

THIRTY-EIGHTH DAY

St. Paul, Minnesota, Wednesday, April 22, 2009

The Senate met at 3:00 p.m. and was called to order by the President.

CALL OF THE SENATE

Senator Clark 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. Mike Tegeder.

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

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

The President declared a quorum present.

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

RECESS

Senator Clark moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

CALL OF THE SENATE

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

REPORTS OF COMMITTEES

Senator Pogemiller moved that the Committee Reports at the Desk be now adopted, with the exception of the reports pertaining to appointments. The motion prevailed.

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

S.F. No. 1276: A bill for an act relating to transportation; appropriating money for transportation, Metropolitan Council, and public safety activities and programs; providing for fund transfers, contingent appropriations, and tort claims; providing for various fees and accounts; clarifying appropriate uses of trunk highway fund; increasing set-aside from municipal state-aid fund for administrative costs; depositing fees in vehicle services operating account; modifying fine and surcharge provisions relating to seat belt violations and providing for primary enforcement; authorizing use of design-build contracting for high-speed rail; allowing use of Metropolitan Council transit tax levy for transit operations; requiring study of extension of high-speed rail line; prohibiting transit fare increase and service cuts; establishing discount transit passes pilot program; authorizing Metropolitan Council to convey certain real property including the Apple Valley Transit Station; amending Minnesota Statutes 2008, sections 161.20, subdivision 3; 162.12, subdivision 2; 168.017, subdivision 5; 168.021, subdivision 4; 168.10, subdivision 1i; 168.29; 168.62, subdivision 3; 169.686, subdivisions 1, 2, by adding a subdivision; 171.05, subdivision 2b; 171.055, subdivision 2; 174.03, subdivision 1b; 473.254, subdivision 5; 473.446, subdivision 1; Laws 2007, chapter 143, article 1, section 3, subdivision 2, as amended; Laws 2008, chapter 152, article 1, sections 3, subdivision 2; 5; proposing coding for new law in Minnesota Statutes, chapter 174.

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

Page 18, line 28, delete "LOAN ACQUISITION" and insert "ACQUISITION LOAN"

Page 31, after line 30, insert:

"Sec. 24. **DESIGN-BUILD CONTRACTING PILOT PROGRAM.**

The commissioner of transportation shall conduct a design-build contracting pilot program to select local transportation projects for participation in the program, to conduct information sessions for engineers and contractors, to support and evaluate the use of the design-build method of contracting by counties and statutory and home rule charter cities in constructing, improving, and maintaining streets and highways on the state-aid system, and to report to the legislature.

EFFECTIVE DATE. This section is effective the day following final enactment and expires on October 1, 2012, or upon completion of nine design-build projects under this pilot program, whichever occurs first.

Sec. 25. **DESIGN-BUILD PROJECT SELECTION COUNCIL.**

Subdivision 1. **Establishment of council.** A Design-Build Project Selection Council is established to select, evaluate, and support county and municipal transportation projects on the state-aid system that are conducive to use of the design-build method of contracting and to report to the legislature.

Subd. 2. **Duties of council.** In order to accomplish these purposes, the council shall:

- (1) review applications for participation received by the commissioner from counties and cities;
- (2) select for participation in the pilot program a maximum of 15 projects on the state-aid system, no more than ten of which may be on the county state-aid highway system, and no more than ten of which may be on the municipal state-aid street system;
- (3) determine that the use of design-build in the selected projects would serve the public interest, after considering, at a minimum:
 - (i) the extent to which the municipality can adequately define the project requirements in a proposed scope of the design and construction desired;
 - (ii) the time constraints for delivery of the project;
 - (iii) the capability of potential contractors with the design-build method of project delivery;
 - (iv) the suitability of the project for use of the design-build method of project delivery with respect to time, schedule, costs, and quality factors;
 - (v) the capability of the municipality to manage the project, including the employment of experienced personnel or outside consultants; and
 - (vi) the original character of the product or the services;
- (4) periodically review and evaluate the use of design-build in the selected projects; and
- (5) assist the commissioner in preparing a report to the legislature at the conclusion of the pilot program.

Subd. 3. **Membership.** (a) The council is composed of the following members:

- (1) two contractors, at least one of whom represents a small contracting firm, selected by the Associated General Contractors, Minnesota chapter;
 - (2) two project designers selected by the American Council of Engineering Companies, Minnesota chapter;
 - (3) one representative of a metropolitan area county selected by the Association of Minnesota Counties;
 - (4) one representative of a greater Minnesota county selected by the Association of Minnesota Counties;
 - (5) one representative of a metropolitan area city selected by the League of Minnesota Cities;
 - (6) one representative of a greater Minnesota city selected by the League of Minnesota Cities; and
 - (7) the commissioner of transportation or a designee from the Minnesota Department of Transportation Division of State Aid for Local Transportation.
- (b) All appointments required by paragraph (a) must be completed by August 1, 2009.

(c) The commissioner or the commissioner's designee shall convene the first meeting of the council within two weeks after the members have been appointed to the council and shall serve as chair of the council.

EFFECTIVE DATE. This section is effective the day following final enactment and expires on October 1, 2012, or upon completion of nine design-build projects under this pilot program, whichever occurs first.

Sec. 26. DESIGN-BUILD CONTRACTING PILOT PROGRAM.

Subdivision 1. **Definitions.** The following terms have the meanings given:

(1) "commissioner" means the commissioner of transportation;

(2) "municipality" means a county or statutory or home rule charter city;

(3) "design-build contract" means a single contract between a municipality and a design-build company or firm to furnish the architectural or engineering and related design services as well as the labor, material, supplies, equipment, and construction services for the transportation project;

(4) "design-build firm" means a proprietorship, partnership, limited liability partnership, joint venture, corporation, any type of limited liability company, professional corporation, or any legal entity;

(5) "design professional" means a person who holds a license under Minnesota Statutes, chapter 326B, that is required to be registered under Minnesota law;

(6) "design-build transportation project" means the procurement of both the design and construction of a transportation project in a single contract with a company or companies capable of providing the necessary engineering services and construction;

(7) "design-builder" means the design-build firm that proposes to design and build a transportation project governed by the procedures of this section;

(8) "request for proposals" or "RFP" means the document by which the municipality solicits proposals from qualified design-build firms to design and construct the transportation project;

(9) "request for qualifications" or "RFQ" means a document to qualify potential design-build firms; and

(10) "responsive proposal" means a technical proposal of which no major component contradicts the goals of the project, significantly violates an RFP requirement, or places conditions on a proposal.

Subd. 2. **Licensing requirements.** (a) Each design-builder shall employ, or have as a partner, member, officer, coventurer, or subcontractor, a person duly licensed and registered to provide the design services required to complete the project and do business in the state.

(b) A design-builder may enter into a contract to provide professional or construction services for a project that the design-builder is not licensed, registered, or qualified to perform, so long as the design-builder provides those services through subcontractors with duly licensed, registered, or otherwise qualified individuals in accordance with Minnesota Statutes, sections 161.3410 to 161.3428.

(c) Nothing in this section authorizing design-build contracts is intended to limit or eliminate the responsibility or liability owed by a professional on a design-build project to the state, municipality, or other third party under existing law.

(d) The design service portion of a design-build contract must be considered a service and not a product.

Subd. 3. **Information session for municipal engineer.** After a project is selected for participation in the design-build contracting pilot program, the commissioner or the commissioner's designee with design-build experience shall conduct an information session for the municipality's engineer for each selected project, in which issues unique to design-build must be discussed, including, but not limited to, writing an RFP, project oversight requirements, assessing risk, and communication with the design-build firm. After participation in the information session, the municipality's engineer is qualified to post the selected project, along with any future design-build project RFP in the pilot program.

Subd. 4. **Technical Review Committee.** During the phase one RFQ and before solicitation, the municipality shall appoint a Technical Review Committee of at least five individuals. The Technical Review Committee must include an individual whose name and qualifications are submitted to the municipality by the Minnesota chapter of the Associated General Contractors, after consultation with other commercial contractor associations in the state. Members of the Technical Review Committee who are not state employees are subject to the Minnesota Government Data Practices Act and Minnesota Statutes, section 16C.06, to the same extent that state agencies are subject to those provisions. A Technical Review Committee member may not participate in the review or discussion of responses to the RFQ or RFP when a design-build firm in which the member has a financial interest has responded to the RFQ or RFP. "Financial interest" includes, but is not limited to, being or serving as an owner, employee, partner, limited liability partner, shareholder, joint venturer, family member, officer, or director of a design-build firm responding to an RFQ or RFP for a specific project, or having any other economic interest in that design-build firm. The members of the Technical Review Committee must be treated as municipal employees in the event of litigation resulting from any action arising out of their service on the committee.

Subd. 5. **Phase one; design-build RFQ.** The municipality shall prepare an RFQ, which must include the following:

(1) the minimum qualifications of design-builders necessary to meet the requirements for acceptance;

(2) a scope of work statement and schedule;

(3) documents defining the project requirements;

(4) the form of contract to be awarded;

(5) the weighted selection criteria for compiling a short list and the number of firms to be included in the short list, which must be at least two but not more than five;

(6) a description of the request for proposals (RFP) requirements;

(7) the maximum time allowed for design and construction;

(8) the municipality's estimated cost of design and construction;

(9) requirements for construction experience, design experience, financial, personnel, and equipment resources available from potential design-builders for the project and experience in other design-build transportation projects or similar projects, provided that these requirements may not unduly restrict competition; and

(10) a statement that "past performance" or "experience" or other criteria used in the RFQ evaluation process does not include the exercise or assertion of a person's legal rights.

Subd. 6. **Information session for prospective design-build firms.** After a design-build project is advertised, any prospective design-build firm shall attend a design-build information session conducted by the commissioner or the commissioner's designee with design-build experience. The information must include information about design-build contracts, including, but not limited to, communication with partner firms, project oversight requirements, assessing risk, and communication with the municipality's engineer. After participation in the information session, the design-build firm is eligible to bid on the design-build project and any future design-build pilot program projects.

Subd. 7. **Evaluation.** The selection team shall evaluate the design-build qualifications of responding firms and shall compile a short list of no more than five most highly qualified firms in accordance with qualifications criteria described in the RFQ. If only one design-build firm responds to the RFQ or remains on the short list, the municipality may readvertise or cancel the project as the municipality deems necessary.

Subd. 8. **Phase two; design-build RFP.** The municipality shall prepare an RFP, which must include:

(1) the scope of work, including (i) performance and technical requirements, (ii) conceptual design, (iii) specifications, and (iv) functional and operational elements for the delivery of the completed project, all of which must be prepared by a registered or licensed professional engineer;

(2) copies of the contract documents that the successful proposer will be expected to sign;

(3) the maximum time allowable for design and construction;

(4) the road authority's estimated cost of design and construction;

(5) the requirement that a submitted proposal be segmented into two parts, a technical proposal and a price proposal;

(6) the requirement that each proposal be in a separately sealed, clearly identified package and include the date and time of the submittal deadline;

(7) the requirement that the technical proposal include a critical path method, bar schedule of the work to be performed, or similar schematic; preliminary design plans and specifications; technical reports; calculations; permit requirements; applicable development fees; and other data requested in the RFP;

(8) the requirement that the price proposal contain all design, construction, engineering, inspection, and construction costs of the proposed project;

- (9) the date, time, and location of the public opening of the sealed price proposals;
- (10) the amount of, and eligibility for, a stipulated fee;
- (11) other information relevant to the project; and
- (12) a statement that "past performance," "experience," or other criteria used in the RFP evaluation process does not include the exercise or assertion of a person's legal rights.

Subd. 9. **Design-build award; computation; announcement.** A design-build contract shall be awarded as follows:

(a) The Technical Review Committee shall score the technical proposals of the proposers selected under subdivision 7 using the selection criteria in the RFP. The Technical Review Committee shall then submit a technical proposal score for each design-builder to the municipality. The Technical Review Committee shall reject any nonresponsive proposal. The municipality shall review the technical proposal scores.

(b) The commissioner or the commissioner's designee shall review the technical proposal scores. The commissioner shall submit the final technical proposal scores to the municipality.

(c) The municipality shall announce the technical proposal score for each design-builder and shall publicly open the sealed price proposals and shall divide each design-builder's price by the technical score that the commissioner has given to it to obtain an adjusted score. The design-builder selected must be that responsive and responsible design-builder whose adjusted score is the lowest.

(d) If a time factor is included with the selection criteria in the RFP package, the municipality may use a value of the time factor established by the municipality as a criterion in the RFP.

(e) Unless all proposals are rejected, the municipality shall award the contract to the responsive and responsible design-builder with the lowest adjusted score. The municipality shall reserve the right to reject all proposals.

