows:

(i) the purchaser's Minnesota tax identification number;

(ii) if the purchaser does not have a Minnesota tax identification number, then the purchaser's state tax identification number that is issued by a state other than Minnesota, and the name of that state;

(iii) if the purchaser does not have an identification number described in either item (i) or (ii), then the purchaser's federal Employer Identification Number; or

(iv) if the purchaser does not have an identification number described in item (i), (ii), or (iii), then either the number of the purchaser's state-issued driver's license, if valid in the state of issue, or if the purchaser does not have a driver's license, a valid state-issued identification number, and the name of the state of issue;

(4) indicate the purchaser's type of business, using a business-type coding system prescribed by the commissioner; and

(5) indicate the reason for the exemption, using an exemption reason coding system prescribed by the commissioner.

Subd. 3. **Purchaser requirement.** A blanket exemption certificate is an exemption certificate used for continuing future purchases. A purchaser using a blanket exemption certificate must update it as needed to accurately reflect the information that is required under subdivision 2.

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

Sec. 36. **[297A.8155] LIQUOR REPORTING REQUIREMENTS; PENALTY.**

A person who sells liquor, as defined in section 295.75, subdivision 1, in Minnesota to a retailer that sells liquor, shall file with the commissioner an annual informational report, in the form and manner prescribed by the commissioner, indicating the volume of liquor sold to each retailer in the previous calendar year. The report must be filed on or before February 28 of each calendar year beginning in 2008. A person failing to file this report is subject to the penalty imposed under Minnesota Statutes, section 289A.60.

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

Sec. 37. Minnesota Statutes 2006, section 297A.90, subdivision 2, is amended to read:

Subd. 2. **Payment of tax.** (a) Persons who are registered as retailers may make purchases in this state or import property into this state without payment of the sales or use taxes imposed by this chapter at the time of purchase or importation, if the purchases or importations come within the provisions of this section and are made in strict compliance with the rules of the commissioner.

(b) A person described in subdivision 1 may elect to pay directly to the commissioner any sales or use tax that may be due under this chapter for the acquisition of mobile transportation equipment and parts and accessories attached or to be attached to such equipment registered under section 168.187.

(c) The total cost of such equipment and parts and accessories attached or to be attached to such equipment must be multiplied by a fraction. The numerator of the fraction is the Minnesota mileage as reported on the current pro rata application provided for in section 168.187 and the denominator of the fraction is the total mileage reported on the current pro rata registration application. The amount so determined must be multiplied by the tax rate to obtain the tax due.

In computing the tax under this section "sales price" does not include the amount of any tax, ~~except any manufacturer's or importer's excise tax, imposed by the United States upon or with respect to retail sales, whether taxes imposed directly on the retailer or the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.~~

(d) A retailer covered by this section shall make a return and remit to the commissioner the tax due for the preceding calendar month in accordance with sections 289A.11 and 289A.20, subdivision 4.

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

Sec. 38. Minnesota Statutes 2006, section 297B.035, subdivision 1, is amended to read:

Subdivision 1. **Ordinary course of business.** Except as provided in this section, motor vehicles purchased solely for resale in the ordinary course of business by any motor vehicle dealer, as defined in section 168.011, subdivision 21, who is licensed under section 168.27, subdivision 2 or 3, including vehicles which bear dealer plates as authorized by section 168.27, subdivision 16, shall be exempt from the provisions of this chapter.

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

Sec. 39. Minnesota Statutes 2006, section 469.1734, subdivision 6, is amended to read:

Subd. 6. **Sales tax exemption; equipment; construction materials.** (a) The gross receipts from the sale of machinery and equipment and repair parts are exempt from taxation under chapter 297A, if the machinery and equipment:

- (1) are used in connection with a trade or business;
- (2) are placed in service in a city that is authorized to designate a zone under section 469.1731, regardless of whether the machinery and equipment are used in a zone; and

- (3) have a useful life of 12 months or more.

(b) The gross receipts from the sale of construction materials are exempt, if they are used to construct:

- (1) a facility for use in a trade or business located in a city that is authorized to designate a zone under section 469.1731, regardless of whether the facility is located in a zone; or

- (2) housing that is located in a zone.

The exemptions under this paragraph apply regardless of whether the purchase is made by the owner, the user, or a contractor.

(c) A purchaser may claim an exemption under this subdivision for tax on the purchases up to, but not exceeding:

(1) the amount of the tax credit certificates received from the city, less

(2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and section 469.1732, subdivision 2.

(d) The tax on sales of items exempted under this subdivision shall be 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 shall 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. There is annually appropriated to the commissioner of revenue the amount required to make the refunds, which must be deducted from the amount of the city's allocation under section 469.169, subdivision 12, that remains available and its limitation under section 469.1735.

(e) The amount to be refunded shall bear interest at the rate in section 270C.405 from ~~the date~~ 90 days after the refund claim is filed with the commissioner.

**EFFECTIVE DATE.** This section is effective for refund claims filed on or after July 1, 2007.

Sec. 40. **FUR TAX PAYMENTS.**

(a) Furriers must file the annual return, required by Minnesota Statutes, section 295.60, subdivision 5, which otherwise would be due March 15, 2008, by September 15, 2007.

(b) If a furrier is required by Minnesota Statutes, section 295.60, subdivision 3, to make installments of quarterly estimates, then the furrier shall make the last installment by July 15, 2007.

**EFFECTIVE DATE.** Effective July 1, 2007, for sales and purchases made prior to July 1, 2007.

Sec. 41. **REPEALER.**

(a) Minnesota Statutes 2006, section 295.60, is repealed.

(b) Minnesota Statutes 2006, section 297A.61, subdivision 20, is repealed.

(c) Minnesota Statutes 2006, section 297A.668, subdivision 6, is repealed.

(d) Minnesota Statutes 2006, section 297A.67, subdivision 22, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective for sales and purchases made on or after July 1, 2007; paragraph (b) is effective for sales and purchases made on or after January 1, 2008; and paragraphs (c) and (d) are effective the day following final enactment.

**ARTICLE 3**

**SPECIAL TAXES**

Section 1. Minnesota Statutes 2006, section 62I.06, subdivision 6, is amended to read:

Subd. 6. ~~Deficits~~ **Deficit assessments.** The association shall certify to the commissioner the estimated amount of any deficit remaining after the stabilization reserve fund has been exhausted and payment of the maximum final premium for all policyholders of the association. Within 60 days after the certification, the commissioner shall authorize the association to recover the members' respective shares of the deficit by assessing all members an amount sufficient to fully fund the obligations of the association. The assessment of each member shall be determined in the manner provided in section 62I.07. An assessment made pursuant to this section shall be deductible by the member from ~~past or future~~ premium taxes due the state as provided in section 297I.20, subdivision 2.

**EFFECTIVE DATE.** This section is effective for tax returns due on or after January 1, 2008.

Sec. 2. Minnesota Statutes 2006, section 71A.04, subdivision 1, is amended to read:

Subdivision 1. **Premium tax.** The attorney-in-fact, ~~in lieu of all taxes, state, county, and municipal,~~ shall file with the commissioner of revenue all returns and pay to the commissioner of revenue all amounts required under chapter 297I.

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

Sec. 3. Minnesota Statutes 2006, section 287.22, is amended to read:

**287.22 EXEMPTIONS.**

The tax imposed by section 287.21 does not apply to:

- (1) An executory contract for the sale of real property under which the purchaser is entitled to or does take possession of the real property, or any assignment or cancellation of the contract;
- (2) A mortgage or an amendment, assignment, extension, partial release, or satisfaction of a mortgage;
- (3) A will;
- (4) A plat;
- (5) A lease, amendment of lease, assignment of lease, or memorandum of lease;
- (6) A deed, instrument, or writing in which the United States or any agency or instrumentality thereof is the grantor, assignor, transferor, conveyor, grantee, or assignee;
- (7) A deed for a cemetery lot or lots;
- (8) A deed of distribution by a personal representative;
- (9) A deed to or from a co-owner partitioning their undivided interest in the same piece of real property;
- (10) A deed or other instrument of conveyance issued pursuant to a permanent school fund land exchange under section 92.121 and related laws;
- (11) A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale;



(12) A referee's, sheriff's, or certificate holder's certificate of redemption from a mortgage or lien foreclosure sale issued ~~to the redeeming mortgagor or lienee~~ pursuant to section 580.23 or other statute applicable to redemption by an owner of real property;

(13) A deed, instrument, or writing which grants, creates, modifies, or terminates an easement; and

(14) A decree of marriage dissolution, as defined in section 287.01, subdivision 4, or a deed or other instrument between the parties to the dissolution made pursuant to the terms of the decree.

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

Sec. 4. Minnesota Statutes 2006, section 287.2205, is amended to read:

**287.2205 TAX-FORFEITED LAND.**

Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by the purchaser of tax-forfeited land whether the purchase is the result of a public auction or private sale or a repurchase of tax-forfeited land. State agencies and local units of government that acquire tax-forfeited land by purchase or any other means are subject to this section. The deed tax is \$1.65 for a conveyance of tax-forfeited lands to a governmental subdivision for an authorized public use under section 282.01, subdivision 1a, or for redevelopment purposes under section 282.01, subdivision 1b.

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

Sec. 5. Minnesota Statutes 2006, section 295.52, subdivision 4, is amended to read:

Subd. 4. **Use tax; prescription drugs.** (a) A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that is subject to tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug distributor multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

~~(b) A person that receives prescription drugs for use in Minnesota from a nonresident pharmacy required to be registered under section 151.19 is subject to a tax equal to the price paid by the nonresident pharmacy to the wholesale drug distributor or the price received by the nonresident pharmacy, whichever is lower, multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person.~~

~~(c) A tax imposed under this subdivision does not apply to purchases by an individual for personal consumption.~~

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

Sec. 6. Minnesota Statutes 2006, section 295.52, subdivision 4a, is amended to read:

Subd. 4a. **Tax collection.** A wholesale drug distributor with nexus in Minnesota, who is not subject to tax under subdivision 3, on all or a particular transaction ~~or a nonresident pharmacy with nexus in Minnesota,~~ is required to collect the tax imposed under subdivision 4, from the purchaser of the drugs and give the purchaser a receipt for the tax paid. The tax collected shall be remitted to the commissioner in the manner prescribed by section 295.55, subdivision 3.

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

Sec. 7. Minnesota Statutes 2006, section 295.54, subdivision 2, is amended to read:

Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 2. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision ~~H~~ 2, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as provided under section 295.55, subdivision 5. The refund must be claimed within one year of the due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return or the date of the actual claim for refund, whichever is later.

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

Sec. 8. Minnesota Statutes 2006, section 297F.06, subdivision 4, is amended to read:

Subd. 4. **Tobacco products use tax.** The tobacco products use tax does not apply to the possession, use, or storage of tobacco products ~~that~~ if (1) the tobacco products have an aggregate cost in any calendar month to the consumer of \$100 \$50 or less, and (2) the tobacco products were carried into this state by that consumer.

**EFFECTIVE DATE.** This section is effective for the possession, use, or storage of tobacco products on or after July 1, 2007.

Sec. 9. Minnesota Statutes 2006, section 297F.25, is amended by adding a subdivision to read:

Subd. 3a. **Consumer use tax; use tax return; cigarette consumer.** (a) On or before the 18th day of each calendar month, a consumer who, during the preceding calendar month, has acquired title to or possession of cigarettes for use or storage in this state, upon which the sales tax imposed by this section has not been paid, shall file a return with the commissioner showing the quantity of cigarettes so acquired or possessed. The return must be made in the form and manner prescribed by the commissioner, and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid sales tax liability shown by it.

(b) The tax imposed under paragraph (a) does not apply if (1) the consumer has acquired title to or possession of cigarettes for use or storage in this state in quantities of 200 or fewer in the month, and (2) the cigarettes were carried into this state by that consumer.

**EFFECTIVE DATE.** This section is effective for cigarettes which a consumer has acquired title to or possession of on or after July 1, 2007.

Sec. 10. Minnesota Statutes 2006, section 297I.06, subdivision 1, is amended to read:

Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in subdivision 2, each licensed 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) or subdivision 2, paragraph (b), may not be considered premium for any other purpose. The surcharge amount under paragraph (a) must be separately stated on either a billing or policy declaration or document containing similar information 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.

**EFFECTIVE DATE.** This section is effective July 1, 2007, and applies to policies written or renewed on or after July 1, 2007.

Sec. 11. Minnesota Statutes 2006, section 297I.06, subdivision 2, is amended to read:

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 imposed under this section subdivision 1 on all premiums subject to that surcharge, 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) The election must be made prior to July 1, 2007, for policies written or renewed between July 1, 2007, and December 31, 2007, and by December 31 of each year for insurance for policies written or renewed in the succeeding calendar year. An insurer who elects to remit the one-half of one percent surcharge on gross fire premiums and assessments must not charge the insured the surcharge imposed under subdivision 1.

(d) 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.

**EFFECTIVE DATE.** The requirement for certain insurers to make an election before July 1, 2007, is effective the day following final enactment. The rest of this section is effective July 1, 2007, and applies to insurance policies written or renewed on or after that date.

Sec. 12. Minnesota Statutes 2006, section 297I.20, subdivision 2, is amended to read:

Subd. 2. **Joint Underwriting Association offset.** An insurance company may offset against its premium tax liability to this state any amount paid for an assessment made pursuant to section 62I.06, subdivision 6, shall be deductible by the member from past or future premium taxes due the state. The offset against premium tax liability must be claimed beginning with the taxable year that the assessment is paid. To the extent that the allowable offset exceeds the tax liability, the remaining offset must be carried forward to succeeding taxable years until the entire offset has been credited against the insurance company's liability for premium tax under this chapter.

**EFFECTIVE DATE.** This section is effective for tax returns due on or after January 1, 2008.

Sec. 13. Minnesota Statutes 2006, section 297I.40, subdivision 5, is amended to read:

Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax imposed by section 297I.05, subdivisions 1 to 6, 11, and 12, paragraphs (a), clauses (1) to (5), (b), and ~~(e)~~ (d), ~~without regard to the retaliatory provisions of section 297I.05, subdivision 11, and the less any offset in section 297I.20.~~

**EFFECTIVE DATE.** This section is effective for tax returns due on or after January 1, 2008.

#### ARTICLE 4

#### PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 2006, section 270.071, subdivision 7, is amended to read:

Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment used in connection therewith, including spare flight equipment. Flight property also includes computers and computer software used in operating, controlling, or regulating aircraft and flight equipment.

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

Sec. 2. Minnesota Statutes 2006, section 270.072, subdivision 2, is amended to read:

Subd. 2. **Assessment of flight property.** ~~The Flight property of all that is owned by, or is leased, loaned, or otherwise made available to an airline companies company~~ operating in Minnesota shall be assessed and appraised annually by the commissioner with reference to its value on January 2 of the assessment year in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

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

Sec. 3. Minnesota Statutes 2006, section 270.072, subdivision 3, is amended to read:

Subd. 3. **Report by airline company.** Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner on or before the time fixed by the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from filing because its activities do not constitute air commerce as defined herein. A penalty of five percent of the tax being assessed is imposed on a late filing of the annual report. If the report is not filed within 30 days, an additional penalty of five percent of the assessed tax is imposed for each additional 30 days or fraction of 30 days until the return is filed. The penalty imposed under this section must not exceed the lesser of \$25,000 or 25 percent of the assessed tax.

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 4. Minnesota Statutes 2006, section 270.072, subdivision 6, is amended to read:

Subd. 6. **Airflight property tax lien.** The tax imposed under sections 270.071 to 270.079 is a

lien on all real and personal property within this state of the airline company in whose name the property is assessed. ~~For purposes of sections 270C.62 and 270C.63, the date of assessment for the tax imposed under sections 270.071 to 270.079 is~~ The lien attaches on January 2 of each year for the taxes payable in the following year.

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

**Sec. 5. [270.0725] PENALTIES.**

**Subdivision 1. Penalty for late filing.** If an airline company does not file its annual report by the date designated in section 270.072, subdivision 3, a penalty of five percent of the tax being assessed is imposed on that company. On August 1, and on the first day of each succeeding calendar month, an additional five percent penalty is imposed if the report has not yet been filed. For each airline company, the penalties imposed under this subdivision for any one year are limited to the lesser of \$25,000 or 25 percent of the assessed tax.

**Subd. 2. Penalty for repeated instances of late filing.** If there is a pattern of repeated failures by an airline company to timely file the report required by this section, a penalty of ten percent of the tax being assessed is imposed on that company.

**Subd. 3. Penalty for frivolous report.** If an airline company files a frivolous annual report, a penalty of 25 percent of the tax being assessed is imposed on that company. A frivolous report under this section is a report that would fulfill the criteria for a frivolous return under section 289A.60, subdivision 7, notwithstanding the restriction in section 289A.01. In a proceeding involving the issue of whether or not an airline company is liable for this penalty, the burden of proof is on the commissioner.

**Subd. 4. Penalty for fraudulent report.** If an airline company files a false or fraudulent annual report with intent to evade or defeat the tax, a penalty equal to 50 percent of the tax being assessed is imposed on that company.

**Subd. 5. Penalties added to tax.** Penalties imposed under this section are added to the tax and collected as a part of it.

**EFFECTIVE DATE.** This section is effective for annual reports due on or after July 1, 2007.

**Sec. 6. [270.0735] EXAMINATION; INVESTIGATIONS; SUBPOENAS.**

In addition to the powers granted to the commissioner in this chapter, and in order to determine net tax capacities and issue notices of net tax capacity and tax under sections 270.071 to 270.079, the commissioner has the powers contained in sections 270C.31 and 270C.32, for which purpose the word "taxpayer" as defined in section 270C.01 includes an airline company.

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 7. Minnesota Statutes 2006, section 270.074, subdivision 3, is amended to read:

**Subd. 3. Tax capacity.** (a) The net tax capacity of the flight property of every airline company shall have a tax capacity of is 70 percent of the value thereof apportioned to this state under subdivision 1, except that the net tax capacity of quiet aircraft shall have a tax capacity of is 40

percent of the value determined under subdivision 1. ~~Quiet aircraft shall include~~ "Quiet aircraft" means turboprops and aircraft defined as stage III or IV by the Federal Aeronautics Administration. If, in the opinion of the commissioner, other aircraft may be qualified as quiet aircraft, the commissioner may adopt rules providing additional qualifications.

(b) The flight property of an airline company that owns or leases aircraft the majority of which are turboprops, and which provides, during six months or more of the year that taxes are levied, scheduled passenger service to three or more airports inside or outside of this state that serve small or medium sized communities, shall be assessed at 50 percent of the assessment percentage otherwise set by paragraph (a).

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 8. Minnesota Statutes 2006, section 270.076, subdivision 1, is amended to read:

Subdivision 1. **Appeal.** ~~Any airline company against which a tax has been imposed under sections 270.071 to 270.079 shall have the right to appeal within 60 days from the date of notice of the levy of the tax~~ The notices of net tax capacity and of tax required under section 270.075, subdivision 2, are orders of the commissioner. These orders must be issued in conformance with section 270C.33, subdivisions 1 and 2, but are not subject to administrative review under section 270C.35. These orders may be appealed to the Tax Court in the manner provided by law in section 271.06 for appealing official orders of the commissioner that do not deal with valuation, assessment, or taxation for property tax purposes, and the provisions of section 273.125, subdivisions 4 and 5, and chapter 278 do not apply.

**EFFECTIVE DATE.** This section is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 270.41, subdivision 1, is amended to read:

Subdivision 1. **Creation; purpose; powers.** A Board of Assessors is created. The board shall ~~establish, conduct,~~ review, supervise, coordinate, and approve courses in assessment practices, and establish criteria for determining assessor's qualifications. The board shall also consider other matters relating to assessment administration brought before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke an assessor's license.

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

Sec. 10. Minnesota Statutes 2006, section 270.41, is amended by adding a subdivision to read:

Subd. 1a. **Definition.** For purposes of sections 270.41 to 270.50, "board" means the Board of Assessors.

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

Sec. 11. Minnesota Statutes 2006, section 270.41, subdivision 2, is amended to read:

Subd. 2. **Members.** The board shall consist of nine members, who shall be appointed by the commissioner of revenue, in the manner provided herein. The members shall include:

(1) two from the Department of Revenue;

- (2) two county assessors;
- (3) two assessors who are not county assessors, one of whom shall be a township assessor;
- (4) one from the private appraisal field holding a professional appraisal designation; and
- (5) two public members as defined by section 214.02.

The appointment provided in clauses (2) and (3) may be made from ~~two lists~~ a list of not less than three names ~~each, one~~ submitted to the commissioner of revenue by the Minnesota Association of Assessing Officers or its successor organization containing recommendations for the appointment of appointees described in ~~elause clauses (2), and one by the Minnesota Association of Assessors, Inc. or its successor organization containing recommendations for the appointees described in clause (3) and (3).~~ clauses (2) and (3). The ~~lists~~ list must be submitted 30 days before the commencement of the term. In the case of a vacancy, a new list shall be furnished to the commissioner ~~by the respective organization~~ immediately. A member of the board who is no longer engaged in the capacity ~~listed above~~ that was the basis of appointment is disqualified from membership in the board.

The board shall annually elect a chair and a ~~secretary~~ vice-chair of the board.

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

Sec. 12. Minnesota Statutes 2006, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Licenses; refusal or revocation.** The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee for any of the following causes or acts:

- (1) failure to complete required training;
- (2) inefficiency or neglect of duty;
- (3) ~~"unprofessional conduct" which means knowingly neglecting to perform a duty required by law, or violation of the laws of this state relating to the assessment of property or unlawfully exempting property or knowingly and intentionally listing property on the tax list at substantially less than its market value or the level required by law in order to gain favor or benefit, or knowingly and intentionally misclassifying property in order to gain favor or benefit~~ failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;
- (4) conviction of a crime involving moral turpitude; or
- (5) any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license.

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

Sec. 13. Minnesota Statutes 2006, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** ~~An assessor, deputy assessor, assistant assessor, appraiser, A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.02, subdivisions 2 to 5, on any property within the~~

assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

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

Sec. 14. Minnesota Statutes 2006, section 270.44, is amended to read:

**270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.**

The board shall charge the following fees:

- (1) \$105 for a senior accredited Minnesota assessor license;
- (2) \$80 for an accredited Minnesota assessor license;
- (3) \$65 for a certified Minnesota assessor specialist license;
- (4) \$55 for a certified Minnesota assessor license;
- ~~(5) \$50 for a course challenge examination;~~
- ~~(6) \$35 for grading a form appraisal;~~
- ~~(7) (6) \$60 for grading a narrative appraisal;~~
- ~~(8) (7) \$30 for a reinstatement fee;~~
- ~~(9) (8) \$25 for a record retention fee; and~~
- ~~(10) (9) \$20 for an educational transcript; and~~
- ~~(11) \$30 for all retests of board-sponsored educational courses.~~

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

Sec. 15. Minnesota Statutes 2006, section 270.45, is amended to read:

**270.45 DISPOSITION OF FEES.**

All fees so established and collected shall be paid to the commissioner of finance for deposit in the general fund. The expenses of carrying out the provisions of sections 270.41 to 270.53 shall be paid from appropriations made to the board of Assessors.

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

Sec. 16. Minnesota Statutes 2006, section 270.46, is amended to read:

**270.46 TRAINING COURSES, ~~ESTABLISHMENT; OTHER COURSES,~~**



**REGULATION.**

The board shall ~~establish review and approve training courses on assessment practices and shall review and approve courses on assessment practices, techniques of assessment, and ethics offered by schools, colleges and universities as well as courses that are offered by any units of government on techniques of assessment. Courses shall be established in various places throughout the state and be offered on regular intervals,~~ units of government, and other entities.

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

Sec. 17. Minnesota Statutes 2006, section 270.47, is amended to read:

**270.47 RULES.**

The board shall ~~establish the~~ adopt rules necessary to accomplish the purpose of section sections 270.41 to 270.51, and shall establish criteria required of assessing officials in the state. Separate criteria may be established depending upon the responsibilities of the assessor. The board shall prepare and give examinations from time to time to determine whether assessing officials possess the necessary qualifications for performing the functions of the office. Such tests shall be given immediately upon completion of courses required by the board, or to persons who already possess the requisite qualifications under the rules of the board. An action of the board in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.

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

Sec. 18. Minnesota Statutes 2006, section 270.48, is amended to read:

**270.48 LICENSURE OF QUALIFIED PERSONS.**

The board shall ~~may~~ license persons as possessing the necessary qualifications of an assessing official. Different levels of licensure may be established as to classes of property which assessors may be certified to assess at the discretion of the board. Every person, except a local or county assessor, regularly employed by the assessor to assist in making decisions regarding valuing and classifying property for assessment purposes shall be required to must become licensed within three years of the date of employment. Licensure shall be required for local and county assessors as otherwise provided in sections 270.41 to 270.53 section 273.061 and rules adopted by the board.

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

Sec. 19. Minnesota Statutes 2006, section 270.50, is amended to read:

**270.50 EMPLOYMENT OF LICENSED ASSESSORS.**

No assessor shall be employed who has not been licensed as qualified by the board, provided the time to comply may be extended after application to the board upon a showing that licensed assessors are not available for employment. The board may license ~~that~~ a county or local assessor who has not received the training, but possesses the necessary qualifications for performing the functions of the office by the passage of an approved examination or may waive the examination if such person has demonstrated competence in performing the functions of the office for a period of time the board deems reasonable. ~~The county or local assessing district shall assume the cost of training of its assessors in courses approved by the board for the purpose of obtaining the assessor's~~

~~license to the extent of course fees, mileage, meals and lodging, and recognized travel expenses not paid by the state. If the governing body of any township or city fails to employ an assessor as required by sections 270.41 to 270.53, the assessment shall be made by the county assessor.~~

~~In the case of cities incorporated or townships organized after April 11, 1974, except cities or towns located in Ramsey county or which have elected a county assessor system in accordance with section 273.055, the board shall allow the city or town 90 days from the date of incorporation or organization to employ a licensed assessor.~~

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

Sec. 20. Minnesota Statutes 2006, section 270C.306, is amended to read:

**270C.306 COMMISSIONER MAY REQUIRE SOCIAL SECURITY OR IDENTIFYING NUMBERS ON FORMS.**

Notwithstanding the provisions of any other law except section 272.115, the commissioner may require that a form required to be filed with the commissioner include the Social Security number, federal employer identification number, or Minnesota taxpayer identification number of the taxpayer or applicant.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 21. Minnesota Statutes 2006, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner as a result of the late payment of tax or late filing of a return, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster area.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

(1) was reasonably relied on and was in response to a specific written request of the taxpayer; and

(2) was not the result of failure by the taxpayer to provide adequate or accurate information.

(c) The commissioner may abate a penalty imposed under section 270.0725, subdivision 1 or 2, if the failure to timely file is due to reasonable cause, or if the airline company is located in a presidentially declared disaster area.

**EFFECTIVE DATE.** This section is effective July 1, 2007.

Sec. 22. Minnesota Statutes 2006, section 272.02, subdivision 64, is amended to read:

Subd. 64. **Job opportunity building zone property.** (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a job opportunity building zone, designated under section 469.314, are exempt from ad valorem taxes levied under chapter 275.

(b) Improvements to real property, and tangible personal property, of an agricultural production

facility located within an agricultural processing facility zone, designated under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

(c) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.310.

(d) The exemption applies beginning for the first assessment year after designation of the job opportunity building zone by the commissioner of employment and economic development. The exemption applies to each assessment year that begins during the duration of the job opportunity building zone. To be exempt, the property must be occupied by July 1 of the assessment year by a qualified business that has signed the business subsidy agreement and relocation agreement, if required, by July 1 of the assessment year. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the job opportunity building zone.

(e) Except for property of a business that was exempt under this subdivision for taxes payable in 2007, a business must notify the county assessor in writing of eligibility under this subdivision by July 1 in order to begin receiving the exemption under this subdivision for taxes payable in the following year. The business need not annually notify the county assessor of its continued exemption under this subdivision, but must notify the county assessor immediately if the exemption no longer applies.

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

Sec. 23. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. ~~Pursuant to the authority of the commissioner of revenue in section 270C.306,~~ The certificate of value must include the Social Security number or the federal employer identification number of the grantors and grantees. However, a married person who is not an owner of record and who is signing a conveyance instrument along with the person's spouse solely to release and convey their marital interest, if any, in the real property being conveyed is not a grantor for the purpose of the preceding sentence. A statement in the deed that is substantially in the following form is sufficient to allow the county auditor to accept a certificate for filing without

the Social Security number of the named spouse: "(Name) claims no ownership interest in the real property being conveyed and is executing this instrument solely to release and convey a marital interest, if any, in that real property." The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

**EFFECTIVE DATE.** This section is effective for certificates of value filed on or after July 1, 2007.

Sec. 24. Minnesota Statutes 2006, section 273.05, is amended by adding a subdivision to read:

**Subd. 3. Cities and townships; employment of licensed assessor.** In the case of cities or townships, except cities or towns located in Ramsey County or which have elected a county assessor system in accordance with section 273.055, the commissioner shall allow the city or town 90 days from the date of incorporation or organization to employ a licensed assessor.