(f) The municipality shall award a stipulated fee not less than two-tenths of one percent of the municipality's estimated cost of design and construction to each short-listed, responsible proposer who provides a responsive but unsuccessful proposal. If the municipality does not award a contract, all short-listed proposers must receive the stipulated fee. If the municipality cancels the contract before reviewing the technical proposals, the municipality shall award each design-builder on the short list a stipulated fee of not less than two-tenths of one percent of the municipality's estimated cost of design and construction. The municipality shall pay the stipulated fee to each proposer within 90 days after the award of the contract or the decision not to award a contract. In consideration for paying the stipulated fee, the municipality may use any ideas or information contained in the proposals in connection with any contract awarded for the project or in connection with a subsequent procurement, without any obligation to pay any additional compensation to the unsuccessful proposers. Notwithstanding the other provisions of this subdivision, an unsuccessful short-list proposer may elect to waive the stipulated fee. If an unsuccessful short-list proposer elects to waive the stipulated fee, the municipality may not use ideas and information contained in that proposer's proposal. Upon the request of the municipality, a proposer who waived a stipulated fee may withdraw the waiver, in which case the municipality shall pay the stipulated fee to the proposer and thereafter may use ideas and information in the proposer's proposal.

Subd. 10. **Low-bid design-build process.** (a) The municipality may also use low-bid, design-build procedures to award a design-build contract where the scope of the work can be clearly defined.

(b) Low-bid design-build projects may require an RFQ and short-listing, and must require an RFP.

(c) Submitted proposals under this subdivision must include separately a technical proposal and a price proposal. The low-bid, design-build procedures must follow a two-step process for review of the responses to the RFP as follows:

(1) the first step is the review of the technical proposal by the Technical Review Committee as provided in subdivision 4. The Technical Review Committee must open the technical proposal first and must determine if it complies with the requirements of the RFP and is responsive. The Technical Review Committee may not perform any ranking or scoring of the technical proposals; and

(2) the second step is the determination of the low bidder based on the price proposal. The municipality may not open the price proposal until the review of the technical proposal is complete.

(d) The contract award under low-bid, design-build procedures must be made to the proposer whose sealed bid is responsive to the technical requirements as determined by the Technical Review Committee and that is also the lowest bid.

(e) A stipulated fee may be paid for unsuccessful bids on low-bid, design-build projects only when the municipality has required an RFQ and short-listed the most highly qualified responsive bidders.

EFFECTIVE DATE. This section is effective the day following final enactment and expires on October 1, 2012, or upon completion of nine design-build projects under this pilot program, whichever occurs first.

Sec. 27. **REPORT TO LEGISLATURE.**

Annually, by January 15, the council shall submit a report to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation budget and policy, and to the legislature as provided under Minnesota Statutes, section 15.059. The report must summarize the design-build pilot program selection process, including the number of applications considered; the proposal process for each project that was selected; the contracting process for each project that was completed; and project costs. The report must evaluate the process and results applying the performance-based measures with which the commissioner evaluates trunk highway design-build projects. The report must include any recommendations for future legislation.

EFFECTIVE DATE. This section is effective the day following final enactment and expires on October 1, 2012, or upon completion of nine design-build projects under this pilot program, whichever occurs first.

Sec. 28. **PROHIBITION OF IMPOSITION OF SEASONAL LOAD RESTRICTIONS.**

The commissioner of transportation may not impose seasonal restrictions as to the weight of vehicles to be operated on marked Trunk Highway 11 between the cities of Baudette and International Falls.

EFFECTIVE DATE. This section is effective when the commissioner begins major construction or reconstruction on any portion of marked Trunk Highway 11, and expires when the reconstruction of marked Trunk Highway 11 is completed."

Page 31, line 32, delete "to 12" and insert "and 9"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 5, after the first semicolon, insert "authorizing transfers for transit from metropolitan livable communities fund accounts and right-of-way acquisition loan fund;"

Page 1, line 9, after the semicolon, insert "authorizing metropolitan council to levy property tax for transit and paratransit operations;"

Page 1, line 11, delete "prohibiting" and insert "restricting imposition of"

Page 1, line 14, after the first semicolon, insert "establishing design-build pilot program; prohibiting imposition of certain seasonal load restrictions;"

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

Senator Pogemiller, from the Committee on Rules and Administration, to which was referred

H.F. No. 1242 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1242	1146				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 1242 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1242, the second engrossment; and insert the language after the enacting clause of S.F. No. 1146, the first engrossment; further, delete the title of H.F. No. 1242, the second engrossment; and insert the title of S.F. No. 1146, the first engrossment.

And when so amended H.F. No. 1242 will be identical to S.F. No. 1146, and further recommends that H.F. No. 1242 be given its second reading and substituted for S.F. No. 1146, and that the Senate File be indefinitely postponed.

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

Senator Pogemiller, from the Committee on Rules and Administration, to which was referred

H.F. No. 1301 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
				1301	993

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 1301 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1301, the second engrossment; and insert the language after the enacting clause of S.F. No. 993, the second engrossment; further, delete the title of H.F. No. 1301, the second engrossment; and insert the title of S.F. No. 993, the second engrossment.

And when so amended H.F. No. 1301 will be identical to S.F. No. 993, and further recommends that H.F. No. 1301 be given its second reading and substituted for S.F. No. 993, and that the Senate File be indefinitely postponed.

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

Senator Pappas from the Committee on Higher Education, to which was referred the following appointment:

MINNESOTA OFFICE OF HIGHER EDUCATION
DIRECTOR
David R. Metzen

Reports the same back with the recommendation that the appointment be confirmed.

Senator Pogemiller moved that the foregoing committee report be laid on the table. The motion prevailed.

Senator Pappas from the Committee on Higher Education, to which were referred the following appointments:

BOARD OF TRUSTEES OF THE MINNESOTA STATE COLLEGES AND UNIVERSITIES
Cheryl Dickson
Jacob Englund
Clarence Hightower
Allyson Lueneburg
Louise Sundin
Terri Thomas

Reports the same back with the recommendation that the appointments be confirmed.

Senator Pogemiller moved that the foregoing committee report be laid on the table. The motion prevailed.

Senator Pappas from the Committee on Higher Education, to which were referred the following appointments:

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Mary Ives
Raymond VinZant

Reports the same back with the recommendation that the appointments be confirmed.

Senator Pogemiller moved that the foregoing committee report be laid on the table. The motion prevailed.

Senator Pappas from the Committee on Higher Education, to which was referred the following appointment:

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Gary Benson

Reports the same back with the recommendation that the appointment be confirmed.

Senator Pogemiller moved that the foregoing committee report be laid on the table. The motion prevailed.

SECOND READING OF SENATE BILLS

S.F. No. 1276 was read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 1242 and 1301 were read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

Senators Sieben and Metzen introduced—

S.F. No. 2105: A bill for an act relating to state government; designating booya as the official soup of the state of Minnesota; proposing coding for new law in Minnesota Statutes, chapter 1.

Referred to the Committee on State and Local Government Operations and Oversight.

Senators Anderson, Rummel, Frederickson, Torres Ray and Saxhaug introduced—

S.F. No. 2106: A bill for an act relating to state government; appropriating money from dedicated funds for natural resource purposes.

Referred to the Committee on Finance.

MOTIONS AND RESOLUTIONS

Senator Limmer moved that his name be stricken as a co-author to S.F. No. 1708. The motion prevailed.

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. 1288: A bill for an act relating to commerce; regulating various filings, forms, records, submissions, motions, and orders relating to duties and responsibilities of the secretary of state; amending Minnesota Statutes 2008, sections 5.15; 5.23, subdivisions 1, 4; 5.26, subdivision 1; 270C.63, subdivision 4; 272.488, subdivision 2; 302A.115, subdivision 1; 302A.151; 303.06; 303.11; 308A.121, subdivision 1; 308B.211, subdivision 1; 308B.215; 317A.115, subdivision 2; 321.0108; 321.0809; 321.0902; 321.0906; 321.0909; 322B.12, subdivision 1; 322B.91, subdivision 1; 322B.92; 336.9-519; 336.9-521; 336.9-525; 336A.03, subdivision 3; 336A.09, subdivision 1; 545.05, subdivisions 1, 2, 4, 7, 10, 11, 13; proposing coding for new law in Minnesota Statutes, chapter 5; repealing Minnesota Statutes 2008, sections 5.03; 308B.121, subdivision 3; Minnesota Rules, part 8280.0470.

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 0, as follows:

Those who voted in the affirmative were:

Berglin	Fobbe	Kubly	Olson, G.	Scheid
Betzold	Foley	Langseth	Olson, M.	Senjem
Carlson	Frederickson	Latz	Ortman	Sheran
Chaudhary	Gerlach	Limmer	Pariseau	Sieben
Clark	Hann	Lourey	Pogemiller	Skogen
Dahle	Higgins	Lynch	Prettner Solon	Sparks
Day	Ingebrigtsen	Marty	Rest	Stumpf
Dibble	Johnson	Metzen	Robling	Tomassoni
Dille	Jungbauer	Michel	Rosen	Torres Ray
Doll	Kelash	Moua	Rummel	Vanderveer
Erickson Ropes	Koch	Murphy	Saltzman	Vickerman
Fischbach	Koering	Olseen	Saxhaug	Wiger

So the bill passed and its title was agreed to.

S.F. No. 1849: A bill for an act relating to commerce; regulating consumer small loan lenders and residential mortgage originators and servicers; providing for the calculation of reserves and nonforfeiture values of preneed funeral insurance contracts; revising annual audit requirements for insurers; regulating life and health guaranty association notices; regulating the powers of, and surplus requests for, township mutuals; imposing penalties; amending Minnesota Statutes 2008, sections 47.58, subdivision 1; 47.60, subdivisions 1, 3, 6; 58.05, subdivision 3; 58.06, subdivision 2; 58.126; 58.13, subdivision 1; 60A.124; 60B.03, subdivision 15; 60L.02, subdivision 3; 61B.28, subdivisions 7, 8; 67A.01; 67A.06; 67A.07; 67A.14, subdivisions 1, 7; 67A.18, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 60A; 61A; 67A; repealing Minnesota

Statutes 2008, sections 60A.129; 67A.14, subdivision 5; 67A.17; 67A.19; Minnesota Rules, parts 2675.2180; 2675.7100; 2675.7110; 2675.7120; 2675.7130; 2675.7140.

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 1, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Vandever

So the bill passed and its title was agreed to.

H.F. No. 936: A bill for an act relating to human services; specifying criteria for communities for a lifetime; requiring the Minnesota Board on Aging to study and report on communities for a lifetime; amending Minnesota Statutes 2008, section 256.975, by adding a subdivision.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 59 and nays 2, as follows:

Those who voted in the affirmative were:

Berglin	Fischbach	Kubly	Olson, G.	Senjem
Betzold	Fobbe	Langseth	Olson, M.	Sheran
Carlson	Foley	Latz	Ortman	Sieben
Chaudhary	Frederickson	Limmer	Pariseau	Skoe
Clark	Hann	Lourey	Pogemiller	Skogen
Cohen	Higgins	Lynch	Rest	Sparks
Dahle	Ingebrigtsen	Marty	Robling	Stumpf
Day	Johnson	Metzen	Rosen	Tomassoni
Dibble	Jungbauer	Michel	Rummel	Torres Ray
Dille	Kelash	Moua	Saltzman	Vickerman
Doll	Koch	Murphy	Saxhaug	Wiger
Erickson Ropes	Koering	Olseen	Scheid	

Those who voted in the negative were:

Gerlach Vandever

So the bill passed and its title was agreed to.

S.F. No. 1711: A bill for an act relating to commerce; regulating motor vehicle sales and

distribution; amending Minnesota Statutes 2008, sections 80E.03, by adding a subdivision; 80E.09, subdivisions 1, 3; 80E.12; 80E.135; 80E.14, by adding a subdivision.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 59 and nays 3, as follows:

Those who voted in the affirmative were:

Berglin	Fischbach	Kubly	Olson, M.	Senjem
Betzold	Fobbe	Langseth	Ortman	Sheran
Carlson	Foley	Latz	Pariseau	Sieben
Chaudhary	Frederickson	Lourey	Pogemiller	Skoe
Clark	Gerlach	Lynch	Prettner Solon	Skogen
Cohen	Hann	Marty	Rest	Sparks
Dahle	Higgins	Metzen	Robling	Stumpf
Day	Ingebrigtsen	Michel	Rosen	Tomassoni
Dibble	Johnson	Moua	Rummel	Torres Ray
Dille	Jungbauer	Murphy	Saltzman	Vickerman
Doll	Kelash	Olseen	Saxhaug	Wiger
Erickson Ropes	Koch	Olson, G.	Scheid	

Those who voted in the negative were:

Koering	Limmer	Vandever
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So the bill passed and its title was agreed to.

S.F. No. 694: A bill for an act relating to human services; modifying prenatal alcohol or drug use prevention appropriation; amending Laws 2007, chapter 147, article 19, section 3, subdivision 4, as amended.

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:

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

So the bill passed and its title was agreed to.

H.F. No. 819: A bill for an act relating to commerce; prohibiting certain unfair Internet ticket sales by original sellers and resellers; proposing coding for new law in Minnesota Statutes, chapter 609.

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 1, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Vandev eer

So the bill passed and its title was agreed to.

S.F. No. 1539: A bill for an act relating to insurance; regulating viatical settlements; enacting and modifying the Viatical Settlements Model Act of the National Association of Insurance Commissions; providing criminal penalties; amending Minnesota Statutes 2008, sections 13.716, subdivision 7; 60A.964, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 60A; repealing Minnesota Statutes 2008, sections 60A.961; 60A.962; 60A.963; 60A.965; 60A.966; 60A.967; 60A.968; 60A.969; 60A.970; 60A.971; 60A.972; 60A.973; 60A.974.

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 0, as follows:

Those who voted in the affirmative were:

Berglin	Fobbe	Langseth	Ortman	Sieben
Betzold	Foley	Latz	Pariseau	Skoe
Carlson	Frederickson	Limmer	Pogemiller	Skogen
Chaudhary	Gerlach	Lourey	Prettner Solon	Sparks
Clark	Hann	Lynch	Rest	Stumpf
Cohen	Higgins	Marty	Robling	Tomassoni
Dahle	Ingebrigtsen	Metzen	Rosen	Torres Ray
Day	Johnson	Michel	Rummel	Vandev eer
Dibble	Jungbauer	Moua	Saltzman	Vickerman
Dille	Kelash	Murphy	Saxhaug	Wiger
Doll	Koch	Olseen	Scheid	
Erickson Ropes	Koering	Olson, G.	Senjem	
Fischbach	Kubly	Olson, M.	Sheran	

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 reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

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. 1454: A bill for an act relating to unemployment insurance; providing for a shared work plan; proposing coding for new law in Minnesota Statutes, chapter 268; repealing Minnesota Statutes 2008, section 268.135.

Senate File No. 1454 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned April 21, 2009

CONCURRENCE AND REPASSAGE

Senator Saltzman moved that the Senate concur in the amendments by the House to S.F. No. 1454 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1454 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 62 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Senator Pogemiller moved that the Senate take up the General Orders Calendar. The motion prevailed.

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 Metzen reported that the committee had considered the following:

S.F. Nos. 457, 926, 1172, 1754, 1566, 501, 806, 640, 1147, 1884, 1189, 1569, 1464, 1503 and H.F. Nos. 878, 486 and 334, which the committee recommends to pass.

S.F. No. 477, which the committee recommends to pass with the following amendment offered by Senator Doll:

Page 3, line 23, delete "2011" and insert "2012"

The motion prevailed. So the amendment was adopted.

S.F. No. 1323, which the committee recommends to pass with the following amendment offered by Senator Sheran:

Page 1, line 17, after the period, insert "A purchaser may decline to accept the sharps disposal container."

The motion prevailed. So the amendment was adopted.

On motion of Senator Pogemiller, the report of the Committee of the Whole, as kept by the Secretary, was adopted.

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 Report at the Desk be now adopted. The motion prevailed.

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

S.F. No. 2074: A bill for an act relating to taxation; income and corporate franchise; providing a federal update; amending Minnesota Statutes 2008, sections 289A.02, subdivision 7, as amended; 290.01, subdivisions 19, as amended, 19a, as amended, 19b, 19c, as amended, 19d, as amended, 31,

as amended; 290.06, subdivision 2c; 290.067, subdivision 2a, as amended; 290.091, subdivision 2; 290.095, subdivision 11; 290.9727, by adding a subdivision; 290A.03, subdivisions 3, as amended, 15, as amended; 291.005, subdivision 1, 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

INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND INSURANCE PREMIUM TAXES

Section 1. **[116J.665] MINNESOTA BUSINESS INVESTMENT COMPANY CREDIT.**

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

(b) "Affiliate" means:

(1) any person who, directly or indirectly, beneficially owns, controls, or holds power to vote 15 percent or more of the outstanding voting securities or other voting ownership interest of a Minnesota business investment company or insurance company; and

(2) any person, 15 percent or more of whose outstanding voting securities or other voting ownership interests are directly or indirectly beneficially owned, controlled, or held with power to vote by a Minnesota business investment company or insurance company.

Notwithstanding this subdivision, an investment by a participating investor in a Minnesota business investment company pursuant to an allocation of premium tax credits under this section does not cause that Minnesota business investment company to become an affiliate of that participating investor.

(c) "Allocation date" means the date on which credits under section 297I.23 are allocated to the participating investors of a Minnesota business investment company under this section.

(d) "Commissioner" means the commissioner of employment and economic development.

(e) "Department" means the Department of Employment and Economic Development.

(f) "Designated capital" means an amount of money that:

(1) is invested by a participating investor in a Minnesota business investment company; and

(2) fully funds the purchase price of either or both participating investor's equity interest in a Minnesota business investment company or a qualified debt instrument issued by a Minnesota business investment company.

(g) "Minnesota business investment company" means a partnership, corporation, trust, or limited liability company, organized on a for-profit basis, that:

(1) has its principal office located or is headquartered in Minnesota;

(2) has as its primary business activity the investment of cash in qualified businesses; and

(3) is certified by the Department of Employment and Economic Development as meeting the criteria in this section.

(h) "Participating investor" means any insurer as defined in section 60A.02, subdivision 4, that contributes designated capital pursuant to this section.

(i) "Person" means any natural person or entity, including, but not limited to, a corporation, general or limited partnership, trust, or limited liability company.

(j) "Qualified business" means a business that is independently owned and operated and meets all of the following requirements:

(1) it is headquartered in Minnesota, its principal business operations are located in this state, and at least 80 percent of its employees are located in Minnesota;

(2) it has not more than 100 employees at the time of the first qualified investment in the business;

(3) it is not predominantly engaged in:

(i) professional services provided by accountants, doctors, or lawyers;

(ii) banking or lending;

(iii) real estate development;

(iv) insurance;

(v) oil and gas exploration;

(vi) gambling activities;

(vii) retail sales; or

(viii) making loans to or investments in a Minnesota business investment company or an affiliate;
and

(4) it is not a franchise of and has no financial relationship with a Minnesota business investment company or any affiliate of a Minnesota business investment company prior to a Minnesota business investment company's first qualified investment in the business.

(k) "Qualified debt instrument" means a debt instrument issued by a Minnesota business investment company that meets all of the following criteria:

(1) it is issued at par value or a premium;

(2) it has an original maturity date of at least four years from the date of issuance, and a repayment schedule that is not faster than a level principal amortization over four years; and

(3) it satisfies the rating criteria to qualify as "NAIC1," as determined by the Securities Valuation Office of the National Association of Insurance Commissioners.

(l) "Qualified distribution" means any distribution or payment not made to a participating investor or affiliate of a participating investor by a Minnesota business investment company in connection with the following:

(1) costs and expenses of forming, syndicating, and organizing the Minnesota business investment company, including fees paid for professional services, and the costs of financing and insuring the obligations of a Minnesota business investment company;

(2) an annual management fee not to exceed one percent of designated capital on an annual basis to offset the costs and expenses of managing and operating a Minnesota business investment company;

(3) reasonable and necessary fees in accordance with industry custom for ongoing professional services, including, but not limited to, legal and accounting services related to the operation of a Minnesota business investment company, not including lobbying or governmental relations; and

(4) payments of principal and interest to holders of qualified debt instruments issued by a Minnesota business investment company may be made without restriction.

(m) "Qualified investment" means the investment of money by a Minnesota business investment company in a qualified business for the purchase of any debt, debt participation, equity, or hybrid security of any nature and description, including a debt instrument or security that has the characteristics of debt but which provides for conversion into equity or equity participation instruments such as options or warrants. Any repayment of a qualified investment prior to one year from the date of issuance shall result in the amount of the qualified investment being reduced by 50 percent for purposes of the cumulative investment requirement set forth in subdivision 8, paragraph (c).

(n) "State premium tax liability" means any liability incurred by an insurance company under the provisions of chapter 297I or in the case of a repeal or a reduction by the state of the liability imposed by chapter 297I, any other tax liability imposed upon an insurance company by the state.

Subd. 2. **Certification.** (a) The commissioner must provide a standardized format for applying for the business investment credit under section 297I.23.

(b) An applicant must:

(1) file an application with the commissioner;

(2) pay a nonrefundable application fee of \$7,500 at the time of filing the application;

(3) submit as part of its application an audited balance sheet that contains an unqualified opinion of an independent certified public accountant issued not more than 35 days before the application date that states that the applicant has an equity capitalization of \$500,000 or more in the form of unencumbered cash, marketable securities, or other liquid assets; and

(4) have at least two principals or persons, at least one of which is primarily located in Minnesota, employed or engaged to manage the funds who each have a minimum of five years of money management experience in the venture capital or business industry.

(c) The commissioner may certify partnerships, corporations, trusts, or limited liability companies, organized on a for-profit basis, which submit an application to be designated as a Minnesota business investment company if the applicant is located, headquartered, and licensed or registered to conduct business in Minnesota, has as its primary business activity the investment of cash in qualified businesses, and meets the other criteria set forth in this section.

(d) The commissioner must review the organizational documents of each applicant for certification and the business history of each applicant, determine whether the applicant has satisfied the requirements of this section, and determine whether the officers and the board of directors, general partners, trustees, managers, or members are trustworthy and are thoroughly acquainted with the requirements of this section.

(e) Within 45 days after the receipt of an application, the commissioner must issue the certification or refuse the certification and communicate in detail to the applicant the grounds for refusal, including suggestions for the removal of the grounds.

(f) The commissioner must begin accepting applications to become a Minnesota business investment company as defined under section 297I.23 by August 1, 2009.

Subd. 3. **Requirements.** (a) An insurance company or affiliate of an insurance company must not, directly or indirectly:

(1) beneficially own, whether through rights, options, convertible interest, or otherwise, 15 percent or more of the voting securities or other voting ownership interest of a Minnesota business investment company;

(2) manage a Minnesota business investment company; or

(3) control the direction of investments for a Minnesota business investment company.

(b) A Minnesota business investment company may obtain one or more guaranties, indemnities, bonds, insurance policies, or other payment undertakings for the benefit of its participating investors from any entity, except that in no case can more than one participating investor of a Minnesota business investment company on an aggregate basis with all affiliates of the participating investor be entitled to provide guaranties, indemnities, bonds, insurance policies, or other payment undertakings in favor of the participating investors of a Minnesota business investment company and its affiliates in this state.

(c) This subdivision does not preclude a participating investor, insurance company, or other party from exercising its legal rights and remedies, including, without limitation, interim management of a Minnesota business investment company, in the event that a Minnesota business investment company is in default of its statutory obligations or its contractual obligations to a participating investor, insurance company, or other party, or from monitoring a Minnesota business investment company to ensure its compliance with this section or disallowing any investments that have not been approved by the commissioner.

(d) The commissioner may contract with an independent third party to review, investigate, and certify that the applications comply with the provisions of this section.

Subd. 4. **Aggregate limitations on investment tax credits; allocation.** (a) The aggregate amount of investment tax credits to be allocated to all participating investors of Minnesota business investment companies under this section shall not exceed \$150,000,000. No Minnesota business investment company, on an aggregate basis with its affiliates, may file credit allocation claims that exceed \$150,000,000.

(b) Credits must be allocated to participating investors in the order that the credit allocation claims are filed with the commissioner, provided that all credit allocation claims filed with the

commissioner on the same day must be treated as having been filed contemporaneously. Any credit allocation claims filed with the commissioner prior to the initial credit allocation claim filing date will be deemed to have been filed on the initial credit allocation claim filing date. The commissioner will set the initial credit allocation claim filing date to be not less than 120 days and not greater than 150 days after the commissioner begins accepting applications for certification.

(c) If two or more Minnesota business investment companies file credit allocation claims with the commissioner on behalf of their respective participating investors on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of investment tax credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits shall be allocated among the participating investors who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one participating investor is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a participating investor and the denominator of which is the total of all credit allocation claims filed on behalf of all participating investors on that day, by the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day.