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

Sec. 25. **[273.0535] COUNTY OR LOCAL ASSESSING DISTRICT TO ASSUME COST OF TRAINING.**

The county or local assessing district must assume the cost of training its assessors in courses approved by the board for the purpose of obtaining the assessor's license to the extent of course fees, mileage, meals, and lodging, and recognized travel expenses not paid by the state.

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

Sec. 26. Minnesota Statutes 2006, section 273.111, subdivision 3, is amended to read:

Subd. 3. **Requirements.** (a) Real estate consisting of ten acres or more or a nursery or greenhouse, and qualifying for classification as class 1b, 2a, or 2b under section 273.13, shall be entitled to valuation and tax deferral under this section only if it is primarily devoted to agricultural use, and meets the qualifications in subdivision 6, and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of this section, or is real estate which is farmed with the real estate which qualifies under this clause and is within four townships or cities or combination thereof from the qualifying real estate; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation; or

(4) is in the possession of a nursery or greenhouse or an entity owned by a proprietor, partnership, or corporation which also owns the nursery or greenhouse operations on the parcel or parcels.

(b) Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for:

(1) family farm corporations organized pursuant to section 500.24; and

(2) corporations that derive 80 percent or more of their gross receipts from the wholesale or retail sale of horticultural or nursery stock.

~~Corporate entities who previously qualified for tax deferral pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of Laws 1983, chapter 222, section 8, will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Special assessments are payable at the end of the three-year period or at time of sale, whichever comes first.~~

(c) Land that previously qualified for tax deferral under this section and no longer qualifies because it is not primarily used for agricultural purposes but would otherwise qualify under subdivisions 3 and 6 for a period of at least three years will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period requires payment of deferred taxes as follows: sale in the year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of deferred taxes for the two prior years; sale during the second year the land no longer qualifies requires payment of the current year's deferred taxes plus payment of the deferred taxes for the prior year; and sale during the third year the land no longer qualifies requires payment of the current year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or at the end of the three-year period, whichever comes first, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalties are not imposed on any such special assessments if timely paid.

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

Sec. 27. Minnesota Statutes 2006, section 273.117, is amended to read:

**273.117 CONSERVATION PROPERTY TAX VALUATION.**

~~The value of real property which is subject to a conservation restriction or easement shall be entitled to reduced valuation under this section~~ may be adjusted by the assessor if:

(a) The restriction or easement is for a conservation purpose as defined in section 84.64, subdivision 2, and is recorded on the property;

(b) The property is being used in accordance with the terms of the conservation restriction or easement.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable in 2008, and thereafter.

Sec. 28. Minnesota Statutes 2006, section 273.121, is amended to read:

**273.121 VALUATION OF REAL PROPERTY, NOTICE.**

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. Upon written request by the owner of the property, the assessor may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail. It shall contain: (1) the market value for the current and prior assessment, (2) the limited market value under section 273.11, subdivision 1a, for the current and prior assessment, (3) the qualifying amount of any improvements under section 273.11, subdivision 16, for the current assessment, (4) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, (5) the classification of the property for the current and prior assessment, (6) a note that if the property is homestead and at least 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office address, and (8) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

**EFFECTIVE DATE.** This section is effective for notices required in 2008 and thereafter.

Sec. 29. Minnesota Statutes 2006, section 273.123, subdivision 2, is amended to read:

Subd. 2. **Reassessment of homestead property.** The county assessor shall reassess all homestead property located within a disaster or emergency area which is physically damaged by the disaster or emergency and shall adjust the valuation for taxes payable the following year to reflect the loss in market value caused by the damage as follows: Subtract the market value of the property as reassessed from the market value of the property as assessed under section 273.01 for January 1 of the year in which the disaster or emergency occurred; multiply the remainder by a fraction, the numerator of which is the number of full months remaining in the year on the date the disaster or emergency occurred, and the denominator of which is 12; subtract the product of the calculation from the market value of the property as assessed for ~~January 1~~ of the year in which the disaster or emergency occurred; the remainder is the estimated market value to be used for taxes payable the following year. The assessor shall report to the county auditor the net tax capacity based on the assessment ~~of January 1~~ of for the year in which the disaster or emergency occurred and the net tax capacity based on the reassessment made pursuant to this subdivision.

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

Sec. 30. Minnesota Statutes 2006, section 273.123, subdivision 3, is amended to read:

Subd. 3. **Computation of local tax rates.** ~~When computing~~ Local tax rates, must be computed by the county auditor ~~shall use~~ based upon the valuation as of January 2 as reported by the assessor for the assessment ~~made on January 1 of the year in which the disaster or emergency occurred, and~~ as returned by the local, county, and state boards of review and equalization and the commissioner of revenue.

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

Sec. 31. Minnesota Statutes 2006, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) ~~On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving receive homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.~~

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers or affidavits or other proofs of the property owners and spouses

are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property ~~and the Social Security number of each owner who is related to an occupant of the property~~ shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for ~~the 1993 assessment, or any assessment year thereafter,~~ that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. ~~Beginning with assessment year 1993 for all properties,~~ If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each occupant of homestead property who is the property owner and the property owner's spouse occupying the property, or, qualifying relative of a property owner, applying for homestead classification under this subdivision or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose



of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot

determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12.

(l) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(ii) the name and Social Security number of each occupant of homestead property who is the property owner and, property owner's spouse, as shown on the tax rolls for the current and the prior assessment year qualifying relative of a property owner, or spouse of a qualifying relative;

(iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(iv) an indication of whether the property was classified as a homestead for taxes payable in the current year ~~or for taxes payable in the prior year~~ because of occupancy by a relative of the owner or by a spouse of a relative;

(v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) whether there are delinquent property taxes owing on the homestead;

(x) the unique taxing district in which the property is located; and

(xi) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

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

Sec. 32. Minnesota Statutes 2006, section 273.1398, subdivision 4, is amended to read:

Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market value and (ii) the tax on class 3a and class 3b property to 2.3 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

**EFFECTIVE DATE.** This section is effective retroactively for taxes payable in 2001 and thereafter.

Sec. 33. Minnesota Statutes 2006, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before June 30, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

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

Sec. 34. Minnesota Statutes 2006, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or

county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before June 30, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

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

Sec. 35. Minnesota Statutes 2006, section 273.371, subdivision 1, is amended to read:

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, and transportation company and pipeline doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, and 273.37, and 273.3711. If all the required information is not available on March 31, the company or pipeline shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available.

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

Sec. 36. **[273.3711] RECOMMENDED AND ORDERED VALUES.**

For purposes of sections 273.33, 273.35, 273.36, 273.37, 273.371, and 273.372, all values not required to be listed and assessed by the commissioner of revenue are recommended values.

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

Sec. 37. Minnesota Statutes 2006, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be

presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 38. Minnesota Statutes 2006, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the

aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

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

**Sec. 39. [274.135] COUNTY BOARDS; APPEALS AND EQUALIZATION COURSE AND MEETING REQUIREMENTS.**

Subdivision 1. **Handbook for county boards.** By no later than January 1, 2009, the commissioner of revenue must develop a handbook detailing procedures, responsibilities, and requirements for county boards of appeal and equalization. The handbook must include, but need not be limited to, the role of the county board in the assessment process, the legal and policy reasons for fair and impartial appeal and equalization hearings, county board meeting procedures that foster fair and impartial assessment reviews and other best practices recommendations, quorum requirements for county boards, and explanations of alternate methods of appeal.

Subd. 2. **Appeals and equalization course.** Beginning in 2009, and each year thereafter, there must be at least one member at each meeting of a county board of appeal and equalization who has attended an appeals and equalization course developed or approved by the commissioner within the last four years, as certified by the commissioner. The course may be offered in conjunction with a meeting of the Minnesota Association of Assessment Officers. The course content must include, but need not be limited to, a review of the handbook developed by the commissioner under subdivision 1.

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by December 1, 2009, and each year thereafter, that it is in compliance with the requirements of subdivision 2. Beginning in 2009, this notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the current year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process must take place in April and May.

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner

by December 1 in order to be effective for the following year's assessment.

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

Sec. 40. Minnesota Statutes 2006, section 275.065, subdivision 3, is amended to read:

**Subd. 3. Notice of proposed property taxes.** (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer, the treasurer may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year; and

(ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed



amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis Library Board and the levy for Minneapolis Park and Recreation shall be listed separately from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for the St. Paul Library Agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be listed separately from the remaining amount of the county's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;

(3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

(4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

(5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) The governing body of a county, city, or school district may, with the consent of the county board, include supplemental information with the statement of proposed property taxes about the impact of state aid increases or decreases on property tax increases or decreases and on the level of services provided in the affected jurisdiction. This supplemental information may include information for the following year, the current year, and for as many consecutive preceding years as deemed appropriate by the governing body of the county, city, or school district. It may include only information regarding:

(1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;

(2) population growth and decline;

(3) state or federal government action; and

(4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

The information may be presented using tables, written narrative, and graphic representations and may contain instruction toward further sources of information or opportunity for comment.

**EFFECTIVE DATE.** This section is effective for notices required in 2007 and thereafter, for taxes payable in 2008 and thereafter.

Sec. 41. Minnesota Statutes 2006, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. **Public advertisement.** (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review

its current budget and proposed property taxes payable in the following year, at a public hearing, if a public hearing is required under subdivision 6. The notice must be published not less than two business days nor more than six business days before the hearing.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

In addition to other requirements, a county and a city having a population of more than 2,500 must show in the public advertisement required under this subdivision the current local tax rate, the proposed local tax rate if no property tax levy increase is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by the city's or county's taxable net tax capacity.

(b) Subject to the provisions of paragraph (g), the advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF  
PROPOSED PROPERTY TAXES

(School District/Metropolitan  
Special Taxing District/Regional  
Library District) of .....

The governing body of ..... will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) Subject to the provisions of paragraph (g), the advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED  
TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss

the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city's/county's) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
\$.....	\$.....	.....%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)
\$.....	\$.....	.....%

LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

(Year) Tax Rate	(Year) Tax Rate if NO Levy Increase	(Year) Proposed Tax Rate
.....	.....	.....

**ATTEND THE PUBLIC HEARING**

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)  
(Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)  
(Location/Address)"

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter; and

(2) for counties, the total government fund expenditures, as defined by the state auditor under

section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed below:

- (i) Minnesota family investment program under chapters 256J and 256K;
- (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;
- (iii) general assistance medical care under section 256D.03, subdivision 6;
- (iv) general assistance under section 256D.03, subdivision 2;
- (v) emergency assistance under section 256J.48;
- (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
- (vii) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;
- (viii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;
- (ix) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;
- (x) group residential housing under section 256I.05, subdivision 8, transferred from programs in clauses (iv) and (vi); or
- (xi) any successor programs to those listed in clauses (i) to (x).

(e) A city with a population of over 500 but not more than 2,500 that is required to hold a public hearing under subdivision 6 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).

(f) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.

(g) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall annually prescribe the specific form and format of the advertisements required under this subdivision, including such details as font size and style, and spacing for the required items. The commissioner may prescribe alternate and additional language for the advertisement for a taxing authority or for groups of taxing authorities. At least two weeks before November 29 each year, the commissioner shall provide a copy of the prescribed advertisements to the chairs of the committees of the house of representatives and the senate with jurisdiction over taxes.

**EFFECTIVE DATE.** This section is effective for advertisements in 2007 and thereafter, for proposed taxes payable in 2008 and thereafter.

Sec. 42. Minnesota Statutes 2006, section 275.067, is amended to read:

**275.067 SPECIAL TAXING DISTRICTS; ORGANIZATION DATE; CERTIFICATION OF LEVY OR SPECIAL ASSESSMENTS.**

Special taxing districts as defined in section 275.066 organized on or before July 1 in a the current calendar year may, and special taxing districts organized in a prior year that have not previously

certified a levy to the county auditor, are allowed to certify a levy to the county auditor in that same the current year for property taxes or special assessments to be payable in the following calendar year to the extent that the special taxing district is authorized by statute or special act to levy taxes or special assessments, but only if the county auditor receives written notice from the district on or before July 1 of the current year that the district may be certifying a levy in the current year, and the notice includes a complete list or other description of the tax parcels in the district and a map showing the boundaries of the district. Special taxing districts organized after July 1 in a calendar year may not certify a levy of property taxes or special assessments to the county auditor under the powers granted to them by statute or special act and subject to the requirements of this section until the following calendar year. All special taxing districts must notify the county auditor by July 1 in order for its boundaries for the levy to be certified that year to be different than its boundaries for levies certified in prior years, and the notice must include a complete list or other description of the tax parcels within the new boundaries and a map showing the new boundaries of the district.

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

Sec. 43. Minnesota Statutes 2006, section 276.04, is amended by adding a subdivision to read:

Subd. 5. **Electronic tax statements.** Upon written request by the owner of real property located in the county, or by the owner's agent, a county may send tax statements by electronic means instead of by mailing. For the purposes of the payment deadlines specified in section 279.01, the postmark date on the envelope containing these property tax statements is the date the statements were sent by electronic means.

**EFFECTIVE DATE.** This section is effective for tax statements for taxes payable in 2008 and thereafter.

Sec. 44. Minnesota Statutes 2006, section 277.01, subdivision 2, is amended to read:

Subd. 2. **Partial payments.** The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, ~~payments must be~~ the payment is applied first to the penalty accrued for the year ~~the payment is made~~ or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

**EFFECTIVE DATE.** This section is effective for payments made on or after the day following final enactment.

Sec. 45. Minnesota Statutes 2006, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty ~~shall accrue~~ accrues and thereafter ~~be~~ is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty ~~shall be~~ is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property ~~shall be~~ is at a rate of four percent until May 31 and eight percent on June 1. This penalty ~~shall~~ does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for

seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. ~~Any property owner of such class 3a property who pays~~ In order for the first half of the tax due on ~~the class 3a property to be paid~~ after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, ~~shall without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision.~~ Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month ~~shall accrue~~ accrues and ~~be is~~ is charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty ~~shall attach~~ attaches; the remaining one-half ~~shall~~ may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent ~~shall accrue~~ accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent ~~shall accrue~~ accrues and on the first day of December following, an additional penalty of two percent ~~shall accrue~~ accrues and ~~be is~~ is charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month ~~shall accrue~~ accrues and ~~be is~~ is charged on all such unpaid taxes. If one-half of such taxes ~~shall are~~ are not be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty ~~shall attach~~ attaches to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

**EFFECTIVE DATE.** This section is effective for payments made on or after the day following final enactment.

Sec. 46. Minnesota Statutes 2006, section 290B.03, subdivision 2, is amended to read:

Subd. 2. **Qualifying homestead; defined.** Qualifying homestead property is defined as the dwelling occupied as the homeowner's principal residence and so much of the land surrounding it as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivisions 22 and 23, but not to exceed one acre. The homestead may be part of a multidwelling building and the land on which it is built. Property is not qualifying homestead property if a person or entity other than the applicant or the applicant's spouse holds an interest in the property as the vendor under a contract for deed or as a remainderperson.

**EFFECTIVE DATE.** This section is effective for applications submitted on or after January 1, 2007.

Sec. 47. Minnesota Statutes 2006, section 290C.02, subdivision 3, is amended to read:

Subd. 3. **Claimant.** (a) "Claimant" means:

(1) a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act. ~~Claimant includes;~~

(2) a purchaser or grantee if property enrolled in the program was sold or transferred after the original application was filed and prior to the annual incentive payment being made; or

(3) an owner of land previously covered by an auxiliary forest contract that automatically qualifies for inclusion in the Sustainable Forest Incentive Act program pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

The purchaser or grantee must notify the commissioner in writing of the sale or transfer of the property. Owners of land that qualifies for inclusion pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing of the expiration of the auxiliary forest contract or land trade with a governmental unit and submit an application to the commissioner by August 15 in order to be eligible to receive a payment by October 1 of that same year. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04.

(b) No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to 290C.11. The owners, transferees, or grantees must notify the commissioner in writing which person is eligible to claim the payments.

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

Sec. 48. Minnesota Statutes 2006, section 290C.04, is amended to read:

**290C.04 APPLICATIONS.**

(a) A landowner may apply to enroll forest land for the sustainable forest incentive



program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by September 30 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the commissioner and must include the information the commissioner deems necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the claimant's Social Security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, and (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land.

(b) In all cases, the commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section ~~290C.11, paragraph (a)~~ 290C.13.

(c) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

(d) The Social Security numbers collected from individuals under this section are private data as provided in section 13.355. The federal business tax registration number and date of birth data collected under this section are also private data on individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared with county assessors for purposes of tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

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

Sec. 49. Minnesota Statutes 2006, section 290C.05, is amended to read:

**290C.05 ANNUAL CERTIFICATION.**

On or before July 1 of each year, beginning with the year after the original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply.

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

Sec. 50. Minnesota Statutes 2006, section 290C.11, is amended to read:

**290C.11 PENALTIES FOR REMOVAL.**

(a) If the commissioner determines that land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled land from the sustainable forest incentive program. The claimant has 60 days to appeal this determination under the provisions of section 290C.13. ~~The appeal must be made in writing to the commissioner, who shall, within 60 days, notify the claimant as to the outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the owner may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.~~

(b) If the commissioner determines the land is to be removed from the sustainable forest incentive program, the claimant is liable for payment to the commissioner in the amount equal to the payments received under this chapter for the previous four-year period, plus interest. The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

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

Sec. 51. **[290C.13] APPEALS.**

Subdivision 1. **Claimant right to reconsideration.** A claimant may obtain reconsideration by the commissioner of a determination removing enrolled land from the sustainable forest incentive program, a determination denying an application to enroll land in the program, or a denial of part or all of an incentive payment by filing an administrative appeal under subdivision 4. A claimant cannot obtain reconsideration under this section if the action taken by the commissioner is the outcome of an administrative appeal.

Subd. 2. **Appeal by claimant.** A claimant who wishes to seek administrative review must follow the procedures in subdivision 4.

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the date of the determination removing enrolled land or the date of the notice denying an application to enroll land or denying part or all of an incentive payment.

Subd. 4. **Time and content for administrative appeal.** Within 60 days after the notice date, the claimant must file a written appeal with the commissioner. The appeal need not be in any particular form but must contain the following information:

- (1) name and address of the claimant;
- (2) if a corporation, the state of incorporation of the claimant, and the principal place of business of the corporation;
- (3) the Minnesota or federal business identification number or Social Security number of the

claimant;

(4) the date;

(5) the periods involved and the amount of payment involved for each year or period;

(6) the findings in the notice that the claimant disputes;

(7) a summary statement that the claimant relies on for each exception; and

(8) the claimant's signature or signature of the claimant's duly authorized agent.

Subd. 5. **Extensions.** When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period not more than 30 days from the expiration of the 60 days from the notice date.

Subd. 6. **Determination of appeal.** On the basis of applicable law and available information, the commissioner shall determine the validity, if any, in whole or in part, of the appeal and notify the claimant of the decision. This notice must be in writing and contain the basis for the determination.

Subd. 7. **Agreement determining issues under appeal.** When it appears to be in the best interests of the state, the commissioner may settle the amount of any incentive payments, payments owed by the claimant under section 290C.11, paragraph (b), penalties, or interest that the commissioner has under consideration by virtue of an appeal filed under this section. An agreement must be in writing and signed by the commissioner and the claimant, or the claimant's representative authorized by the claimant to enter into an agreement. The agreement is final and conclusive and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, the case must not be reopened as to the matters agreed upon.

Subd. 8. **Appeal to Tax Court.** Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the claimant may appeal to Tax Court under chapter 271 as if the appeal is from an order of the commissioner.

Subd. 9. **Exemption from Administrative Procedure Act.** This section is not subject to chapter 14.

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

Sec. 52. **REPEALER.**

(a) Minnesota Statutes 2006, section 270.073, is repealed.

(b) Minnesota Statutes 2006, sections 270.41, subdivision 4; 270.43; 270.51; 270.52; and 270.53, are repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective beginning January 2, 2007, for taxes payable in 2008 and thereafter. Paragraph (b) is effective the day following final enactment.

## ARTICLE 5

### MISCELLANEOUS

Section 1. Minnesota Statutes 2006, section 16D.04, subdivision 1, is amended to read:

Subdivision 1. **Duties.** The commissioner shall provide services to the state and ~~its referring agencies to collect debts owed the state~~ referred for collection under this chapter. The commissioner is not a collection agency as defined by section 332.31, subdivision 3, and is not licensed, bonded, or regulated by the commissioner of commerce under sections 332.31 to 332.35 or 332.38 to 332.45. The commissioner is subject to section 332.37, except clause (9), (10), (12), or (19). Debts referred to the commissioner for collection under section 256.9792 may in turn be referred by the commissioner to the enterprise. An audited financial statement may not be required as a condition of debt placement with a private agency if the private agency: (1) has errors and omissions coverage under a professional liability policy in an amount of at least \$1,000,000; or (2) has a fidelity bond to cover actions of its employees, in an amount of at least \$100,000. In cases of debts referred under section 256.9792, the provisions of this chapter and section 256.9792 apply to the extent they are not in conflict. If they are in conflict, the provisions of section 256.9792 control. For purposes of this chapter, the referring agency for such debts remains the Department of Human Services.

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

Sec. 2. Minnesota Statutes 2006, section 16D.04, subdivision 2, is amended to read:

Subd. 2. **Agency participation.** (a) A referring agency ~~may, at its option,~~ must refer, by electronic means, debts to the commissioner for collection. ~~The ultimate~~ Responsibility for the debt, including the reporting of the debt to the commissioner of finance and the decision with regard to the continuing collection and uncollectibility of the debt, remains with the referring agency.

(b) Before a debt becomes 121 days past due, a referring agency may refer the debt to the commissioner for collection at any time after a debt becomes delinquent and uncontested and the debtor has no further administrative appeal of the amount of the debt. When a debt owed to a ~~state~~ referring agency becomes 121 days past due, the ~~state~~ referring agency must refer the debt to the commissioner for collection. This requirement does not apply if there is a dispute over the amount or validity of the debt, if the debt is the subject of legal action or administrative proceedings, or the agency determines that the debtor is adhering to acceptable payment arrangements. The commissioner, ~~in consultation with the commissioner of finance,~~ may provide that certain types of debt need not be referred to the commissioner for collection under this paragraph. Methods and procedures for referral must follow internal guidelines prepared by the commissioner ~~of finance.~~

(c) If the referring agency is a court, the court must furnish a debtor's Social Security number to the commissioner when the court refers the debt.

**EFFECTIVE DATE.** This section is effective for debts referred on or after January 1, 2008.

Sec. 3. Minnesota Statutes 2006, section 16D.11, subdivision 2, is amended to read:

Subd. 2. **Computation.** At the time a debt is referred, the amount of collection costs is equal to 15 17 percent of the debt, ~~or 25 percent of the debt remaining unpaid if the commissioner or private collection agency has to take enforced collection action by serving a summons and complaint on or entering judgment against the debtor, or by utilizing any of the remedies authorized under section 16D.08, subdivision 2, except for the remedies in sections 270C.32 and 270C.65 or when referred by the commissioner for additional collection activity by a private collection agency.~~ If, after referral of a debt to a private collection agency, the debtor requests cancellation of collection costs under subdivision 3, the debt must be returned to the commissioner for resolution of the request.

**EFFECTIVE DATE.** This section is effective for debts referred on or after January 1, 2008.

Sec. 4. Minnesota Statutes 2006, section 16D.11, subdivision 7, is amended to read:

Subd. 7. **Adjustment of rate.** By June 1 of each year, the commissioner of ~~finance~~ shall determine the rate of collection costs for debts referred to the enterprise during the next fiscal year. The rate is a percentage of the debts in an amount that most nearly equals the costs of the enterprise necessary to process and collect referred debts under this chapter. In no event ~~shall the rate of collection costs when a debt is first referred exceed three-fifths of the maximum collection costs, and in no event shall the rate of the maximum collection costs exceed 25 percent of the debt.~~ Determination of the rate of collection costs under this section is not subject to the fee setting requirements of section 16A.1285.

**EFFECTIVE DATE.** This section is effective January 1, 2008.

Sec. 5. **[270C.435] REFUNDS NOT SUBJECT TO ATTACHMENT OR GARNISHMENT.**

No amount of a tax refund or other payment payable by the commissioner to a taxpayer is assignable or subject to execution, levy, attachment, garnishment, lien foreclosure, or other legal process, except as specifically provided by law.

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

Sec. 6. Minnesota Statutes 2006, section 270C.446, subdivision 2, is amended to read:

Subd. 2. **Required and excluded tax preparers.** (a) Subject to the limitations of paragraph (b), the commissioner must publish lists of tax preparers as defined in section 289A.60, subdivision 13, paragraph (f), who have been convicted under section 289A.63 or assessed penalties in excess of \$1,000 under section 289A.60, subdivision 13, paragraph (a).

(b) For the purposes of this section, tax preparers are not subject to publication if:

- (1) an administrative or court action contesting the penalty has been filed or served and is unresolved at the time when notice would be given under subdivision 3;
- (2) an appeal period to contest the penalty has not expired; or
- (3) the commissioner has been notified that the tax preparer is deceased.

**EFFECTIVE DATE.** This section is effective for penalties on returns filed after December 31, 2007.

Sec. 7. Minnesota Statutes 2006, section 270C.56, subdivision 1, is amended to read:

Subdivision 1. **Liability imposed.** A person who, either singly or jointly with others, has the control of, supervision of, or responsibility for filing returns or reports, paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a person who is liable under any other law, is liable for the payment of taxes, penalties, and interest arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 290.92 and 297E.02, and, for the taxes listed in this subdivision, the applicable penalties for nonpayment under section 289A.60.

**EFFECTIVE DATE.** This section is effective for personal liability assessments made on or after the day following final enactment.

Sec. 8. Minnesota Statutes 2006, section 270C.63, subdivision 9, is amended to read:

Subd. 9. **Period of limitations.** The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax or final administrative or judicial determination of the assessment. A notice of lien filed at the Office of the Secretary of State may be transcribed to any county within ten years after the date of its filing, but the transcription does not extend the period during which the lien is enforceable. A notice of lien filed in one county may be transcribed to the secretary of state or to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.

**EFFECTIVE DATE.** This section is effective for liens transcribed on or after the day following final enactment.

Sec. 9. Minnesota Statutes 2006, section 424A.10, subdivision 3, is amended to read:

Subd. 3. **State reimbursement.** ~~(a) By February 15 of each year, the treasurer of the relief association shall apply to the commissioner of revenue~~ Each year, to be eligible for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year, the relief association must apply to the commissioner of revenue by February 15. By March 15 the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid to qualified recipients.

(b) The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The commissioner of revenue shall reimburse the relief association by paying the reimbursement amount to the treasurer of the municipality where the association is located. Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement to the treasurer of the association if the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the reimbursement payment to the association until the complete financial report is filed. If the association has dissolved or has been removed as a trustee of state aid, the treasurer shall deposit the money in a special account in the municipal treasury, and the money may be disbursed only for the purposes and in the manner provided in section 424A.08. When paid to the association,

~~(e)~~ the reimbursement payment must be deposited in the special fund of the relief association.

~~(d)~~ (c) A sum sufficient to make the payments is appropriated from the general fund to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective January 1, 2007, and thereafter."