(d) Within ten business days after the commissioner receives a credit allocation claim filed by a Minnesota business investment company on behalf of one or more of its participating investors, the commissioner must notify the Minnesota business investment company of the amount of credits allocated to each of the participating investors of that Minnesota business investment company. In the event a Minnesota business investment company does not receive an investment of designated capital from each participating investor required to earn the amount of credits allocated to the participating investor within ten business days of the Minnesota business investment company's receipt of notice of allocation, then it shall notify the commissioner on or before the next business day, and the credits allocated to the participating investor of the Minnesota business investment company will be forfeited. The commissioner must then reallocate those forfeited credits among the participating investors of the other Minnesota business investment companies on a pro rata basis with respect to the credit allocation claims filed on behalf of the participating investors. The commissioner may levy a fine of not more than \$50,000 on any participating investor that does not invest the full amount of designated capital required to fund the credits allocated to it by the commissioner in accordance with the credit allocation claim filed on its behalf.

(e) No participating investor, on an aggregate basis with its affiliates, may file an allocation claim for more than 25 percent of the maximum amount of investment tax credits authorized hereunder, regardless of whether the claim is made in connection with one or more Minnesota business investment companies.

Subd. 5. **Requirements for continuance of certification.** (a) To maintain its certification, a Minnesota business investment company must make qualified investments as follows:

(1) within two years after the allocation date, a Minnesota business investment company must invest an amount equal to at least 35 percent of its designated capital in qualified investments; and

(2) within three years after the allocation date, a Minnesota business investment company must invest an amount equal to at least 50 percent of its designated capital in qualified investments.

(b) Prior to making a proposed qualified investment in a specific business, a Minnesota business investment company must request from the commissioner a written determination that the proposed investment will qualify as a qualified investment in a qualified business. The commissioner must

notify a Minnesota business investment company within ten business days from the receipt of a request of its determination and an explanation thereof. If the commissioner fails to notify the Minnesota business investment company of its determination within the ten-day period, the proposed investment must be deemed to be a qualified investment in a qualified business.

(c) All designated capital not invested in qualified investments by a Minnesota business investment company shall be held or invested in the manner the Minnesota business investment company deems appropriate. Designated capital and proceeds of designated capital returned to a Minnesota business investment company after being originally invested in qualified investments may be invested again in qualified investments and the investment shall count toward the requirements of paragraph (a) of this subdivision with respect to making investments of designated capital in qualified investments.

(d) If, within four years after its allocation date, a Minnesota business investment company has not invested at least 80 percent of its designated capital in qualified investments, neither the Minnesota business investment company nor its affiliates shall be permitted to receive management fees.

(e) If, within six years after its allocation date, a Minnesota business investment company has not invested at least 100 percent of its designated capital in qualified investments, neither the Minnesota business investment company nor its affiliates shall be permitted to receive management fees.

(f) A Minnesota business investment company may not invest more than 15 percent of its designated capital in any one qualified business without the specific approval of the commissioner.

(g) For purposes of calculating the investment percentage thresholds of paragraph (a), the cumulative amount of all qualified investments made by a Minnesota business investment company from the allocation date must be considered.

Subd. 6. **Minnesota business investment company reporting requirements.** (a) Each Minnesota business investment company must report the following to the commissioner:

(1) as soon as practicable after the receipt of designated capital:

(i) the name of each participating investor from which the designated capital was received, including the participating investor's insurance tax identification number;

(ii) the amount of each participating investor's investment of designated capital; and

(iii) the date on which the designated capital was received;

(2) on an annual basis, on or before January 31 of each year:

(i) the amount of the Minnesota business investment company's remaining uninvested designated capital at the end of the immediately preceding taxable year;

(ii) whether or not the Minnesota business investment company has invested more than 15 percent of its total designated capital in any one business;

(iii) all qualified investments that the Minnesota business investment company has made in the previous taxable year, including the number of employees of each qualified business in which it has made investments at the time of the investment, and as of December 1 of the preceding taxable year;

and

(iv) for any qualified business where the Minnesota business investment company no longer has an investment, the Minnesota business investment company must provide employment figures for that company as of the last day before the investment was terminated;

(3) other information that the commissioner may reasonably request that will help the commissioner ascertain the impact of the Minnesota business investment company program both directly and indirectly on the economy of the state of Minnesota including, but not limited to, the number of jobs created by qualified businesses that have received qualified investments;

(4) within 90 days of the close of its fiscal year, annual audited financial statements of the Minnesota business investment company, which must include the opinion of an independent certified public accountant; and

(5) an "agreed upon procedures report" or equivalent regarding the operations of the Minnesota business investment company.

(b) A Minnesota business investment company must pay to the commissioner an annual, nonrefundable certification fee of \$5,000 on or before April 1, or \$10,000 if later. No annual certification fee is required if the payment date for the fee is within six months of the date a Minnesota business investment company is first certified by the commissioner.

(c) Upon satisfying the requirements of subdivision 5, paragraph (a), clause (2), a Minnesota business investment company shall provide the notice to the commissioner and the commissioner shall, within 60 days of receipt of the notice, either confirm that the Minnesota business investment company has satisfied the requirements of subdivision 5, paragraph (a), clause (2), as of that date or provide notice of noncompliance and an explanation of any existing deficiencies. If the commissioner does not provide the notice within 60 days, the Minnesota business investment company shall be deemed to have met the requirements of subdivision 5, paragraph (a), clause (2).

Subd. 7. **Distributions.** A Minnesota business investment company may make qualified distributions at any time. In order for a Minnesota business investment company to make a distribution other than a qualified distribution to its equity holders, the cumulative amount of all qualified investments of the Minnesota business investment company must equal or exceed 100 percent of its designated capital.

Subd. 8. **Decertification.** (a) The commissioner shall conduct an annual review of each Minnesota business investment company to determine if a Minnesota business investment company is abiding by the requirements of certification and to ensure that no investment has been made in violation of this section. The cost of the annual review must be paid by each Minnesota business investment company according to a reasonable fee schedule adopted by the commissioner.

(b) Any material violation of this section, including any material misrepresentation made to the commissioner in connection with the application process, may be grounds for decertification of a Minnesota business investment company and the disallowance of credits under section 297I.23, provided that in all instances the commissioner shall provide notice to the Minnesota business investment company of the grounds of the proposed decertification and the opportunity to remedy the violation before the decertification becomes effective.

(c) After a Minnesota business investment company has invested an amount cumulatively

equal to 100 percent of its designated capital in qualified investments, provided that the Minnesota business investment company has met all other requirements under this section as of that date, the Minnesota business investment company shall no longer be subject to regulation by the commissioner or the reporting requirements under subdivision 6. Upon receiving certification by a Minnesota business investment company that it has invested an amount equal to 100 percent of its designated capital, the commissioner must notify a Minnesota business investment company within 60 days that it has or has not met the requirements, with a reason for the determination if it has not. If the commissioner does not provide notification of deregulation within 60 days, the Minnesota business investment company shall be deemed to have met the requirements and shall be deemed to no longer be subject to regulation by the commissioner.

(d) The commissioner must send written notice of any decertification proceedings to the commissioner of revenue and to the address of each participating investor whose tax credit may be subject to recapture or forfeiture, using the address shown on the last filing submitted to the commissioner.

Subd. 9. **Registration requirements.** All investments by participating investors for which tax credits are awarded under this section must be registered or specifically exempt from registration.

Subd. 10. **Reports to governor and legislature.** The commissioner must make an annual report to the governor and the chairs and ranking minority members of the legislative committees having jurisdiction over taxes and economic development. The report must include:

- (1) the number of Minnesota business investment companies holding designated capital;
- (2) the amount of designated capital invested in each Minnesota business investment company;
- (3) the cumulative amount that each Minnesota business investment company has invested as of January 1, 2010, and the cumulative total each year thereafter;
- (4) the cumulative amount of follow-on capital that the investments of each Minnesota business investment company have created in terms of capital invested in qualified businesses at the same time or subsequent to investments made by a Minnesota business investment company in the businesses by sources other than Minnesota business investment companies;
- (5) the total amount of investment tax credits applied under this section for each year;
- (6) the performance of each Minnesota business investment company with regard to the requirements for continued certification;
- (7) the classification of the companies in which each Minnesota business investment company has invested according to industrial sector and size of company;
- (8) the gross number of jobs created by investments made by each Minnesota business investment company and the number of jobs retained;
- (9) the location of the companies in which each Minnesota business investment company has invested;
- (10) those Minnesota business investment companies that have been decertified, including the reasons for decertification; and

(11) other related information necessary to evaluate the effect of this section on economic development.

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

Sec. 2. Minnesota Statutes 2008, section 290.01, subdivision 19a, as amended by Laws 2009, chapter 12, article 1, section 3, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

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

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

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

(2) the amount of income or sales and use taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid or sales and use taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amount allowed under section 63(c)(1)(C) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income or sales and use tax is the last itemized deduction disallowed;

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

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

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

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

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

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

(11) the amount of expenses disallowed under section 290.10, subdivision 2;

(12) the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income; ~~and~~

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code; and

(15) to the extent deducted in computing federal taxable income, the amount of the deduction allowed under section 163(h)(3)(A)(i) of the Internal Revenue Code for a qualified residence defined in section 163(h)(4)(A)(i)(II) of the Internal Revenue Code.

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

Sec. 3. Minnesota Statutes 2008, section 290.01, subdivision 19b, is amended to read:

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

(1) net interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to

Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and under the provisions of Public Law 109-1;

(7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

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

(9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a

shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(11) 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 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 under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

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

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

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

(17) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program; and

(18) to the extent included in federal taxable income for a shareholder of an S corporation, or a partner of a partnership, an amount equal to ten percent of the taxpayer's total Minnesota net partnership and S corporation income, less the taxpayer's total net Minnesota passive partnership and S corporation income pursuant to section 469 of the Internal Revenue Code, but not less than zero.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2008, and ending before January 1, 2012.

Sec. 4. Minnesota Statutes 2008, section 290.014, subdivision 2, is amended to read:

Subd. 2. **Nonresident individuals.** Except as provided in section 290.015, a nonresident individual is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the nonresident individual is:

(1) allocable to this state under section 290.17, 290.191, or 290.20;

(2) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the estate;

(3) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character that is taxable under this chapter) in the individual's capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the trust;

(4) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the partnership; ~~or~~

(5) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a shareholder of a corporation treated as an "S" corporation under section 290.9725, and income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 1366(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the corporation; or

(6) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal

Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as the sole member of a limited liability company that is disregarded for federal income tax purposes, with income allocable to this state under section 290.17, 290.191, or 290.20, as though realized by the individual directly from the source from which it was realized by the limited liability company.

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

Sec. 5. Minnesota Statutes 2008, 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~~ \$33,220, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 6.00 percent, and for taxable years beginning after December 31 of the calendar year prior to the expiration year, 5.35 percent;

(2) On all over ~~\$25,680~~ \$33,220, but not over ~~\$102,030~~ \$131,970, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 7.70 percent, and for taxable years beginning after December 31 of the calendar year prior to the expiration year, 7.05 percent;

(3) On all over ~~\$102,030~~ \$131,970, but not over \$250,000, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 8.50 percent. For taxable years beginning after December 31 of the calendar year prior to the expiration year, on all over \$131,970, 7.85 percent;

(4) On all over \$250,000, 9.25 percent for taxable years beginning after December 31, 2008, and before January 1 of the expiration year.

In this subdivision, the "expiration year" means the taxable year beginning after a February forecast in which the commissioner of management and budget projects a positive general fund balance as of June 30 of that taxable year that equals or exceeds the projected amount of tax revenue produced by the increased tax rates under this subdivision for that taxable year.

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~~ \$22,730, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 6.00 percent, and for taxable years beginning after December 31 of the calendar year prior to the expiration year, 5.35 percent;

(2) On all over ~~\$17,570~~ \$22,730, but not over ~~\$57,710~~ \$74,650, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 7.70 percent, and for taxable years beginning after December 31 of the calendar year prior to the expiration year, 7.05 percent;

(3) On all over ~~\$57,710~~ \$74,650, but not over \$141,250, for taxable years beginning after

December 31, 2008, and before January 1 of the expiration year, 8.50 percent. For taxable years beginning after December 31 of the calendar year prior to the expiration year, on all over \$74,650, 7.85 percent;

(4) On all over \$141,250, 9.25 percent for taxable years beginning after December 31, 2008, and before January 1 of the expiration year.

(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~~ \$27,980, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 6.00 percent, and for taxable years beginning after December 31 of the calendar year prior to the expiration year, 5.35 percent;

(2) On all over ~~\$21,630~~ \$27,980, but not over ~~\$86,940~~ \$112,420, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 7.70 percent, and for taxable years beginning after December 31 of the calendar year prior to the expiration year, 7.05 percent;

(3) On all over ~~\$86,940~~ \$112,420, but not over \$212,500, for taxable years beginning after December 31, 2008, and before January 1 of the expiration year, 8.50 percent. For taxable years beginning after December 31 of the calendar year prior to the expiration year, on all over \$112,420, 7.85 percent;

(4) On all over \$212,500, 9.25 percent for taxable years beginning after December 31, 2008, and before January 1 of the expiration year.