Delete the title and insert:

"A bill for an act relating to taxation; making policy, technical, administrative, and clarifying changes to various taxes and tax-related provisions; changing certain provisions relating to debt collection by the commissioner of revenue; changing provisions relating to certain firefighters' supplemental benefits; imposing civil penalties; amending Minnesota Statutes 2006, sections

16D.04, subdivisions 1, 2; 16D.11, subdivisions 2, 7; 62I.06, subdivision 6; 71A.04, subdivision 1; 270.071, subdivision 7; 270.072, subdivisions 2, 3, 6; 270.074, subdivision 3; 270.076, subdivision 1; 270.41, subdivisions 1, 2, 3, 5, by adding a subdivision; 270.44; 270.45; 270.46; 270.47; 270.48; 270.50; 270A.03, subdivision 5; 270C.306; 270C.34, subdivision 1; 270C.446, subdivision 2; 270C.56, subdivision 1; 270C.63, subdivision 9; 272.02, subdivision 64; 272.115, subdivision 1; 273.05, by adding a subdivision; 273.111, subdivision 3; 273.117; 273.121; 273.123, subdivisions 2, 3; 273.124, subdivision 13; 273.1398, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2; 273.371, subdivision 1; 274.01, subdivision 1; 274.13, subdivision 1; 275.065, subdivisions 3, 5a; 275.067; 276.04, by adding a subdivision; 277.01, subdivision 2; 279.01, subdivision 1; 287.22; 287.2205; 289A.08, subdivision 11; 289A.09, subdivision 2; 289A.12, subdivision 14; 289A.18, subdivision 1; 289A.40, subdivision 2; 289A.56, by adding a subdivision; 289A.60, subdivisions 8, 12, 25, 27, by adding subdivisions; 290.01, subdivisions 19b, 19c, 19d; 290.06, subdivision 33; 290.067, subdivision 2b; 290.0671, subdivision 7; 290.091, subdivision 3; 290.0921, subdivision 3; 290.191, subdivision 8; 290A.03, subdivision 7; 290B.03, subdivision 2; 290C.02, subdivision 3; 290C.04; 290C.05; 290C.11; 291.215, subdivision 1; 295.52, subdivisions 4, 4a; 295.54, subdivision 2; 297A.61, subdivisions 3, 4, 7, 10, 24, by adding subdivisions; 297A.63, subdivision 1; 297A.665; 297A.669, subdivisions 3, 13, 14, by adding subdivisions; 297A.67, subdivisions 7, 8, 9; 297A.68, subdivisions 11, 16, 35; 297A.69, subdivision 2; 297A.70, subdivision 7, by adding a subdivision; 297A.72; 297A.90, subdivision 2; 297B.035, subdivision 1; 297F.06, subdivision 4; 297F.25, by adding a subdivision; 297I.06, subdivisions 1, 2; 297I.20, subdivision 2; 297I.40, subdivision 5; 424A.10, subdivision 3; 469.1734, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 270; 270C; 273; 274; 290C; 297A; repealing Minnesota Statutes 2006, sections 270.073; 270.41, subdivision 4; 270.43; 270.51; 270.52; 270.53; 295.60; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22."

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

### **SECOND READING OF SENATE BILLS**

S.F. Nos. 2249, 2276 and 610 were read the second time.

### **SECOND READING OF HOUSE BILLS**

H.F. No. 2294 was read the second time.

### **MOTIONS AND RESOLUTIONS**

Senator Bakk moved that the name of Senator Saxhaug be added as a co-author to S.F. No. 1131. The motion prevailed.

**Senator Bonoff introduced –**

**Senate Resolution No. 91:** A Senate resolution honoring the Minnetonka School District.

Referred to the Committee on Rules and Administration.

**Senator Latz introduced –**

**Senate Resolution No. 92:** A Senate resolution congratulating the BaNanos team of Hopkins on their FIRST LEGO League World Festival third place award.

Referred to the Committee on Rules and Administration.

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

**INTRODUCTION AND FIRST READING OF SENATE BILLS**

The following bills were read the first time.

**Senator Betzold introduced–**

**S.F. No. 2286:** A bill for an act relating to retirement; statewide and major local retirement plans; updating and clarifying omitted salary deduction provisions; amending Minnesota Statutes 2006, sections 352.04, subdivision 8; 352B.02, by adding a subdivision; 353.27, subdivisions 12, 12a, 12b; 353E.01, subdivision 4; 354.51, subdivision 5; 354A.12, subdivision 1a; 422A.10, by adding a subdivision; 490.123, by adding a subdivision.

Referred to the Committee on State and Local Government Operations and Oversight.

**Senators Rest, Metzen, Pogemiller, Wergin and Senjem introduced–**

**S.F. No. 2287:** A bill for an act relating to capital improvements; authorizing the issuance of state bonds; appropriating money to design renovation of buildings in the Capitol complex.

Referred to the Committee on Finance.

**Senator Larson introduced–**

**S.F. No. 2288:** A bill for an act relating to elections; extending the time to deposit or return a campaign contribution; amending Minnesota Statutes 2006, section 10A.15, subdivision 3.

Referred to the Committee on State and Local Government Operations and Oversight.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Remaining on the Order of Business of Motions and Resolutions, Senator Betzold moved that the Senate take up the Calendar. The motion prevailed.

**CALENDAR**

**S.F. No. 1312:** A bill for an act relating to environment and natural resources policy; creating a state recreation area advisory council; providing certain environmental and travel programs; modifying water supply plan requirements; modifying state park permit provisions; requiring



and authorizing the initiation of rulemaking for aquatic plant management permits and shoreland standards; modifying restrictions related to off-highway vehicle use; providing for state forest traditional areas; restricting the licensing of certain public water for minnows; modifying the definition of a game bird; designating a state wildlife management area; modifying provisions for taking animals causing damage; changing the license year for fishing, fish house, and dark house licenses; modifying certain wild animal possession and taking restrictions; providing for an apprentice hunter validation; exempting persons with military training from the range and shooting exercise portion of the required course for a firearm safety certificate; removing ban on smokeless gunpowder in muzzleloaders; providing for the minimum draw weight for bows used to take big game; allowing remote-controlled animal noise callers to take unprotected wild animals; authorizing the commissioner of natural resources to issue special permits for taking bear for certain purposes; modifying certain angling seasons; modifying Lake Superior commercial fishing provisions; providing criminal and civil penalties; providing for a walk-in public access plan for certain outdoor recreation; modifying land owners' bill of rights; requiring approved firewood on land administered by the commissioner of natural resources; modifying recordation requirements for mineral interests; increasing payments in lieu of taxes for certain lands; adding to and deleting from state parks, state trails, and state recreation areas; authorizing public and private sales and conveyances of certain state lands; authorizing a 20-year lease of certain tax-forfeited land; exempting certain exchanged land from the tax-forfeited land assurance fee; providing for temporary suspension of apportionment of certain net proceeds in Lake County; modifying agency service requirements; modifying provisions for wetland conservation; requiring rulemaking; restricting outdoor light pollution; modifying exemptions to noise standards; restricting the use of phosphorus in household dishwasher detergent; modifying licensing requirements for design, installation, maintenance, inspection, or operation of individual sewage treatment systems; extending the prohibition on new open air swine basins; prohibiting the sale of certain mercury-containing products; modifying restrictions on the sale, use, and disposal of certain mercury-containing products; requiring certain consumer information; modifying lamp recycling facility operation requirements; delaying phosphorus reduction requirements on wastewater treatment facilities; requiring reports; providing for community forest management; providing for control of forest and shade tree pests; modifying requirements for ditch buffers; requiring annual drainage authority reports; modifying drainage repair and inspection requirements; appropriating money; amending Minnesota Statutes 2006, sections 15.99, subdivision 3; 17.4984, subdivision 1; 18G.03, by adding a subdivision; 18G.11; 84.0272, subdivision 3; 84.0274, subdivision 5; 84.777; 84.9256, subdivision 2, by adding a subdivision; 84.9257; 84.926, by adding a subdivision; 84.928, subdivision 1; 84D.14; 85.013, by adding a subdivision; 85.015, subdivision 22; 85.053, subdivisions 2, 8; 85.054, by adding a subdivision; 88.01, by adding a subdivision; 88.79, subdivisions 1, 2; 88.82; 89.001, subdivision 8, by adding subdivisions; 89.01, subdivisions 1, 2, 4; 89.51, subdivisions 1, 6, 9; 89.52; 89.53; 89.54; 89.55; 89.56, subdivisions 1, 3; 89.57; 89.58; 89.59; 89.60; 89.61; 93.55, subdivision 1; 97A.015, subdivision 24, by adding a subdivision; 97A.133, by adding a subdivision; 97A.205; 97A.401, subdivision 5; 97A.405, subdivisions 2, 4; 97A.411, subdivision 1; 97A.421, by adding a subdivision; 97A.451, subdivision 3; 97A.475, subdivision 2; 97A.505, subdivision 4; 97A.511; 97B.015, by adding a subdivision; 97B.020; 97B.035, by adding a subdivision; 97B.075; 97B.085, subdivision 3; 97B.301, subdivision 7; 97B.311; 97B.405; 97B.928, subdivision 1; 97C.325; 97C.355, subdivision 8; 97C.395, subdivision 1; 97C.835, subdivisions 1, 3, 8; 103E.021, subdivisions 1, 2, 3, by adding a subdivision; 103E.315, subdivision 8; 103E.321, subdivision 1; 103E.701, by adding a subdivision; 103E.705, subdivisions 1, 2, 3; 103E.728, subdivision 2; 103F.205, subdivision 1; 103G.222, subdivision

3; 103G.2241, subdivisions 3, 4, 6, 11; 103G.2242, subdivisions 2, 2a, 9, 12, 15; 103G.2243, subdivision 2; 103G.291, subdivision 3; 103G.311, subdivision 2; 115.072; 115.56, subdivision 2; 115A.932, subdivision 1; 115B.17, subdivision 15; 116.07, subdivision 2a; 116.0714; 116.23; 116.92, subdivisions 3, 7a, by adding subdivisions; 116.93, subdivision 2; 169A.35, subdivision 1; 219.99; 473.1565, subdivision 1; 473.859, subdivision 3; Laws 2003, chapter 128, article 1, section 167, subdivision 1, as amended; Laws 2006, chapter 236, article 1, section 21; Laws 2006, chapter 251, section 16; proposing coding for new law in Minnesota Statutes, chapters 16B; 84; 85; 89; 97B; 97C; 103E; 103F; 116; 121A; proposing coding for new law as Minnesota Statutes, chapter 114E; repealing Minnesota Statutes 2006, sections 18G.16; 84.928, subdivision 8; 85.012, subdivision 24b; 89.51, subdivision 8; 97A.475, subdivision 38; 97C.365; 103G.2241, subdivision 8; Laws 2006, chapter 236, article 1, section 2.

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	Latz	Pappas	Skoe
Bakk	Frederickson	Limmer	Pariseau	Skogen
Berglin	Gerlach	Lourey	Prettner Solon	Sparks
Betzold	Gimse	Lynch	Rest	Tomassoni
Bonoff	Hann	Marty	Robling	Torres Ray
Carlson	Higgins	Metzen	Rosen	Vanderveer
Chaudhary	Ingebrigtsen	Michel	Rummel	Vickerman
Clark	Johnson	Moua	Saltzman	Wergin
Cohen	Jungbauer	Neuville	Saxhaug	Wiger
Day	Koch	Olseen	Scheid	
Doll	Kubly	Olson, G.	Senjem	
Erickson Ropes	Langseth	Olson, M.	Sheran	
Fischbach	Larson	Ortman	Sieben	

So the bill 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 proceeded to the Order of Business of General Orders.

### **GENERAL ORDERS**

The Senate resolved itself into a Committee of the Whole, with Senator Metzen in the chair.

After some time spent therein, the committee arose, and Senator Ortman reported that the committee had considered the following:

S.F. Nos. 184, 1360 and 445, which the committee recommends to pass.

S.F. No. 883, which the committee recommends to pass, subject to the following motions:

Senator Scheid moved to amend S.F. No. 883 as follows:

Page 1, after line 7, insert:

**"ARTICLE 1  
ANATOMICAL GIFTS ACT"**

Page 18, after line 5, insert:

**"Sec. 25. [525A.25] ANATOMICAL GIFT; RELATION TO UNIFORM COMMERCIAL CODE."**

The provision or use of any part of a human body, including blood, blood components, bone marrow, or solid organs from living donors, for the purpose of injection, transfusion, or transplantation in the human body is the rendition of a health care service by each person participating in the provision or use and is not a sale of goods, as that term is defined in section 336.2-105, paragraph (1), or a sale of a product."

Page 18, after line 9, insert:

**"ARTICLE 2  
CONFORMING CHANGES"**

Section 1. Minnesota Statutes 2006, section 149A.80, subdivision 8, is amended to read:

Subd. 8. **Liability for cost of final disposition.** In addition to separate contractual obligations, the liability for the reasonable cost of final disposition devolves upon the estate of the decedent, regardless of whether testate or intestate, and the distributees of the estate pursuant to chapter 524, the Uniform Probate Code. In the case of persons who die without apparent financial means to provide for final disposition, control of final disposition and liability devolves to the county board of the county in which the death occurred, pursuant to section 261.035. In the case of unclaimed bodies delivered for dissection pursuant to section 525.9213 by the medical examiner and anatomical gifts of the entire body made pursuant to section 149A.81, subdivision 2, subject to the terms of the gift, liability for transportation and final disposition shall be borne by the institution receiving the body.

Sec. 2. Minnesota Statutes 2006, section 149A.94, subdivision 1, is amended to read:

Subdivision 1. **Generally.** Every dead human body lying within the state, except those unclaimed bodies delivered for dissection pursuant to section 525.9213 by the medical examiner, those delivered for anatomical study pursuant to section 149A.81, subdivision 2, or lawfully carried through the state for the purpose of disposition elsewhere; and the remains of any dead human body after dissection or anatomical study, shall be decently buried, entombed, or cremated, within a reasonable time after death. Where final disposition of a body will not be accomplished within 72 hours following death or release of the body by a competent authority with jurisdiction over the body, the body must be properly embalmed. For purposes of this section, refrigeration is not considered a form of preservation or disinfection and does not alter the 72-hour requirement, except as provided in subdivision 2.

Sec. 3. Minnesota Statutes 2006, section 604A.13, is amended to read:

**604A.13 MISCELLANEOUS VOLUNTEER AND CHARITABLE ACTIVITIES.**

~~An individual and an individual's estate are not liable for an anatomical gift as provided in section 525.9221, paragraph (d).~~ A person who acts in accordance with chapter 525A or the applicable anatomical gift law of another state or who attempts in good faith to do so, is immune from liability as provided in section 525A.18.

Sec. 4. **REVISOR'S INSTRUCTION.**

In subsequent editions of Minnesota Statutes and supplements, the revisor of statutes shall:

(1) change references from the "Uniform Anatomical Gift Act" or "Uniform Anatomical Gift Act (1987)" to the "Darlene Luther Revised Uniform Anatomical Gift Act";

(2) change references from "sections 525.921 to 525.9224" to "chapter 525A"; and

(3) make other editorial changes consistent with the recodification components of this act."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Scheid moved to amend S.F. No. 883 as follows:

Page 18, after line 9, insert:

"Sec. 26. **EFFECTIVE DATE.**

This act is effective April 1, 2008."

The motion prevailed. So the amendment was adopted.

Senator Betzold moved to amend S.F. No. 883 as follows:

Page 14, delete lines 16 to 17

Page 14, line 18, delete "(b)" and insert "(a)" and delete "cooperate with a person" and insert "provide donor information to an organ procurement organization or eye bank"

Page 14, line 22, delete "(c)" and insert "(b)"

Page 14, line 32, delete "(d)" and insert "(c)"

Page 15, line 3, delete "(e)" and insert "(d)"

Page 15, line 5, delete "(c)" and insert "(b)" and delete "(d)" and insert "(c)"

The motion prevailed. So the amendment was adopted.

Senator Neuville moved to amend S.F. No. 883 as follows:

Page 1, after line 7, insert:

"Section 1. Minnesota Statutes 2006, section 171.06, subdivision 3, is amended to read:

Subd. 3. **Contents of application; other information.** (a) An application must:

- (1) state the full name, date of birth, sex, and residence address of the applicant;
- (2) as may be required by the commissioner, contain a description of the applicant and any other facts pertaining to the applicant, the applicant's driving privileges, and the applicant's ability to operate a motor vehicle with safety;
- (3) state:
  - (i) the applicant's Social Security number; or
  - (ii) if the applicant does not have a social security number and is applying for a Minnesota identification card, instruction permit, or class D provisional or driver's license, that the applicant certifies that the applicant does not have a Social Security number;
- (4) contain a space spaces where the applicant may indicate a desire to make an anatomical gift or may refuse to make an anatomical gift according to paragraph (b); and
- (5) contain a notification to the applicant of the availability of a living will/health care directive designation on the license under section 171.07, subdivision 7.
  - (b) If the applicant does not indicate a desire to make an anatomical gift or a refusal to make an anatomical gift when the application is made, the applicant must be offered a donor document or document of refusal in accordance with section 171.07, subdivision 5. The application must contain statements sufficient to comply with the requirements of the Uniform Anatomical Gift Act (1987), sections 525.921 to 525.9224 chapter 525A, so that execution of the application or donor document will make the an anatomical gift or be a refusal to make an anatomical gift as provided in section 171.07, subdivision 5, for those indicating a desire to make an anatomical gift or a refusal to make an anatomical gift. The application must be accompanied by information describing Minnesota laws regarding anatomical gifts and the need for and benefits of anatomical gifts, and the legal implications of making an anatomical gift or of a refusal to make an anatomical gift, including the law governing revocation of anatomical gifts or of a refusal to make an anatomical gift. The commissioner shall distribute a notice that must accompany all applications for and renewals of a driver's license or Minnesota identification card. The notice must be prepared in conjunction with a Minnesota organ procurement organization that is certified by the federal Department of Health and Human Services and must include:
    - (1) a statement that provides a fair and reasonable description of the organ donation process, the care of the donor body after death, and the importance of informing family members of the donation decision; and
    - (2) a telephone number in a certified Minnesota organ procurement organization that may be called with respect to questions regarding anatomical gifts.
  - (c) The application must be accompanied also by information containing relevant facts relating to:
    - (1) the effect of alcohol on driving ability;
    - (2) the effect of mixing alcohol with drugs;
    - (3) the laws of Minnesota relating to operation of a motor vehicle while under the influence of alcohol or a controlled substance; and

(4) the levels of alcohol-related fatalities and accidents in Minnesota and of arrests for alcohol-related violations.

Sec. 2. Minnesota Statutes 2006, section 171.07, subdivision 5, is amended to read:

Subd. 5. **Anatomical gift; donor document.** The department shall offer a donor document or a document of refusal to make an anatomical gift to each person making application for a driver's license or a Minnesota identification card who indicates a desire not to make a decision about making an anatomical gift or refusing to make an anatomical gift at the time the application is made. The commissioner of public safety shall prescribe the form of the ~~donor document~~ documents and the application for a driver's license or a Minnesota identification card. The forms must be designed so that execution by the applicant of ~~the donor~~ a document or application will make an anatomical gift ~~under the Uniform Anatomical Gift Act (1987), sections 525.921 to 525.9224~~ or be a refusal to make an anatomical gift under chapter 525A. If the ~~donor~~ individual is 18 years of age or older, the ~~donor document~~ document or application must be signed by the ~~donor~~ individual. If the ~~donor~~ individual cannot sign, the ~~donor~~ document or application may be signed for the ~~donor~~ individual at the ~~donor's~~ individual's direction, in the ~~donor's~~ individual's presence, and in the presence of two witnesses who must sign the ~~donor~~ document or application in the ~~donor's~~ individual's presence. If the ~~donor~~ individual is a minor, the ~~donor~~ document or application must be signed by the minor ~~donor~~, and one of the ~~minor donor's~~ minor's parents, a legal guardian, or a parent having legal custody. If the minor cannot sign, the ~~donor~~ document or application may not be signed for the minor. The department shall identify donors of anatomical gifts by the designation "donor," and shall identify persons who execute a refusal to make an anatomical gift by the designation "donor refusal," on the front side of the ~~donor's~~ individual's driver's license or Minnesota identification card. The issuance of a driver's license or Minnesota identification card identifying the person as a "donor" or indicating a "donor refusal" completes the donation or refusal process and the license or identification card constitutes the final ~~donor~~ record. The department is not required to keep the physical record of the ~~donor card~~ document or application after issuing the driver's license or identification card for the donation or refusal to be valid. The department shall maintain a computer record of donors and individuals who execute a refusal to make an anatomical gift. Revocation, suspension, expiration, or cancellation of the license does not invalidate the anatomical gift or refusal. The designation "donor" constitutes sufficient legal authority for the removal of all body organs or parts upon death of the donor for the purpose of transplantation. The donor or donor refusal designation may be removed only upon written notice to the department. Delivery of the license or Minnesota identification card during the donor's lifetime is not necessary to make the gift valid or the refusal effective."

Page 6, line 19, delete "or"

Page 6, line 22, delete the period and insert "; or"

Page 6, after line 22, insert:

"(4) authorizing a statement or symbol indicating that the donor has executed a refusal to make an anatomical gift to be imprinted on the donor's driver's license or identification card."

Page 7, after line 2, insert:

"(e) Revocation, suspension, expiration, or cancellation of a driver's license or identification card upon which a refusal to make an anatomical gift is indicated does not invalidate the refusal."

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 20 and nays 43, as follows:

Those who voted in the affirmative were:

Day	Hann	Koch	Neuville	Robling
Fischbach	Ingebrigtsen	Latz	Olson, G.	Rosen
Frederickson	Johnson	Limmer	Ortman	Senjem
Gimse	Jungbauer	Michel	Pariseau	Wergin

Those who voted in the negative were:

Anderson	Dibble	Lourey	Prettner Solon	Skogen
Bakk	Doll	Lynch	Rest	Sparks
Berglin	Erickson Ropes	Marty	Rummel	Tomassoni
Betzold	Foley	Metzen	Saltzman	Torres Ray
Bonoff	Gerlach	Moua	Saxhaug	Vandever
Carlson	Higgins	Olseen	Scheid	Vickerman
Chaudhary	Kubly	Olson, M.	Sheran	Wiger
Clark	Langseth	Pappas	Sieben	
Cohen	Larson	Pogemiller	Skoe	

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

The question was taken on the recommendation to pass S.F. No. 883.

The roll was called, and there were yeas 53 and nays 6, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Lourey	Pogemiller	Skoe
Bakk	Gerlach	Lynch	Prettner Solon	Skogen
Berglin	Hann	Marty	Rest	Sparks
Betzold	Higgins	Metzen	Robling	Tomassoni
Chaudhary	Ingebrigtsen	Michel	Rosen	Torres Ray
Clark	Johnson	Moua	Rummel	Vandever
Cohen	Koch	Olseen	Saltzman	Vickerman
Day	Kubly	Olson, G.	Saxhaug	Wergin
Doll	Langseth	Olson, M.	Scheid	Wiger
Erickson Ropes	Larson	Pappas	Senjem	
Foley	Latz	Pariseau	Sheran	

Those who voted in the negative were:

Fischbach	Jungbauer	Neuville
Gimse	Limmer	Ortman

The motion prevailed. So S.F. No. 883 was recommended to pass.

S.F. No. 1823, which the committee recommends to pass with the following amendment offered by Senator Torres Ray:

Page 2, line 13, strike "four"

The motion prevailed. So the amendment was adopted.

S.F. No. 1185, which the committee recommends to pass with the following amendments offered

by Senators Skogen, Frederickson, Kubly and Chaudhary:

Senator Skogen moved to amend S.F. No. 1185 as follows:

Page 4, after line 32, insert:

"Sec. 8. **GAME AND FISH BUDGETARY OVERSIGHT COMMITTEE.**

The senate Subcommittee on Committees of the Committee on Rules and Administration and the speaker of the house of representatives shall each appoint one member of their respective bodies to serve as a member of the Game and Fish Budgetary Oversight Committee appointed under Minnesota Statutes, section 97A.055, subdivision 4b, paragraph (c). The appointments must be made no later than September 1, 2007. The terms of the members appointed under this section expire June 30, 2009."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Frederickson moved to amend S.F. No. 1185 as follows:

Page 3, after line 20, insert:

"Sec. 6. Minnesota Statutes 2006, section 84.9256, subdivision 2, is amended to read:

Subd. 2. **Helmet and seat belts required.** (a) A person less than 18 years of age shall not operate ride as a passenger or as an operator of an all-terrain vehicle on public land, public waters, or on a public road right-of-way unless wearing a safety helmet approved by the commissioner of public safety.

(b) A person less than 18 years of age shall not ride as a passenger or as an operator of a class 2 all-terrain vehicle without wearing a seat belt when provided by the manufacturer.

Sec. 7. Minnesota Statutes 2006, section 84.9256, is amended by adding a subdivision to read:

Subd. 2a. **Parent or guardian authorization.** A person under age 16 shall not operate and a person shall not allow a person under age 16 to operate an all-terrain vehicle, unless the parent or guardian of the person under age 16 authorizes the operation. For purposes of this subdivision, "guardian" means the legal guardian of the person under age 16 or a person age 18 or older who has been authorized by the parent or legal guardian to supervise the person under age 16.

Sec. 8. Minnesota Statutes 2006, section 84.9257, is amended to read:

**84.9257 PASSENGERS.**

~~(a) A parent or guardian may operate a class 1 all-terrain vehicle carrying one passenger who is under 16 years of age and who wears a safety helmet approved by the commissioner of public safety.~~

~~(b) For the purpose of this section, "guardian" means a legal guardian of a person under age 16, or a person 18 or older who has been authorized by the parent or legal guardian to supervise the person under age 16.~~



~~(e)~~ (a) A person 18 years of age or older may operate ~~an~~ a class 1 all-terrain vehicle carrying one passenger who is 16 or 17 years of age and wears a safety helmet approved by the commissioner of public safety.

~~(d)~~ (b) A person 18 years of age or older may operate ~~an all-terrain vehicle carrying one passenger who is 18 years of age or older.~~

~~(e)~~ An operator of a class 2 all-terrain vehicle may carry two passengers while carrying a passenger, or up to the number of passengers for which the vehicle was designed, whichever is greater."

Page 3, after line 26, insert:

"Sec. 10. Minnesota Statutes 2006, section 84.926, is amended by adding a subdivision to read:

Subd. 7. **Operation; class 2 vehicles.** Except as provided in subdivision 4, operation of class 2 all-terrain vehicles on lands administered by the commissioner is limited to forest roads, minimum maintenance roads, and trails designated or signed for class 2 all-terrain vehicles.

Sec. 11. Minnesota Statutes 2006, section 84.928, subdivision 1, is amended to read:

Subdivision 1. ~~**Operation on roads and rights-of-way; class 1 vehicles.**~~ (a) Unless otherwise allowed in sections 84.92 to 84.929, a person shall not operate ~~a class 1~~ an all-terrain vehicle in this state along or on the roadway, shoulder, or inside bank or slope of a public road right-of-way of a trunk, county state-aid, or county highway other than.

(b) A person may operate a class 1 all-terrain vehicle in the ditch or the outside bank or slope of a trunk, county state-aid, or county highway unless prohibited under paragraph ~~(b)~~ (d) or (f).

(c) A person may operate a class 2 all-terrain vehicle within the public road right-of-way of a county state-aid or county highway on the extreme right-hand side of the road and left turns may be made from any part of the road if it is safe to do so under the prevailing conditions, unless prohibited under paragraph (d) or (f). A person may operate a class 2 all-terrain vehicle on the bank or ditch of a public road right-of-way on a designated class 2 all-terrain vehicle trail.

~~(b)~~ (d) A road authority as defined under section 160.02, subdivision 25, may after a public hearing restrict the use of ~~class 1~~ all-terrain vehicles in the ~~ditch or outside bank or slope of a public road right-of-way~~ under its jurisdiction.

~~(e)~~ (e) The restrictions in paragraphs (a), ~~(b)~~, ~~(g)~~, (d), (h), ~~and~~ (i), and (j) do not apply to the operation of ~~a class 1~~ an all-terrain vehicle on the shoulder, inside bank or slope, ditch, or outside bank or slope of a trunk, interstate, county state-aid, or county highway when the class 1 all-terrain vehicle is:

(1) owned by or operated under contract with a publicly or privately owned utility or pipeline company; and

(2) used for work on utilities or pipelines.

~~(d)~~ (f) The commissioner may limit the use of a right-of-way for a period of time if the commissioner determines that use of the right-of-way causes:

- (1) degradation of vegetation on adjacent public property;
- (2) siltation of waters of the state;
- (3) impairment or enhancement to the act of taking game; or
- (4) a threat to safety of the right-of-way users or to individuals on adjacent public property.

~~(e)~~ The commissioner must notify the road authority as soon as it is known that a closure will be ordered. The notice must state the reasons and duration of the closure.

~~(f)~~ (g) A person may operate ~~a class 1~~ an all-terrain vehicle registered for private use and used for agricultural purposes ~~or a class 2 all-terrain vehicle~~ on a public road right-of-way of a trunk, county state-aid, or county highway in this state if the ~~class 1 or class 2~~ all-terrain vehicle is operated on the extreme right-hand side of the road, and left turns may be made from any part of the road if it is safe to do so under the prevailing conditions.

~~(g)~~ (h) A person shall not operate ~~a class 1~~ an all-terrain vehicle within the public road right-of-way of a trunk, county state-aid, or county highway from April 1 to August 1 in the agricultural zone unless the vehicle is being used exclusively as transportation to and from work on agricultural lands. This paragraph does not apply to an agent or employee of a road authority, as defined in section 160.02, subdivision 25, or the Department of Natural Resources when performing or exercising official duties or powers.

~~(h)~~ (i) A person shall not operate ~~a class 1~~ an all-terrain vehicle within the public road right-of-way of a trunk, county state-aid, or county highway between the hours of one-half hour after sunset to one-half hour before sunrise, except on the right-hand side of the right-of-way and in the same direction as the highway traffic on the nearest lane of the adjacent roadway.

~~(i)~~ (j) A person shall not operate ~~a class 1~~ an all-terrain vehicle at any time within the right-of-way of an interstate highway or freeway within this state."