(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), (9), (12), and (13) 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), (9), (12), and (13) 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, 2008.

Sec. 6. Minnesota Statutes 2008, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2009, 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~~ 2008, and before January 1, ~~2001~~ 2010. 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~~" "2008" shall be substituted for the word "1992." For ~~2001~~ 2010, the commissioner shall then determine the percent change from the 12 months ending on August ~~31, 1999~~ 2008, to the 12 months ending on August 31, ~~2000~~ 2009, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2008, 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, 2008.

Sec. 7. Minnesota Statutes 2008, section 290.06, is amended by adding a subdivision to read:

Subd. 36. **Investment tax credit.** (a) A credit is allowed against the tax imposed by this chapter for a qualified taxpayer's investment in a qualified new business venture. The credit equals 25 percent of the taxpayer's investment made in the business, but may not exceed the least of:

(1) the liability for tax under this chapter, including the alternative minimum taxes in sections 290.091 and 290.0921;

(2) \$50,000 for an individual not part of a partnership; or

(3) \$300,000 for a pass-through entity or C corporation.

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

(1) an accredited investor within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a), whether part of a pass-through entity or not; and

(2) an accredited investor who does not own, control, or hold power to vote 20 percent or more

of the outstanding securities of the qualified business venture in which the eligible investment is proposed.

(c) For purposes of this paragraph, "commissioner" means the commissioner of employment and economic development. Qualified taxpayers must apply to the commissioner for certification. The application must be in the form and made under the procedures specified by the commissioner. The commissioner may provide certificates entitling qualified taxpayers to tax credits under this subdivision. The maximum amount of credits for which the commissioner may issue certificates in each taxable year is \$10,000,000 in fiscal years 2010 to 2013. In awarding certificates under this paragraph, the commissioner must award them to qualified taxpayers in the order in which the applications are received. A credit certificate is first available to be applied against a taxpayer's liability in the fourth taxable year after the year in which the certificate is awarded.

(d) Each pass-through entity must provide each investor a statement indicating the investor's share of the credit amount certified to the pass-through entity under paragraph (c) based on its share of the pass-through entity's assets. The credit shall not exceed \$50,000 for each individual part of a pass-through entity.

(e) If the amount of the credit under this subdivision in any taxable year exceeds the limitation under paragraph (a), clause (1), the excess is a credit carryover to each of the ten succeeding years but may not exceed \$50,000 for an individual not part of a partnership and \$300,000 for a pass-through entity or C corporation. The entire amount of the excess unused credit must be carried first to the earliest of the taxable years to which the credit may be carried, and then to each successive year to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax less the credit for the taxable year.

(f) A business is a qualified business venture for purposes of this subdivision only if the business satisfies all of the following conditions:

(1) the business has its headquarters in Minnesota;

(2) at least 80 percent of the business's employees are employed in Minnesota, and 80 percent of the business's total payrolls paid or incurred are in the state;

(3) the business is engaged in, or is committed to engage in:

(i) using advanced technology to add value to a product, process, or service in a qualified high-technology field or qualified biotechnology or medical device field;

(ii) conducting research in and development of a product, process, or service in a qualified high-technology field or qualified biotechnology or medical device field;

(iii) developing a new product, process, or service in a qualified high-technology field or qualified biotechnology or medical device field; or

(iv) qualified green manufacturing;

(4) the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;

(5) the business has fewer than 25 employees, and, if the business has more than five employees, the business must pay its employees annual wages of at least 175 percent of the federal poverty guideline for the year for a family of four, and must pay any remaining employees annual wages of at least 110 percent of the federal poverty guideline for a family of four;

(6) the business has not been in operation for more than ten consecutive years;

(7) the business has not received more than \$1,000,000 in investments that have qualified for and received tax credits under this section;

(8) the business has less than \$2,000,000 in annual gross sales receipts;

(9) the business is not a subsidiary or an affiliate of a business that employs more than 100 employees or has gross sales receipts for the previous year of more than \$1,000,000, computed by aggregating all of the employees and gross sales receipts of the business entities affiliated with the business; and

(10) the business has not received private equity investments of more than \$2,000,000.

(g) For purposes of this subdivision, "qualified high-technology field" includes, but is not limited to, aerospace, agricultural processing, alternative energy, environmental engineering, food technology, cellulosic ethanol, information technology, materials science technology, nanotechnology, and telecommunications, but excludes business qualifying under the definitions in paragraphs (h) and (i).

(h) For purposes of this subdivision, "qualified biotechnology or medical device field" means the business of manufacturing, processing, assembling, researching, or developing biotechnology or medical device products, including biotechnology and device products used in agriculture.

(i) For purposes of this subdivision, "qualified green manufacturing" means a business whose primary business activity is production of products, processes, methods, technologies, or services intended to do one or more of the following:

(1) increase the use of energy from renewable sources, as defined in section 216B.1691;

(2) increase the energy efficiency of the electric utility infrastructure system or to increase energy conservation related to electricity use, as provided in sections 216B.2401 and 216B.241;

(3) reduce greenhouse gas emissions, as defined in section 216H.01, subdivision 2, or to mitigate greenhouse gas emissions through, but not limited to, carbon capture, storage, or sequestration;

(4) monitor, protect, restore, and preserve the quality of surface waters; and

(5) expand use of biofuels, including expanding the feasibility or reducing the cost of producing biofuels or the types of equipment, machinery, and vehicles that can use biofuels.

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

Sec. 8. [290.0678] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.

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

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

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

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

Subd. 2. **Credit allowed.** A taxpayer who incurs costs for the rehabilitation of eligible property may take a credit against the tax imposed under this chapter in an amount equal to 20 percent of the total costs of rehabilitation. Costs of rehabilitation include, but are not limited to, qualified rehabilitation expenditures as defined under section 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must exceed 50 percent of the total basis in the property at the time the rehabilitation activity begins and the rehabilitation must meet standards consistent with the standards of the Secretary of the Interior for rehabilitation as determined by the State Historic Preservation Office of the Minnesota Historical Society.

Subd. 3. **Carryforward.** If the amount of the credit under subdivision 2 exceeds the tax liability under this chapter for the year in which the cost is incurred, the amount that exceeds the tax liability may be carried forward to each of the ten taxable years succeeding the taxable year in which the expense was incurred. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. The unused portion of the credit must be carried to the following taxable year.

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

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

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

Subd. 6. **Mortgage certificates; credit for lending institutions.** (a) The taxpayer may elect, in lieu of the credit otherwise allowed under this section, to receive a historic rehabilitation mortgage credit certificate.

(b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a certificate that is issued to the taxpayer according to procedures prescribed by the State Historic Preservation Office with respect to the certified rehabilitation and which meets the requirements of this paragraph. The face amount of the certificate must be equal to the credit that would be allowable under subdivision 2 to the taxpayer with respect to the rehabilitation. The certificate may only be transferred by the taxpayer to a lending institution, including a nondepository home mortgage lending institution, in connection with a loan:

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

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

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

(1) the principal amount of the loan;

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

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

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

Subd. 7. **National landmarks.** Notwithstanding subdivision 2, the rehabilitation of a property designated as a National Historic Landmark on the National Register of Historic Places, shall be eligible for the credit under this section provided the renovation of the specific property, designated as the National Historic Landmark, without regard to its being part of a larger project, is consistent with the standards set forth in section 47(c) of the Internal Revenue Code, and all other requirements of this section are met.

Subd. 8. **Determination of economic impact.** The Minnesota Historical Society shall annually determine the economic impact to the state from the rehabilitation of eligible property for which credits are provided under this section and report on the impact to the committees on taxes of the senate and house of representatives.

EFFECTIVE DATE. This section is effective for taxable years after December 31, 2008, except

that only projects that have obtained a certificate pursuant to subdivision 5 after June 30, 2009, are eligible for the credit.

Sec. 9. [290.0681] FILM PRODUCTION INVESTMENT CREDIT.

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

(a) "Qualifying film production" means a motion picture that is certified by the Minnesota Film and TV Board as made wholly in Minnesota.

(b) "Qualified investment" means an amount of cash used to pay qualified production expenses that is provided by an investor who does not have any financial interest in the motion picture or the production company responsible for filming the motion picture.

(c) "Motion picture" means a feature length film, whether shot on film or digital video, or a television series with a national distribution agreement, for theatrical or television viewing or as a television pilot, but does not include television coverage of news and athletic events.

(d) "Qualified production expenses" means preproduction, production, and postproduction expenditures incurred in Minnesota that are directly used in a qualifying film production, including, without limitation, set construction and operation; wardrobes, make-up, accessories, and related services; costs associated with photography and sound synchronization, lighting, and related services and materials; editing and related services; rental of facilities and equipment; leasing of vehicles; costs of food and lodging; digital or tape editing, film processing, transfer of film to tape or digital format, sound mixing, and special and visual effects; total aggregate payroll; and music, if performed, composed, or recorded by a Minnesota musician or released or published by a Minnesota-domiciled and headquartered company. The following are not included: (1) postproduction costs for marketing and distribution; (2) any amounts that are later reimbursed; (3) any costs related to the transfer of credits; and (4) any amounts paid to persons or entities as a result of their participation in profits from the exploitation of the production.

Subd. 2. **Credit allowed.** An individual or corporate taxpayer is allowed a credit against the tax due under this chapter equal to 25 percent of the qualified investment in a qualifying film production made during the taxable year.

Subd. 3. **Carryover.** The credit is limited to the liability for tax, as computed under this chapter for the taxable year. If the amount of the credit determined under this section for any taxable year exceeds this limitation, the excess is a film investment credit carryover to each of the five succeeding taxable years. The entire amount of the excess unused credit for the taxable year is carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this subdivision shall not exceed the taxpayer's liability for tax, less the film investment credit for the taxable year.

Subd. 4. **Certification of credits.** (a) Before making a qualified investment, taxpayers must apply to the Minnesota Film and TV Board for a film production investment credit certificate. The application must be in the form and made under the procedures specified by the Minnesota Film and TV Board. The Minnesota Film and TV Board must only issue credit certificates for qualifying investments in qualifying film productions.

(b) The Minnesota Film and TV Board may not issue certificates for more than \$1,000,000 in film production investment credits per year.

(c) By January 31 of each year, the Minnesota Film and TV Board must report to the commissioner of revenue the number, amount, and taxpayers to whom film production investment credit certificates were issued during the preceding taxable year, and must provide verification that the taxpayers issued credit certificates made the full amount of the investment required by the certificate.

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

Sec. 10. Minnesota Statutes 2008, section 290.091, subdivision 1, is amended to read:

Subdivision 1. **Imposition of tax.** In addition to all other taxes imposed by this chapter a tax is imposed on individuals, estates, and trusts equal to the excess (if any) of

(a) an amount equal to 7.0 percent for taxable years beginning after December 31, 2008, and before January 1, 2014, and 6.4 percent for taxable years beginning after December 31, 2013, of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

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

Sec. 11. **[290.094] SURTAX ON CERTAIN INTEREST INCOME.**

Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that a different meaning is intended, for the purposes of this section, the following terms have the meanings given them.

(b) "Annual percentage rate" has the meanings given the term in the Code of Federal Regulations, title 12, parts 226.14 and 226.22, related to open-end and closed-end credit.

(c) "Borrower" means a debtor under a loan or a purchaser of debt under a credit sale contract.

(d) "Cardholder" means a person to whom a credit card is issued or who has agreed with the financial institution to pay obligations arising from the issuance to or use of the card by another person.

(e) "Consumer loan" means a loan made by a financial institution in which:

(1) the debtor is a person other than an organization;

(2) the debt is incurred primarily for a personal, family, or household purpose; and

(3) the debt is payable in installments or a finance charge is made.

(f) "Credit" means the right granted by a financial institution to a borrower to defer payment of a debt, to incur debt and defer its payment, or to purchase property or services and defer payment.

(g) "Credit card" means a card or device issued under an arrangement pursuant to which a financial institution gives to a cardholder the privilege of obtaining credit from the financial

institution or other person in purchasing or leasing property or services, obtaining loans, or otherwise. A transaction is "pursuant to a credit card" only if credit is obtained according to the terms of the arrangement by transmitting information contained on the card or device orally, in writing, by mechanical or electronic methods, or in any other manner. A transaction is not "pursuant to a credit card" if the card or device is used solely in that transaction to:

(1) identify the cardholder or evidence the cardholder's creditworthiness and credit is not obtained according to the terms of the arrangement;

(2) obtain a guarantee of payment from the cardholder's deposit account, whether or not the payment results in a credit extension to the cardholder by the financial institution; or

(3) effect an immediate transfer of funds from the cardholder's deposit account by electronic or other means, whether or not the transfer results in a credit extension to the cardholder by the financial institution.