Page 4, after line 32, insert:

"Sec. 13. Minnesota Statutes 2006, section 169A.35, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** As used in this section:

- (1) "alcoholic beverage" has the meaning given it in section 340A.101, subdivision 2;
- (2) "distilled spirits" has the meaning given it in section 340A.101, subdivision 9;
- (3) "motor vehicle" does not include motorboats in operation, or off-road recreational vehicles except when being operated on a roadway or shoulder of a roadway that is not part of a grant-in-aid trail or trail designated for that vehicle by the commissioner of natural resources;
- (4) "possession" means either that the person had actual possession of the bottle or receptacle or that the person consciously exercised dominion and control over the bottle or receptacle; and
- (5) "3.2 percent malt liquor" has the meaning given it in section 340A.101, subdivision 19."

Page 4, delete line 34 and insert "Minnesota Statutes 2006, sections 84.928, subdivision 8, and 85.015, subdivision 11, are repealed."

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 36 and nays 22, as follows:

Those who voted in the affirmative were:

Anderson	Erickson Ropes	Lourey	Ortman	Skogen
Berglin	Foley	Lynch	Pappas	Torres Ray
Betzold	Frederickson	Marty	Prettner Solon	Wergin
Chaudhary	Higgins	Michel	Rest	Wiger
Clark	Jungbauer	Neuville	Robling	
Cohen	Kubly	Olseen	Rummel	
Day	Langseth	Olson, G.	Saltzman	
Doll	Latz	Olson, M.	Sheran	

Those who voted in the negative were:

Bakk	Ingebrigtsen	Metzen	Scheid	Vandever
Fischbach	Johnson	Moua	Senjem	Vickerman
Gerlach	Koch	Pogemiller	Skoe	
Gimse	Larson	Rosen	Sparks	
Hann	Limmer	Saxhaug	Tomassoni	

The motion prevailed. So the amendment was adopted.

Senator Kubly moved to amend S.F. No. 1185 as follows:

Page 4, after line 32, insert:

"Sec. 8. Minnesota Statutes 2006, section 85.015, subdivision 22, is amended to read:

Subd. 22. **Minnesota River Trail.** The trail shall originate at the entrance to Big Stone Lake State Park and extend along the Minnesota River Valley to connect to the Minnesota Valley Trail at the city of Le Sueur. The trail shall include a loop between Fort Ridgely State Park and the cities of Redwood Falls and Sleepy Eye. A segment shall be established connecting the cities of Granite Falls and Montevideo."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Chaudhary moved to amend S.F. No. 1185 as follows:

Page 3, after line 26, insert:

"Sec. 7. Minnesota Statutes 2006, section 84.929, is amended to read:

**84.929 PENALTIES.**

Any person who violates any provision of sections 84.773, 84.777, and 84.92 to 84.928 or rules of the commissioner is guilty of a misdemeanor."

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. 1185 was then recommended to pass.

S.F. No. 893, which the committee recommends to pass with the following amendment offered by Senator Larson:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2006, section 202A.14, subdivision 1, is amended to read:

Subdivision 1. **Time and manner of holding; postponement.** At 7:00 p.m. on the ~~first~~ second Tuesday in ~~March~~ February in every state general election year there shall be held for every election precinct a party caucus in the manner provided in sections 202A.14 to 202A.19, except that in the event of severe weather a major political party may request the secretary of state to postpone caucuses. If a major political party makes a request, or upon the secretary of state's own initiative, after consultation with all major political parties and on the advice of the federal Weather Bureau and the Department of Transportation, the secretary of state may declare precinct caucuses to be postponed for a week in counties where weather makes travel especially dangerous. The secretary of state shall submit a notice of the postponement to news media covering the affected counties by 6:00 p.m. on the scheduled day of the caucus. A postponed caucus may also be postponed pursuant to this subdivision.

Sec. 2. **EFFECTIVE DATE.**

This act is effective for the precinct caucuses in 2008 and thereafter."

Delete the title and insert:

"A bill for an act relating to elections; moving precinct caucuses from the first Tuesday in March to the second Tuesday in February; amending Minnesota Statutes 2006, section 202A.14, subdivision 1."

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 39 and nays 20, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Lourey	Pappas	Scheid
Betzold	Gerlach	Marty	Pariseau	Sheran
Chaudhary	Gimse	Michel	Prettner Solon	Skogen
Cohen	Hann	Moua	Rest	Sparks
Day	Higgins	Neuville	Robling	Torres Ray
Doll	Koch	Olseen	Rosen	Wergin
Erickson Ropes	Larson	Olson, M.	Saltzman	Wiger
Foley	Latz	Ortman	Saxhaug	

Those who voted in the negative were:

Bakk	Ingebrigtsen	Langseth	Olson, G.	Skoe
Berglin	Johnson	Limmer	Pogemiller	Tomassoni
Clark	Jungbauer	Lynch	Rummel	Vandever
Fischbach	Kubly	Metzen	Senjem	Vickerman

The motion prevailed. So the amendment was adopted.

On motion of Senator Betzold, the report of the Committee of the Whole, as kept by the Secretary, was adopted.

### MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 1045 and the Conference Committee Report thereon were reported to the Senate.

### CONFERENCE COMMITTEE REPORT ON S.F. NO. 1045

A bill for an act relating to Scott County; renaming the Scott County Housing and Redevelopment Authority.

May 2, 2007

The Honorable James P. Metzen  
President of the Senate

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 1045 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S.F. No. 1045 be further amended as follows:

Page 1, after line 7, insert:

**"EFFECTIVE DATE, LOCAL APPROVAL. This section is effective the day after the Scott County board and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3."**

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

Senate Conferees: (Signed) Julianne E. Ortman, Claire A. Robling, Debbie J. Johnson

House Conferees: (Signed) Paul Kohls, Debra Hilstrom, Michael Beard

Senator Ortman moved that the foregoing recommendations and Conference Committee Report on S.F. No. 1045 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 1045 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 57 and nays 1, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Latz	Ortman	Skoe
Bakk	Gerlach	Limmer	Pappas	Skogen
Berglin	Gimse	Lourey	Pariseau	Sparks
Betzold	Hann	Lynch	Pogemiller	Tomassoni
Chaudhary	Higgins	Marty	Rest	Torres Ray
Clark	Ingebrigtsen	Metzen	Robling	Vandever
Cohen	Johnson	Michel	Rummel	Vickerman
Day	Jungbauer	Moua	Saltzman	Wergin
Doll	Koch	Neuville	Saxhaug	Wiger
Erickson Ropes	Kubly	Olseen	Scheid	
Fischbach	Langseth	Olson, G.	Senjem	
Foley	Larson	Olson, M.	Sheran	

Those who voted in the negative were:

Prettner Solon

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

### CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12, Senator Sieben moved that the following members be excused for a Conference Committee on H.F. No. 946 from 2:00 to 3:00 p.m.:

Senators Murphy, Dibble, Sieben, Carlson and Bonoff. The motion prevailed.

### RECESS

Senator Pogemiller 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 Pogemiller from the Subcommittee on Conference Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 532: Senators Betzold replaces Koering and Neuville replaces Kubly.

S.F. No. 26: Senators Marty, Erickson Ropes and Fischbach.

S.F. No. 118: Senators Pappas, Metzen and Frederickson.

Senator Pogemiller moved that the foregoing appointments be approved. The motion prevailed.

### MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Senator Pogemiller moved that the Senate take up the Calendar. The motion prevailed.

**CALENDAR**

**S.F. No. 1971:** A bill for an act relating to transportation; modifying provisions relating to department activities, data classification, eminent domain, highways, commercial vehicles, highway construction contracting, transportation research, bridge inspection, special mobile equipment, motor vehicles, traffic regulations, towing, transport of hazardous materials, recreational vehicle combinations, parking violations, drivers' licenses and identification cards, vehicle length and weight, pavement analysis, special transportation services, motor carriers, light rail transit and other transit services and facilities, and transit police; creating position of state rail inspector; establishing rail walkways requirements; changing statutory surcharge; creating task forces; requiring reports; providing penalties; appropriating money; amending Minnesota Statutes 2006, sections 13.72, by adding subdivisions; 117.041, by adding a subdivision; 117.51; 117.52, subdivision 1a; 160.02, subdivision 19, by adding a subdivision; 161.14, subdivision 18, by adding subdivisions; 161.32, subdivisions 1, 1b, 4; 161.53; 165.01; 165.03; 168.011, subdivision 22; 168.1255, by adding a subdivision; 168A.05, subdivision 3; 168A.151, subdivision 1; 168A.153; 168B.04, subdivision 2; 169.01, subdivisions 4c, 19, 20, 78, by adding a subdivision; 169.022; 169.041, subdivisions 1, 2; 169.06, subdivision 5; 169.34; 169.471; 169.685, subdivisions 5, 6; 169.686, subdivision 1; 169.781; 169.782, subdivision 1; 169.783, subdivision 1; 169.81, subdivision 2; 169.823, subdivision 1; 169.824, subdivision 2; 169.829, subdivision 2; 169.86, by adding a subdivision; 169.864, subdivisions 1, 2; 169.87, subdivision 4; 169.985; 169.99, subdivision 3; 171.01, by adding a subdivision; 171.02, subdivision 1; 171.05, subdivision 2b; 171.055, subdivision 2; 171.06, subdivision 3; 171.07, subdivisions 1, 3; 174.03, by adding subdivisions; 174.24, subdivision 2a; 174.29, by adding subdivisions; 174.30, subdivisions 4, 9; 218.041, subdivision 6; 221.011, subdivision 49; 221.031, subdivision 6; 221.0314, subdivision 9, by adding a subdivision; 221.033, subdivision 2d; 221.037, subdivision 1; 221.231; 221.60, subdivision 1, by adding a subdivision; 222.50, subdivision 7; 222.63, subdivision 4, by adding a subdivision; 325F.665, by adding a subdivision; 357.021, subdivision 6; 473.1466; 473.166; 473.386, subdivisions 2, 2a, 3; 473.399; 473.3993, subdivision 3; 473.3994; 473.3997; 473.4051; 473.407, subdivision 1; 609.531, subdivision 1; Laws 2005, First Special Session chapter 1, article 4, section 39; proposing coding for new law in Minnesota Statutes, chapters 160; 161; 174; 219; 471; 473; repealing Minnesota Statutes 2006, sections 168A.05, subdivision 5a; 169.796, subdivision 3; 221.60, subdivisions 2, 3, 3a; 221.601; 221.602; 325E.0951, subdivision 3a; Laws 1999, chapter 230, section 44.

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 52 and nays 12, as follows:

Those who voted in the affirmative were:

Anderson	Erickson Ropes	Langseth	Neuville	Saxhaug
Berglin	Fischbach	Larson	Olseen	Senjem
Betzold	Foley	Latz	Olson, M.	Sheran
Bonoff	Frederickson	Limmer	Pappas	Sieben
Carlson	Gimse	Lourey	Pogemiller	Skogen
Chaudhary	Hann	Lynch	Prettner Solon	Torres Ray
Clark	Higgins	Marty	Rest	Wergin
Cohen	Ingebrigtsen	Metzen	Robling	Wiger
Day	Jungbauer	Michel	Rosen	
Dibble	Koch	Moua	Rummel	
Doll	Kubly	Murphy	Saltzman	

Those who voted in the negative were:

Bakk	Olson, G.	Scheid	Tomassoni
Gerlach	Ortman	Skoe	Vandever
Johnson	Pariseau	Sparks	Vickerman

So the bill passed and its title was agreed to.

Senator Murphy moved that S.F. No. 1971 be laid on the table. The motion prevailed.

### SUSPENSION OF RULES

Senator Pogemiller moved that Rule 24.2 be suspended as to the lie-over requirement on the Calendar. The motion prevailed.

### CALENDAR - CONTINUED

**S.F. No. 1346:** A bill for an act relating to the Office of the Secretary of State; regulating registrations, filings, and dissolutions of certain entities; regulating foreign limited partnership name changes; regulating notaries public; amending Minnesota Statutes 2006, sections 308A.995, subdivisions 1, 4; 308B.121, subdivisions 1, 4; 308B.215, subdivision 2; 317A.823, subdivision 1; 321.0210; 323A.1003; 336.9-516; 358.41; 358.42; 358.50; 359.085, subdivisions 2, 3; proposing coding for new law in Minnesota Statutes, chapters 308B; 321; repealing Minnesota Statutes 2006, sections 69.051, subdivision 1c; 359.085, 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 62 and nays 1, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Latz	Ortman	Sheran
Bakk	Foley	Limmer	Pappas	Sieben
Berglin	Frederickson	Lourey	Pariseau	Skoe
Betzold	Gerlach	Lynch	Pogemiller	Skogen
Bonoff	Gimse	Marty	Prettner Solon	Sparks
Carlson	Hann	Metzen	Rest	Tomassoni
Chaudhary	Higgins	Michel	Robling	Torres Ray
Clark	Johnson	Moua	Rosen	Vickerman
Cohen	Jungbauer	Murphy	Rummel	Wergin
Day	Koch	Neuville	Saltzman	Wiger
Dibble	Kubly	Olseen	Saxhaug	
Doll	Langseth	Olson, G.	Scheid	
Erickson Ropes	Larson	Olson, M.	Senjem	

Those who voted in the negative were:

Vandever

So the bill passed and its title was agreed to.

**S.F. No. 961:** A bill for an act relating to natural resources; providing for regulation of shoreland resorts; amending Minnesota Statutes 2006, section 103F.205, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 103F.



Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

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

Those who voted in the affirmative were:

Anderson	Fischbach	Larson	Olson, M.	Senjem
Bakk	Foley	Latz	Ortman	Sheran
Berglin	Frederickson	Limmer	Pappas	Sieben
Betzold	Gerlach	Lourey	Pariseau	Skoe
Bonoff	Gimse	Lynch	Pogemiller	Skogen
Carlson	Hann	Marty	Prettner Solon	Sparks
Chaudhary	Higgins	Metzen	Rest	Tomassoni
Clark	Ingebrigtsen	Michel	Robling	Torres Ray
Cohen	Johnson	Moua	Rosen	Vandever
Day	Jungbauer	Murphy	Rummel	Vickerman
Dibble	Koch	Neuville	Saltzman	Wergin
Doll	Kubly	Olseen	Saxhaug	Wiger
Erickson Ropes	Langseth	Olson, G.	Scheid	

So the bill passed and its title was agreed to.

**S.F. No. 1753:** A bill for an act relating to airports; creating an advisory task force to study airport funding issues and the state airports fund; requiring a report; appropriating money.