(h) "Credit sale contract" means a contract evidencing a credit sale. "Credit sale" means a sale of goods or services, or an interest in land, in which:

(1) credit is granted by a seller who regularly engages as a seller in credit transactions of the same kind; and

(2) the debt is payable in installments or a finance charge is made.

(i) "Financial institution" means a state or federally chartered bank, a state or federally chartered bank and trust, a trust company with banking powers, a state or federally chartered savings association, an industrial loan and thrift company organized under chapter 53, a regulated lender organized under chapter 56, or an operating subsidiary of any such institution.

(j) "Loan" means:

(1) the creation of debt by the financial institution's payment of money to the borrower or a third person for the account of the borrower;

(2) the creation of debt pursuant to a credit card in any manner, including a cash advance or the financial institution's honoring a draft or similar order for the payment of money drawn or accepted by the borrower, paying or agreeing to pay the borrower's obligation, or purchasing or otherwise acquiring the borrower's obligation from the obligee or the borrower's assignee;

(3) the creation of debt by a cash advance to a borrower pursuant to an overdraft line of credit arrangement;

(4) the creation of debt by a credit to an account with the financial institution upon which the borrower is entitled to draw immediately;

(5) the forbearance of debt arising from a loan; and

(6) the creation of debt pursuant to open-end credit.

"Loan" does not include the forbearance of debt arising from a sale or lease, a credit sale contract, or an overdraft from a person's deposit account with a financial institution which is not pursuant to a written agreement to pay overdrafts with the right to defer repayment thereof.

(k) "Organization" means a corporation, government, government subdivision or agency, trust, estate, partnership, joint venture, cooperative, limited liability company, limited liability partnership, or association.

(l) "Person" means a natural person or an organization.

(m) "Principal" means the total of:

(1) the amount paid to, received by, or paid or repayable for the account of, the borrower; and

(2) to the extent that payment is deferred:

(i) the amount actually paid or to be paid by the financial institution for additional charges permitted under this section; and

(ii) prepaid finance charges.

Subd. 2. **Scope.** (a) Any person or organization conducting a trade or business in this state who is subject to the Truth in Lending requirements under Code of Regulations, title 12, part 226 (Federal Regulation Z), and who charges interest on the credit issued shall be subject to a surtax on each transaction as prescribed by this chapter. Transactions include any open-end and closed-end credit transactions subject to Federal Regulation Z such as loans, consumer loans, credit sale contracts, extensions of credit, and credit issued pursuant to a credit card. A transferee or assignee of a transaction subject to the surtax under this section, is also subject to the tax under this section.

(b) The tax shall be determined for each transaction subject to the requirements of this section that occurs during the calendar year.

Subd. 3. **Surtax rate.** The surtax shall be imposed at the rate of 30 percent on any income attributable to interest collected from the portion of an annual percentage rate that exceeds 15 percent on transactions subject to Code of Regulations, title 12, part 226 (Federal Regulation Z).

Subd. 4. **Collection and administration.** The tax imposed by this section shall be paid annually to the commissioner of revenue and is subject to the same collection, enforcement, and penalty provisions as other taxes imposed by this chapter.

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

Sec. 12. Minnesota Statutes 2008, section 290.17, subdivision 2, is amended to read:

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

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

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

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or

entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

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

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

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

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

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

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

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

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

When an employer pays an employee for a covenant not to compete, the income allocated to this

state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

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

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

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

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

Sec. 13. Minnesota Statutes 2008, section 290.191, subdivision 2, is amended to read:

Subd. 2. Apportionment formula of general application. (a) Except for those trades or businesses required to use a different formula under subdivision 3 or section 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

(1) the percent for the sales factor under paragraph (b) of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) the percent for the property factor under paragraph (b) of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) the percent for the payroll factor under paragraph (b) of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

(b) For purposes of paragraph (a) and subdivision 3, the following percentages apply for the taxable years ~~specified~~ beginning during calendar year 2009:

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	11	11
2008	81	9.5	9.5
2009	84	8	8
2010	87	6.5	6.5
2011	90	5	5

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2012	93	3.5
2013	96	2
2014 and later calendar years	100	0

- (1) sales factor is 81 percent;
- (2) property factor is 9.5 percent; and
- (3) payroll factor is 9.5 percent.

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

Sec. 14. [297L.23] MINNESOTA BUSINESS INVESTMENT COMPANY CREDIT.

(a) A participating investor as defined under section 116J.665, subdivision 1, is allowed a credit against the tax imposed in this chapter equal to 80 percent of the participating investor's investment of designated capital in a Minnesota business investment company. Beginning January 1, 2014, a participating investor may claim the credit as follows:

(1) in tax year 2014, an amount equal to 16 percent of the participating investor's investment of designated capital;

(2) in tax year 2015, an amount equal to 16 percent of the participating investor's investment of designated capital;

(3) in tax year 2016, an amount equal to 16 percent of the participating investor's investment of designated capital;

(4) in tax year 2017, an amount equal to 16 percent of the participating investor's investment of designated capital; and

(5) in tax year 2018, an amount equal to 16 percent of the participating investor's investment of designated capital.

(b) The credit for any taxable year must not exceed the liability for tax under this chapter for the year. If the amount of the credit determined under this section for any taxable year exceeds the liability for tax under this chapter, the excess shall be an investment tax credit carryover to future taxable years without limitation. Credits may be used in connection with both final payments and prepayments of a participating investor's state premium tax liability.

(c) A participating investor claiming a credit under this section is not required to pay any additional retaliatory tax levied as a result of claiming the credit.

(d) If the taxes paid by a participating investor with respect to its state premium tax liability constitute a credit against any other tax that is imposed by this state, the participating investor's credit against the other tax shall not be reduced by virtue of the reduction in the participating investor's tax liability based on the tax credit allowed under this section.

(e) Final decertification of Minnesota business investment company under section 116J.665 may result in the disallowance and the recapture of the credit allowed under this section. The amount to

be disallowed and recaptured must be assessed as follows:

(1) decertification of a Minnesota business investment company within two years of its allocation date and prior to meeting the requirements of section 116J.665, subdivision 5, paragraph (a), clause (1), shall result in the disallowance of all of the credits allowed under this section; and

(2) decertification of Minnesota business investment company that has already met the requirements of section 116J.665, subdivision 5, paragraph (a), clause (1), shall not cause the disallowance of any credits allowed under this section nor the recapture of any portion of the credits that was previously taken.

(f) A participating investor must not transfer, agree to transfer, sell, or agree to sell the credit under this section until 180 days from the date on which the participating investor invested designated capital. After 180 days from the date of investment, a participating investor, or subsequent transferee, may transfer credits based upon rules adopted by the commissioner to facilitate the transfers. Any transfer or sale of the credits does not affect the time schedule for claiming the credit. Any tax credits recaptured under this section remain the liability of the participating investor that applied the credit towards its tax liability.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 15. **REPEALER.**

Minnesota Statutes 2008, sections 290.06, subdivision 34; and 297A.815, subdivision 3, are repealed.

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

ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2008, section 289A.02, subdivision 7, as amended by Laws 2009, chapter 12, article 1, section 1, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2008~~ March 31, 2009.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 2. Minnesota Statutes 2008, section 290.01, subdivision 19, as amended by Laws 2009, chapter 12, article 1, section 2, is amended to read:

Subd. 19. **Net income.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating the federal effective dates of changes to the Internal Revenue Code and any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in

subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through ~~December 31, 2008~~ March 31, 2009, shall be in effect for taxable years beginning after December 31, 1996.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19 to 19f mean the code in effect for purposes of determining net income for the applicable year.

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

Sec. 3. Minnesota Statutes 2008, section 290.01, subdivision 19a, as amended by Laws 2009, chapter 12, article 1, section 3, is amended to read:

Subd. 19a. **Additions to federal taxable income.** For individuals, estates, and trusts, there shall be added to federal taxable income:

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

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

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

(2) the amount of income ~~or~~, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid ~~or~~, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the ~~amount~~ amounts allowed under ~~section~~ sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income ~~or~~, sales and use ~~tax is~~, motor vehicle sales, or excise taxes are the last itemized deduction deductions disallowed;

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

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

(5) the amount of expense, interest, or taxes disallowed pursuant to section 290.10 other than expenses or interest used in computing net interest income for the subtraction allowed under subdivision 19b, clause (1);

(6) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

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

(8) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

(10) the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies

for prescription drug plans;

(11) the amount of expenses disallowed under section 290.10, subdivision 2;

(12) the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income; ~~and~~

(14) the additional standard deduction for property taxes payable that is allowable under section 63(c)(1)(C) of the Internal Revenue Code;

(15) the additional standard deduction for qualified motor vehicle sales taxes allowable under section 63(c)(1)(E) of the Internal Revenue Code; and

(16) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2008, except that clause (16) is effective for taxable years ending after December 31, 2008.

Sec. 4. Minnesota Statutes 2008, section 290.01, subdivision 19b, is amended to read:

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

(1) net interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities

including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and under the provisions of Public Law 109-1;

(7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

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

(9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(11) 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 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 under United States Code, title 10, section 101(d);

United States Code, title 32, section 101(12); or the authority of the United Nations;

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

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

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

(17) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program; and

(18) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19a, clause (16).

EFFECTIVE DATE. This section is effective for taxable years ending after December 31, 2008.

Sec. 5. Minnesota Statutes 2008, section 290.01, subdivision 19c, as amended by Laws 2009, chapter 12, article 1, section 4, 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). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);

(12) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;

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

(14) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 304(a)(1)-(2) of Public Law 110-343;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A)

and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

(16) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

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

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

(19) the amount of expenses disallowed under section 290.10, subdivision 2;

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

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

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

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

(iv) licensing fees; and

(v) other similar expenses and costs.

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

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

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

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

(ii) income from factoring transactions or discounting transactions;

- (iii) royalty, patent, technical, and copyright fees;
- (iv) licensing fees; and
- (v) other similar income.

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

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

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

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

(24) the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

(25) discharge of indebtedness income resulting from reacquisition of business indebtedness and deferred under section 108(i) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years ending after December 31, 2008.

Sec. 6. Minnesota Statutes 2008, section 290.01, subdivision 19d, as amended by Laws 2009, chapter 12, article 1, section 5, 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 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 (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) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the

receiving corporation, unless the income resulting from such payments or accruals is income from sources within the United States as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code;

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

(12) the amount of 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) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

(14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

(15) 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;

(16) 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;

(17) 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 Division C, title III, section 304(a)(1)-(2) of Public Law 110-343;

(18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero; ~~and~~

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

(20) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19c, clause (25).

EFFECTIVE DATE. This section is effective for taxable years ending after December 31, 2008.

Sec. 7. Minnesota Statutes 2008, section 290.01, subdivision 31, as amended by Laws 2009,

chapter 12, article 1, section 7, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2008~~ March 31, 2009. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

Sec. 8. Minnesota Statutes 2008, section 290.06, subdivision 2c, is amended to read:

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

- (1) On the first \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 7.85 percent.

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

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

- (1) On the first \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 7.85 percent.

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

- (1) On the first \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 7.85 percent.

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

which case it may be increased to \$1.

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), ~~and (13)~~, and (16), 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)~~, and (18), 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), (9), (12), ~~and (13)~~, and (16), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9), (10), (14), (15), ~~and (16)~~, and (18).

EFFECTIVE DATE. This section is effective for taxable years ending after December 31, 2008.

Sec. 9. Minnesota Statutes 2008, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code;

(ii) the medical expense deduction;

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

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

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of

the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

(6) the amount of addition required by section 290.01, subdivision 19a, clauses (7) to (9), (12), ~~and (13)~~, and (16);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6) ~~and~~, (9) to (16), and (18).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Net minimum tax" means the minimum tax imposed by this section.

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

Sec. 10. Minnesota Statutes 2008, section 290A.03, subdivision 15, as amended by Laws 2009, chapter 12, article 1, section 10, is amended to read:

Subd. 15. **Internal Revenue Code.** "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2008~~ March 31, 2009.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable after December 31, 2009, and rent paid after December 31, 2008, and thereafter.

Sec. 11. Minnesota Statutes 2008, section 291.005, subdivision 1, as amended by Laws 2009, chapter 12, article 1, section 11, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota, and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~December 31, 2008~~ March 31, 2009.

(9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective the day following final enactment, except the changes incorporated by federal changes are effective at the same time as the changes were effective for federal purposes.

ARTICLE 3

SALES AND EXCISE TAXES

Section 1. Minnesota Statutes 2008, section 297A.64, subdivision 2, is amended to read:

Subd. 2. **Fee imposed.** (a) A fee equal to five percent of the sales price is imposed on leases or rentals of vehicles subject to the tax under subdivision 1. The lessor on the invoice to the customer

may designate the fee as "a fee imposed by the State of Minnesota for the registration of rental cars."

(b) The provisions of this subdivision do not apply to the vehicles of a nonprofit corporation or similar entity, consisting of individual or group members who pay the organization for the use of a motor vehicle, if the organization:

(1) owns or leases a fleet of vehicles of the type subject to the tax under subdivision 1 that are available to its members for use, priced on the basis of intervals of one hour or less;

(2) parks its vehicles at unstaffed, self-service locations that are accessible at any time of the day;

(3) maintains its vehicles, insures its vehicles on behalf of its members, and purchases fuel for its fleet; and

(4) does not charge usage rates that decline on a per unit basis, whether specified based on distance or time.

EFFECTIVE DATE. This section is effective July 1, 2009, and applies to registrations made or renewed on or after that date.

Sec. 2. Minnesota Statutes 2008, section 297A.66, is amended by adding a subdivision to read:

Subd. 4a. **Solicitor.** (a) "Solicitor," for purposes of subdivision 1, paragraph (a), means a person, whether an independent contractor or other representative, who directly or indirectly solicits business for the retailer.

(b) A retailer is presumed to have a solicitor in this state if it enters into an agreement with a resident under which the resident, for a commission or other consideration, directly or indirectly refers potential customers, whether by a link on an Internet Web site, or otherwise, to the seller. This paragraph only applies if the total gross receipts from sales to customers located in the state who were referred to the retailer by all residents with this type of agreement with the retailer is at least \$10,000 in the 12-month period ending on the last day of the most recent calendar quarter before the calendar quarter in which the sale is made.

(c) The presumption under paragraph (b) may be rebutted by proof that the resident with whom the seller has an agreement did not engage in any solicitation in the state on behalf of the retailer that would satisfy the nexus requirement of the United States Constitution during the 12-month period in question. Nothing in this section shall be construed to narrow the scope of the terms affiliate, agent, salesperson, canvasser, or other representative for purposes of subdivision 1, paragraph (a).

(d) For purposes of this paragraph, "resident" includes an individual who is a resident of this state, as defined in section 290.01, or a business that owns tangible personal property located in this state or has one or more employees providing services for it in this state.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2009.

Sec. 3. Minnesota Statutes 2008, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. ~~The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.~~

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an online computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;
- (3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
- (4) materials and supplies used to construct and install machinery or equipment;
- (5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
- (6) materials used for foundations that support machinery or equipment;
- (7) materials used to construct and install special purpose buildings used in the production process;
- (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
- (9) machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
- (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- (5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
- (6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;

(7) machinery and equipment used by restaurants in the furnishing, preparing, or serving of prepared foods as defined in section 297A.61, subdivision 31;

(8) machinery and equipment used to furnish the services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

(9) machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. This clause does not apply to machinery or equipment used to blend petroleum or biodiesel fuel as defined in section 239.77; or

(10) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "Online data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

(11) This subdivision does not apply to telecommunications equipment as provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications services.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 4. Minnesota Statutes 2008, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- ~~(1) capital equipment exempt under section 297A.68, subdivision 5;~~
- ~~(2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;~~
- ~~(3) (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;~~
- ~~(4) (3) building materials for correctional facilities under section 297A.71, subdivision 3;~~
- ~~(5) (4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;~~
- ~~(6) (5) elevators and building materials exempt under section 297A.71, subdivision 12;~~
- ~~(7) (6) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;~~
- ~~(8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26;~~
- ~~(9) (7) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;~~
- ~~(10) (8) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;~~
- ~~(11) (9) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37; and~~
- ~~(12) (10) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41;~~

~~(13) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, clause (11); and~~

~~(14) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 5. Minnesota Statutes 2008, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses ~~(1) to (3)~~ and (2), the applicant must be the purchaser;

(2) for subdivision 1, clauses ~~(4), (7), (3) and (8)~~ (6), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause ~~(5)~~ (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause ~~(6)~~ (5), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause ~~(9)~~ (7), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause ~~(10)~~ (8), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities; and

(7) for subdivision 1, clauses ~~(11)~~ (9) and ~~(12)~~ (10), the owner of the qualifying business; ~~and~~

~~(8) for subdivision 1, clauses (13) and (14), the applicant must be the governmental entity that owns or contracts for the project or facility.~~

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 6. Minnesota Statutes 2008, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10), (11), or (12), ~~(13), or (14)~~, the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

~~(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.~~

~~(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections~~

297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 7. Laws 1986, chapter 400, section 44, as amended by Laws 1995, chapter 264, article 2, section 39, is amended to read:

Sec. 44. DOWNTOWN TAXING AREA.

If a bill is enacted into law in the 1986 legislative session which authorizes the city of Minneapolis to issue bonds and expend certain funds including taxes to finance the acquisition and betterment of a convention center and related facilities, which authorizes certain taxes to be levied in a downtown taxing area, then, notwithstanding the provisions of that law "downtown taxing area" shall mean the geographic area bounded by the portion of the Mississippi River between I-35W and Washington Avenue, the portion of Washington Avenue between the river and I-35W, the portion of I-35W between Washington Avenue and 8th Street South, the portion of 8th Street South between I-35W and Portland Avenue South, the portion of Portland Avenue South between 8th Street South and I-94, the portion of I-94 from the intersection of Portland Avenue South to the intersection of I-94 and the Burlington Northern Railroad tracks, the portion of the Burlington Northern Railroad tracks from I-94 to Main Street and including Nicollet Island, and the portion of Main Street to Hennepin Avenue and the portion of Hennepin Avenue between Main Street and 2nd Street S.E., and the portion of 2nd Street S.E. between Main Street and Bank Street, and the portion of Bank Street between 2nd Street S.E. and University Avenue S.E., and the portion of University Avenue S.E. between Bank Street and I-35W, and by I-35W from University Avenue S.E., to the river. The downtown taxing area excludes the area bounded on the south and west by Oak Grove Street, on the east by Spruce Place, and on the north by West 15th Street. The downtown taxing area also excludes any property located in a zone that is contained in chapter 546 of the Minneapolis Zoning Code of Ordinances, on which a restaurant or liquor establishment is operated.

EFFECTIVE DATE. This section is effective for sales made after July 31, 2012, provided that the proceeds of the tax collected between July 1, 2009, and July 31, 2012, by a restaurant or liquor establishment that is excluded from the downtown taxing area by this section, when collected by the commissioner of revenue, shall be deposited in the general fund of the state treasury.

Sec. 8. Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended by Laws 1998, chapter 389, article 8, section 28, and Laws 2008, chapter 366, article 7, section 9, is amended to read:

Subd. 3. Use of revenues. Revenues received from taxes authorized by subdivisions 1 and 2 shall be used by the city to pay the cost of collecting the tax and to pay all or a portion of the expenses of constructing and improving facilities as part of an urban revitalization project in downtown Mankato known as Riverfront 2000. Authorized expenses include, but are not limited to, acquiring property and paying relocation expenses related to the development of Riverfront 2000 and related facilities, and securing or paying debt service on bonds or other obligations issued to finance the construction of Riverfront 2000 and related facilities. For purposes of this section, "Riverfront 2000 and related facilities" means a civic-convention center, an arena, a riverfront park, a technology center and related educational facilities, and all publicly owned real or personal property that the governing body of the city determines will be necessary to facilitate the use of these facilities, including but

not limited to parking, skyways, pedestrian bridges, lighting, and landscaping. It also includes the performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, ~~attached to the Mankato Civic Center~~ for use by Minnesota State University, Mankato.

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

Sec. 9. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 40, and Laws 1998, chapter 389, article 8, section 30, and Laws 2003, First Special Session chapter 21, article 8, section 13, and Laws 2005, First Special Session chapter 3, article 5, section 26, is amended to read:

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 may only be used by the city to pay the cost of collecting the tax, and to pay for the following projects or to secure or pay any principal, premium, or interest on bonds issued in accordance with subdivision 3 for the following projects.

(a) To pay all or a portion of the capital expenses of construction, equipment and acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex, including the demolition of the existing arena and the construction and equipping of a new arena.

(b) Except as provided in paragraphs (e) and (f), the remainder of the funds must be spent for:

(1) capital projects to further residential, cultural, commercial, and economic development in both downtown St. Paul and St. Paul neighborhoods; and

(2) capital and operating expenses of cultural organizations in the city, provided that the amount spent under this clause must equal ten percent of the total amount spent under this paragraph in any year.

(c) The amount apportioned under paragraph (b) shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a) prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1, 1998, but only if the city council determines that 40 percent of the revenues derived from the tax together with other revenues pledged to the payment of the bonds, including the proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

(d) If in any year more than 40 percent of the revenue derived from the tax authorized by subdivision 1 is used to pay debt service on the bonds issued for the purposes of paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment that exceeds 40 percent of the revenue must be determined for that year. In any year when 40 percent of the revenue produced by the sales tax exceeds the amount required to pay debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the amount of the excess must be made available for capital projects to further residential, cultural, commercial, and economic development in the neighborhoods and downtown until the cumulative amounts determined for all years under the preceding sentence have been made available under this sentence. The amount made available as reimbursement in the preceding sentence is not included in the 60 percent determined under paragraph (c).

(e) In each of calendar years ~~2006, 2007, 2008, and 2009~~ to 2014, revenue not to exceed

\$3,500,000 may be used to pay the principal of bonds issued for capital projects of the city. After December 31, ~~2009~~ 2014, revenue from the tax imposed under subdivision 1 may not be used for this purpose.

(f) By January 15 of each year, the mayor and the city council must report to the legislature on the use of sales tax revenues during the preceding one-year period.

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

Sec. 10. Laws 1993, chapter 375, article 9, section 46, is amended by adding a subdivision to read:

Subd. 2a. **Unexpended funds and interest.** Any interest from loan repayments or returned funds from revenues apportioned under subdivision 2, paragraph (b), clause (1), must be made available only for projects qualifying under subdivision 2, paragraph (b), clause (1).

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

Sec. 11. Laws 1998, chapter 389, article 8, section 37, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Expenditures of revenues from the sales tax imposed by the city of St. Paul that are dedicated to neighborhood investments may be made only after review of the proposals for expenditures by the citizen review panel described in this section. The panel must ensure that the application process for all proposals is open, fair, and competitive. All proposals must be reviewed by the panel prior to presentation of the proposal to the city council. The panel must evaluate the proposals and provide a report to the city council that makes recommendations regarding the proposed expenditures in rank order.

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

Sec. 12. Laws 2002, chapter 377, article 3, section 25, is amended to read:

Sec. 25. ROCHESTER LODGING TAX.

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more only upon approval of the city governing body of a

total financial package for the project.

Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from any the tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

(b) The gross proceeds from the one percent tax imposed under subdivision 1a shall be used to pay for: (1) construction, renovation, improvement, and expansion of the Mayo Civic Center and related skyway access, lighting, or landscaping; and (2) for payment of any principal, interest, or premium on bonds issued to finance the Mayo Civic Center Complex.

Subd. 3. **Expiration of taxing authority.** The authority of the city to impose a tax under subdivision 1a shall expire when the principal and interest on any bonds or other obligations issued to finance the Mayo Civic Center Complex and related skyway access, lighting, or landscaping described by the design grant authorized pursuant to Laws 2008, chapter 179, section 21, subdivision 12, have been paid or at an earlier time as the city shall, by ordinance, determine.

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

Sec. 13. Laws 2006, chapter 259, article 3, section 12, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by subdivisions 1 and 2 must be used to pay all or part of the capital costs of transportation projects included in the 2004 U.S. Highway 14-Owatonna Beltline Study by the Minnesota Department of Transportation, Steele County, and the city of Owatonna; regional parks and trail developments; and the West Hills complex, including the firehall, and library improvement projects; as described in the city resolution No. 4-06, Exhibit A, as adopted by the city on January 17, 2006. Notwithstanding the specific transportation projects described in city resolution No. 4-06, Exhibit A, the city may transfer up to \$1,500,000 of the sales and use tax revenues from the Alexander Street to 39th Avenue Southwest project to the reconstruction of 18th Street Southwest from 24th Avenue Southwest to 39th Avenue West. The amount paid from these revenues for transportation projects may not exceed \$4,450,000 plus associated bond costs. The amount paid from these revenues for park and trail projects may not exceed \$5,400,000 plus associated bond costs. The amount paid from these revenues for West Hills complex, fire hall, and library improvement projects may not exceed \$2,823,000 plus associated bond costs.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Owatonna complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 14. Laws 2008, chapter 366, article 7, section 16, subdivision 3, is amended to read:

Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of any tax imposed under subdivisions 1 and 2 shall be used by the city to pay all or a portion of the expenses of operation and maintenance of the Riverfront 2000 and related facilities, including a performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, ~~attached to the Mankato Civic Center~~ for use by Minnesota State University, Mankato. Authorized expenses include securing or paying debt service on bonds or other obligations issued to finance the construction of the facilities.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of

Mankato and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 15. Laws 2008, chapter 366, article 7, section 18, subdivision 2, is amended to read:

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used by Cook County to pay the costs of collecting the tax and to pay for the following projects:

(1) construction and improvements, and additions to a county community center centers and public recreation area areas, including, but not limited to, improvements and additions to the skateboard park, hockey rink, ball fields, community center addition, county public parking area, tennis courts, and all associated improvements areas; and

(2) construction of and improvements to the Grand Marais Public Library;

(3) construction and improvement of a countywide high-speed communications infrastructure network; and

(4) construction and improvement of a district energy plant for public facilities in Grand Marais.