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 60 and nays 3, as follows:

Those who voted in the affirmative were:

Anderson	Erickson Ropes	Langseth	Olson, G.	Scheid
Bakk	Fischbach	Larson	Olson, M.	Senjem
Berglin	Foley	Latz	Ortman	Sheran
Betzold	Frederickson	Lourey	Pappas	Sieben
Bonoff	Gerlach	Lynch	Pogemiller	Skoe
Carlson	Gimse	Marty	Prettner Solon	Skogen
Chaudhary	Hann	Metzen	Rest	Sparks
Clark	Higgins	Michel	Robling	Tomassoni
Cohen	Johnson	Moua	Rosen	Torres Ray
Day	Jungbauer	Murphy	Rummel	Vickerman
Dibble	Koch	Neuville	Saltzman	Wergin
Doll	Kubly	Olseen	Saxhaug	Wiger

Those who voted in the negative were:

Ingebrigtsen	Limmer	Vandever
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So the bill passed and its title was agreed to.

**S.F. No. 303:** A bill for an act relating to local government; extending the municipal boundary adjustment advisory task force; amending Laws 2006, chapter 270, article 2, section 1.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

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

Those who voted in the affirmative were:

Anderson	Fischbach	Larson	Ortman	Sheran
Bakk	Foley	Latz	Pappas	Sieben
Berglin	Frederickson	Lourey	Pariseau	Skoe
Betzold	Gerlach	Lynch	Pogemiller	Skogen
Bonoff	Gimse	Marty	Prettner Solon	Sparks
Carlson	Hann	Metzen	Rest	Tomassoni
Chaudhary	Higgins	Michel	Robling	Torres Ray
Clark	Ingebrigtsen	Moua	Rosen	Vandever
Cohen	Johnson	Murphy	Rummel	Vickerman
Day	Jungbauer	Neuville	Saltzman	Wergin
Dibble	Koch	Olseen	Saxhaug	Wiger
Doll	Kubly	Olson, G.	Scheid	
Erickson Ropes	Langseth	Olson, M.	Senjem	

Those who voted in the negative were:

Limmer

So the bill passed and its title was agreed to.

**S.F. No. 1449:** A bill for an act relating to public safety; modifying requirements for 911 emergency communication fees; amending Minnesota Statutes 2006, section 403.11, by adding subdivisions.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

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

Those who voted in the affirmative were:

Anderson	Fischbach	Larson	Olson, M.	Senjem
Bakk	Foley	Latz	Ortman	Sheran
Berglin	Frederickson	Limmer	Pappas	Sieben
Betzold	Gerlach	Lourey	Pariseau	Skoe
Bonoff	Gimse	Lynch	Pogemiller	Skogen
Carlson	Hann	Marty	Prettner Solon	Sparks
Chaudhary	Higgins	Metzen	Rest	Tomassoni
Clark	Ingebrigtsen	Michel	Robling	Torres Ray
Cohen	Johnson	Moua	Rosen	Vandever
Day	Jungbauer	Murphy	Rummel	Vickerman
Dibble	Koch	Neuville	Saltzman	Wergin
Doll	Kubly	Olseen	Saxhaug	Wiger
Erickson Ropes	Langseth	Olson, G.	Scheid	

So the bill passed and its title was agreed to.

**S.F. No. 1215:** A bill for an act relating to health; making technical changes; eliminating radioactive material license renewal fee; establishing fees for ionizing radiation-producing equipment; modifying requirements for operating x-ray equipment; extending the expiration date for a task force; amending Minnesota Statutes 2006, sections 144.1205, subdivision 1; 144.121, subdivisions 1a, 5; 145.881, subdivision 1; repealing Minnesota Statutes 2006, section 144.121, subdivisions 1c, 4.

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 1, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Larson	Olson, M.	Senjem
Bakk	Foley	Latz	Ortman	Sheran
Berglin	Frederickson	Limmer	Pappas	Sieben
Betzold	Gerlach	Lourey	Pariseau	Skoe
Bonoff	Gimse	Lynch	Pogemiller	Skogen
Carlson	Hann	Marty	Prettner Solon	Sparks
Chaudhary	Higgins	Metzen	Rest	Tomassoni
Clark	Ingebrigtsen	Michel	Robling	Torres Ray
Cohen	Johnson	Moua	Rosen	Vickerman
Day	Jungbauer	Murphy	Rummel	Wergin
Dibble	Koch	Neuville	Saltzman	Wiger
Doll	Kubly	Olseen	Saxhaug	
Erickson Ropes	Langseth	Olson, G.	Scheid	

Those who voted in the negative were:

Vandever

So the bill passed and its title was agreed to.

## RECESS

Senator Pogemiller 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.

## MOTIONS AND RESOLUTIONS - CONTINUED

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

## REPORTS OF COMMITTEES

Senator Pogemiller moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

**Senator Pogemiller from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,**

**S.F. No. 1196:** A bill for an act relating to housing; creating the Minnesota manufactured home relocation trust fund; requiring that a manufactured home park owner make specified payments to the trust fund; requiring an owner of a manufactured home who rents a lot in a manufactured home park to make an annual payment to the trust fund; amending Minnesota Statutes 2006, sections 327C.095, subdivisions 1, 4, by adding subdivisions; 462A.21, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 462A.

Reports the same back with the recommendation that the report from the Committee on State and

Local Government Operations and Oversight, shown in the Journal for April 27, 2007, be amended to read:

"the bill be amended 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 Rules and Administration, to which was re-referred**

**S.F. No. 886:** A resolution memorializing the President and Congress to promote the United States' ability to compete in the global marketplace for talented and necessary workers.

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

Page 1, line 8, before "strengthen" insert "safeguard children and"

Page 1, delete lines 10 to 15 and insert:

"WHEREAS, the number of Minnesota high school graduates will peak in 2008, sending fewer young people into the workforce and, at the same time, Baby Boomers will be leaving the workforce at record rates, so Minnesota's future economic success will depend on people migrating to Minnesota from other states and countries; and"

Page 2, line 7, delete everything after "(3)" and insert "provisions that support"

Page 2, delete line 8

Page 2, line 9, delete everything before "a competitive"

Page 2, line 10, delete "(ii) TITLE X, Section 1001," and insert "(4)"

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

**Senator Pogemiller from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,**

**S.F. No. 1648:** A bill for an act relating to transportation; establishing minimum standards for compatible land uses in airport safety zones; amending Minnesota Statutes 2006, section 360.066, subdivisions 1, 1a, 1b, by adding a subdivision; repealing Minnesota Statutes 2006, section 360.066, subdivision 2.

Reports the same back with the recommendation that the report from the Committee on Transportation, shown in the Journal for April 27, 2007, be amended to read:

"the bill be amended and when so amended the bill do pass and be re-referred to the Committee on State and Local Government Operations and Oversight and that Joint Rule 2.03 be suspended for all further proceedings on S.F. No. 1648." Amendments adopted. Report adopted.

**Senator Pogemiller from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,**

**S.F. No. 162:** A bill for an act relating to commerce; imposing certain customer sales or service

call center requirements; prescribing a criminal penalty; proposing coding for new law in Minnesota Statutes, chapter 325E.

Reports the same back with the recommendation that the report from the Committee on Commerce and Consumer Protection, shown in the Journal for April 19, 2007, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass." Amendments adopted. Report adopted.

**Senator Pogemiller from the Committee on Rules and Administration, to which was re-referred**

**S.F. No. 6:** A bill for an act relating to natural and cultural resources; increasing the sales tax rate by three-eighths of one percent and dedicating the receipts for natural and cultural heritage purposes; creating a cultural legacy fund; creating a heritage enhancement fund; creating a great outdoors Minnesota fund; establishing a Heritage Enhancement Council; amending Minnesota Statutes 2006, sections 10A.01, subdivision 35; 297A.62, subdivision 1; 297A.94; 297B.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 97A; 129D; proposing coding for new law as Minnesota Statutes, chapter 84E.

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

Page 1, after line 12, insert:

"Sec. 2. **CONSTITUTIONAL AMENDMENT.**

An amendment to the Minnesota Constitution is proposed to the people. If the amendment is adopted, a section will be added to article XI, to read:

Sec. 15. Beginning July 1, 2009, until June 30, 2034, the sales and use tax rate shall be increased by three-eighths of one percent on sales and uses taxable under the general state sales and use tax law. Receipts from the increase, plus penalties and interest and reduced by any refunds, are dedicated as follows: 33 percent of the receipts shall be deposited in the heritage enhancement fund and may be spent only to preserve, enhance, or protect the state's fish, wildlife, habitat, land, and forest resources; 43 percent of the receipts shall be deposited in the great outdoors Minnesota fund and may be spent only on protection and restoration of the state's lakes, rivers, streams, wetlands, groundwater, parks, trails, natural areas, and historic sites; and 24 percent of the receipts shall be deposited in the cultural legacy fund and may be spent only on arts, arts education, and arts access. A cultural legacy fund; a heritage enhancement fund; and a great outdoors Minnesota fund are created in the state treasury. The money dedicated under this section shall be appropriated by law. The money dedicated under this section shall not be used as a substitute for traditional funding sources for the purposes specified, but the dedicated money shall supplement traditional sources of funding for those purposes. Land acquired by fee with money deposited in the heritage enhancement fund under this section must be open to public taking of fish and game during the open season unless otherwise provided by law. If the base of the sales and use tax is changed, the legislature may proportionally adjust the sales and use tax rate in this section to within one-tenth of one percent in order to provide the same amount of revenue as practicable for each fund as existed before the change to the sales and use tax.

Sec. 3. **SUBMISSION TO VOTERS.**

The proposed amendment shall be submitted to the people at the 2008 general election. The question submitted shall be:

"Shall the Minnesota Constitution be amended to provide funding beginning July 1, 2009, to protect the state's water quality and groundwater; to preserve and enhance its fish, wildlife, habitat, natural land, and forest resources; to support its parks, trails, historic sites, and natural areas; to increase access to its arts and cultural heritage; and to protect and restore its lakes, rivers, streams, and wetlands by increasing the sales and use tax rate by three-eighths of one percent on taxable sales until the year 2034?"

Yes .....

No ....."

Page 2, line 25, after "2008" insert ", if the constitutional amendment proposed in section 2 is adopted by the voters"

Page 2, line 27, delete "section 297A.94" and insert "the Minnesota Constitution, article XI, section 15"

Page 2, line 32, after "2009" insert ", if the constitutional amendment proposed in section 2 is adopted by the voters"

Page 3, lines 4 and 9, delete "section 297A.94" and insert "the Minnesota Constitution, article XI, section 15"

Page 5, line 13, after "2008" insert ", if the constitutional amendment proposed in section 2 is adopted by the voters"

Page 5, line 15, delete "section 297A.94" and insert "the Minnesota Constitution, article XI, section 15"

Page 5, lines 23 and 33, after "2009" insert ", if the constitutional amendment proposed in section 2 is adopted by the voters"

Page 5, delete lines 30 to 32 and insert:

"(b) The increased rate required under the Minnesota Constitution, article XI, section 15, shall be added to the rate imposed under paragraph (a)."

Page 6, line 3, delete "and in section 297A.62, subdivision 1," and insert "and the Minnesota Constitution, article XI, section 15"

Page 6, line 4, delete the new language

Page 7, delete lines 21 to 36

Page 8, lines 1 and 10, after "2009" insert ", if the constitutional amendment proposed in section 2 is adopted by the voters"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the semicolon, insert "proposing an amendment to the Minnesota Constitution, article XI;"

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

### **SECOND READING OF SENATE BILLS**

S.F. Nos. 886, 162 and 6 were read the second time.

### **MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Pogemiller moved that H.F. No. 116 be withdrawn from the Committee on Rules and Administration for comparison with S.F. No. 162, now on General Orders. The motion prevailed.

### **MEMBERS EXCUSED**

Senators Dille and Stumpf were excused from the Session of today. Senator Bakk was excused from the Session of today from 1:00 to 1:30 p.m. Senators Dibble and Pogemiller were excused from the Session of today from 1:00 to 1:40 p.m. Senator Koering was excused from the Session of today at 1:20 p.m.

### **ADJOURNMENT**

Senator Pogemiller moved that the Senate do now adjourn until 10:00 a.m., Thursday, May 10, 2007. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate





# INDEX TO DAILY JOURNAL

Wednesday, May 9, 2007

## EXECUTIVE AND OFFICIAL COMMUNICATIONS

Pages 3791 to 3796

## CHAPTER LAWS

S.F. Nos.	H.F. Nos.	Session Laws	
		Chapter No.	Page
372		47	3792
	829	54	3792
	966	46	3794
	854	48	3794
358		49	3794
555		50	3794
*2096		57	3794

## MESSAGES FROM THE HOUSE AND FIRST READING OF HOUSE FILES

S.F. Nos.	Message Page	H.F. Nos.	Message Page	1st Reading Page
26	3797	1758	3800	3800
118	3798			
218	3797			
493	3798			
1073	3797			
1509	3797			
1989	3799			
1989	3799			

**CONCURRENCE AND REPASSAGE**

S.F. Nos.	Page	H.F. Nos.	Page
1509 .....	3797		

**REPORTS OF COMMITTEES AND SECOND READINGS**

S.F. Nos.	Report Page	2nd Reading Page	H.F. Nos.	Report Page	2nd Reading Page
6 .....	3800	3925	2294 .....	3802	3901
6 .....	3923				
162 .....	3922	3925			
610 .....	3819	3901			
886 .....	3922	3925			
1196 .....	3921				
1648 .....	3922				
2249 .....	3800	3901			
2276 .....	3802	3901			

**MOTIONS AND RESOLUTIONS**

S.F. Nos.	Page	H.F. Nos.	Page
1131 .....	3901	116 .....	3925
Sen. Res. No. 91 .....	3901		
Sen. Res. No. 92 .....	3902		

**CONFERENCE COMMITTEE REPORTS AND THIRD READINGS**

S.F. Nos.	Page	H.F. Nos.	Page
1045 .....	3915		

**CALENDAR**

S.F. Nos.	Page	H.F. Nos.	Page
303 .....	3919		
961 .....	3918		
1215 .....	3920		

1312	.....	3902
1346	.....	3918
1449	.....	3920
1753	.....	3919
1971	.....	3917

### GENERAL ORDERS

S.F. Nos.	Page	H.F. Nos.	Page
184	.....		3904
445	.....		3904
883	.....		3904
893	.....		3914
1185	.....		3909
1360	.....		3904
1823	.....		3909

### APPOINTMENTS TO CONFERENCE COMMITTEES

S.F. Nos.	Page	H.F. Nos.	Page
26	.....	532	.....3916
118	.....		3916

### INTRODUCTION AND FIRST READING OF SENATE BILLS

S.F Nos. 2286 to 2288	.....	Page 3902
-----------------------	-------	-----------