Authorized expenses include, but are not limited to, paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements. The total amount of revenues from the taxes in subdivision 1 that may be used to fund these projects is ~~\$14,000,000~~ \$20,000,000 plus any associated bond costs.

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

Sec. 16. Laws 2008, chapter 366, article 7, section 18, subdivision 3, is amended to read:

Subd. 3. **Bonding authority.** Cook County may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects authorized in subdivision 2, in an amount that does not exceed ~~\$14,000,000~~ \$20,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61. The debt represented by the bonds is not included in computing any debt limitation applicable to the county, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

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

Sec. 17. **ROCHESTER FOOD AND BEVERAGE TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law or charter provision, the city of Rochester may impose a tax of one percent on the gross receipts on all sales of food and beverages by restaurants and places of refreshment, as defined by resolution of the city, that occur in the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. **Use of proceeds.** The proceeds of this tax shall be used for: (1) paying the cost of collection; (2) to pay for construction, renovation, improvement, and expansion of the Mayo Civic

Center Complex and related skyway access, lighting, or landscaping; and (3) for payment of any principal, interest, or premium on bonds issued to finance the Mayo Civic Center Complex.

Subd. 3. **Imposition of the tax.** The tax under this section may only be imposed upon approval of the city governing body of a total financing package for the project.

Subd. 4. **Expiration of taxing authority.** The authority granted under subdivision 1 to the city to impose a one percent tax on food and beverages shall expire when the principal and interest on any bonds or other obligations issued to finance the Mayo Civic Center Complex and related skyway access, lighting, or landscaping described by the design grant authorized pursuant to Laws 2008, chapter 179, section 21, subdivision 12, have been paid or at an earlier time as the city shall, by ordinance, determine.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, and upon approval of the city governing body of a total financing package to renovate, improve, or expand the Mayo Civic Center Complex.

ARTICLE 4

PROPERTY TAXES

Section 1. Minnesota Statutes 2008, section 123B.10, subdivision 1, is amended to read:

Subdivision 1. **Budgets; form of notification.** (a) Every board must publish revenue and expenditure budgets for the current year and the actual revenues, expenditures, fund balances for the prior year and projected fund balances for the current year in a form prescribed by the commissioner within one week of the acceptance of the final audit by the board, or November 30, whichever is earlier. The forms prescribed must be designed so that year to year comparisons of revenue, expenditures and fund balances can be made.

(b) A school board annually must notify the public of its revenue, expenditures, fund balances, and other relevant budget information. The board must ~~include the budget information required by this section in the materials provided as a part of its truth in taxation hearing,~~ post the materials in a conspicuous place on the district's official Web site, including a link to the district's school report card on the Department of Education's Web site, and publish the information in a qualified newspaper of general circulation in the district.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 2. Minnesota Statutes 2008, section 124D.4531, is amended by adding a subdivision to read:

Subd. 5. **Allocation from districts participating in agreements for secondary education or interdistrict cooperation.** For purposes of this section, a district with a career and technical program approved under this section that participates in an agreement under section 123A.30 or 123A.32 must allocate its levy authority under this section among participating districts.

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

Sec. 3. Minnesota Statutes 2008, section 126C.01, subdivision 3, is amended to read:

Subd. 3. **Referendum market value.** "Referendum market value" means the market value of all taxable property, excluding property classified as class 2, ~~noncommercial 4e(1), or 4e(4)~~ under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its net tax capacity multiplied by 100.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 4. Minnesota Statutes 2008, section 126C.41, subdivision 2, is amended to read:

Subd. 2. **Retired employee health benefits.** A district may levy an amount up to the amount the district is required by the collective bargaining agreement in effect on March 30, 1992, to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or other active service, as applicable, either (1) before July 1, 1992, or (2) before July 1, 1998, but for employees retiring after June 30, 1992, and before July 1, 1998, only if a sunset clause is in effect for the current collective bargaining agreement. The total amount of the levy each year may not exceed \$600,000.

Sec. 5. Minnesota Statutes 2008, section 144F.01, subdivision 3, is amended to read:

Subd. 3. **Board.** The special taxing district under this section is governed by a board made up initially of representatives of each participating political subdivision in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. If a township states in its resolution that less than the entire township will participate in the district, the partial townships shall be represented on the board by only one member, appointed from among those townships so participating. The method for appointment shall be governed by the bylaws of the district's joint powers agreement. Each participant's representative serves at the pleasure of that participant's governing body or bodies.

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

Sec. 6. Minnesota Statutes 2008, section 272.02, subdivision 7, is amended to read:

Subd. 7. **Institutions of public charity.** (a) Institutions of purely public charity that are exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code are exempt if they meet the requirements of this subdivision. In determining whether real property is exempt under this subdivision, the following factors must be considered:

(1) whether the stated purpose of the undertaking is to be helpful to others without immediate expectation of material reward;

(2) whether the institution of public charity is supported by material donations, gifts, or government grants for services to the public in whole or in part;

(3) whether a material number of the recipients of the charity receive benefits or services at reduced or no cost, or whether the organization provides services to the public that alleviate burdens or responsibilities that would otherwise be borne by the government;

(4) if income received, including material gifts and donations, that produces a profit to the charitable institution is not distributed to private interests;

(5) whether the beneficiaries of the charity are restricted or unrestricted, and, if restricted, whether the class of persons to whom the charity is made available is one having a reasonable relationship to the charitable objectives; and

(6) whether dividends, in form or substance, or assets upon dissolution, are available to private interests.

A charitable organization must satisfy the factors in clauses (1) to (6) for its property to be exempt under this subdivision, unless there is a compelling factual reason for failing to meet the factors in clause (2), (3), or (5). If there is a compelling factual reason for failing to meet the factors in clause (2), (3), or (5), an organization is a purely public charity under this subdivision without meeting those factors.

After an exemption is properly granted under this subdivision, it will remain in effect unless there is a material change in facts.

(b) For purposes of this subdivision, a grant is a written instrument or electronic document defining a legal relationship between a granting agency and a grantee when the principal purpose of the relationship is to transfer cash or something of value to the grantee to support a public purpose authorized by law in a general manner instead of acquiring by professional or technical contract, purchase, lease, or barter property or services for the direct benefit or use of the granting agency.

(c) In determining whether rental housing property qualifies for exemption under this subdivision, the following are not gifts or donations to the owner of the rental housing:

(1) rent assistance provided by the government to or on behalf of tenants; and

(2) financing assistance or tax credits provided by the government to the owner on condition that specific units or a specific quantity of units be set aside for persons or families with certain income characteristics.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 7. Minnesota Statutes 2008, section 272.02, subdivision 10, is amended to read:

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or

device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. In the case of an exemption requested under this subdivision for personal property at an electric generation facility, the commissioner must submit the advice provided by the Minnesota Pollution Control Agency to the municipality and the county in which the property is located for their approval. If the county and municipality do not submit their approval or disapproval to the commissioner within 90 days, the exemption is deemed to be approved. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

Sec. 8. Minnesota Statutes 2008, section 272.02, subdivision 86, is amended to read:

Subd. 86. **Apprenticeship training facilities.** All or a portion of a building used exclusively for a state-approved apprenticeship program through the Department of Labor and Industry is exempt if (1) it is owned ~~and operated~~ by a nonprofit corporation organization or a nonprofit trust, and operated by a nonprofit organization or a nonprofit trust, (2) the program participants receive no compensation, and (3) it is located in the Minneapolis and St. Paul standard metropolitan statistical area as determined by the 2000 federal census or in a city outside the Minneapolis and St. Paul standard metropolitan statistical area that has a population of 7,500 or greater according to the most recent federal census. This exemption ~~does not include~~ includes up to one acre of the land on which the building is located and associated parking areas on that land. If a parking area associated with the facility is used for the purposes of the facility and for other purposes, a portion of the parking area shall be exempt in proportion to the square footage of the facility used for purposes of apprenticeship training.

EFFECTIVE DATE. This section is effective for assessment year 2009, for taxes payable in 2010, and thereafter.

Sec. 9. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 90. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity, does not exceed 780 megawatts of summer capacity, and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within five miles of at least two interstate natural gas pipelines;
- (4) be located within one mile of an existing electrical transmission substation with operating alternating current voltages including each of 115 kV, 345kV, and 500 kV;

(5) be designed to provide electrical capacity, energy, and ancillary services and have satisfied all of the requirements under section 216B.243; and

(6) have executed an interconnection agreement with the Midwest Independent System Operator that does not require the acquisition of more than one mile of new electric transmission right-of-way within the county where the property is located.

Construction of the facility must be commenced after March 1, 2010, and before March 1, 2014. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter, for taxes payable in 2010 and thereafter, subject to subdivision 92.

Sec. 10. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 91. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of a simple-cycle electric generation facility of more than 40 megawatts and less than 125 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize natural gas as a primary fuel;

(2) be located within two miles of parallel existing 36-inch natural gas pipelines and an existing 115-kilovolt high-voltage electric transmission line;

(3) be designed to provide peaking, emergency backup, or contingency services; and

(4) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422.

Construction of the facility must be commenced after January 1, 2010, and before January 1, 2014. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

EFFECTIVE DATE. This section is effective for assessments in 2011, taxes payable in 2012, and thereafter, subject to subdivision 92.

Sec. 11. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 92. **Phaseout of exemptions of personal property of electric generation facilities.** Notwithstanding any other law to the contrary, the exemptions provided under this section for the attached machinery and other personal property of any electric generation facility will terminate as provided in this subdivision. Each exemption granted to begin with the 2007 or later assessment year will apply to the full value of the attached machinery and other personal property for three assessment years; in the case of an exemption granted beginning with the 2006 or an earlier assessment year, the full exemption is terminated beginning with the 2009 assessment year. For the first assessment year after the full exemption is terminated, one-third of the value of the previously exempted property will be subject to taxation, and an additional one-third will become taxable in each of the two subsequent assessment years.

EFFECTIVE DATE. This section is effective for assessments in 2009 and thereafter.

Sec. 12. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 93. Elderly living facility. An elderly living facility is exempt from taxation if it meets all of the following requirements:

- (1) the facility consists of no more than 75 living units;
- (2) the facility is located in a city of the first class with a population of more than 350,000;
- (3) the facility is owned and operated by a nonprofit corporation organized under chapter 317A;
- (4) the owner of the facility is an affiliate of entities that own and operate assisted living and skilled nursing facilities that:
 - (i) are located across a street from the facility;
 - (ii) are adjacent to a church that is exempt from taxation under subdivision 6;
 - (iii) include a congregate dining program; and
 - (iv) provide assisted living or similar social and physical support;
- (5) the residents of the facility must be:
 - (i) at least 62 years of age; or
 - (ii) handicapped;
- (6) at least 30 percent of the units in the facility are occupied by persons whose annual income does not exceed 50 percent of median family income for the area; and
- (7) before the effective date of this subdivision, the facility has received approval of street vacation and land use applications from the city in which it is to be located.

In this subdivision, "affiliate" means any entity directly or indirectly controlling or controlled by or under direct or indirect common control with an entity, and "control" means the power to direct management and policies through membership or ownership of voting securities.

The exemption provided in this subdivision applies to taxes levied in each year or partial year of the term of the facility's initial permanent financing or 25 years, whichever is later.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 13. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 94. Nursing homes. A nursing home licensed under section 144A.02 or a boarding care home certified as a nursing facility under title 19 of the Social Security Act that is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code is exempt from property taxation if the nursing home or boarding care home either:

- (1) is certified to participate in the medical assistance program under title 19 of the Social Security Act; or

(2) certifies to the commissioner of revenue that it does not discharge residents due to the inability to pay.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 14. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 95. **Railroad wye connections.** Any portion of a railroad wye connection, including the track, ties, ballast, switch gear, and related improvements, is exempt if it meets all of the following: (1) is publicly owned; (2) is funded, in whole or in part, by state grants; (3) is located within the metropolitan area as defined in section 473.121, subdivision 2; (4) includes a single track segment that is no longer than 2,500 feet in length; (5) connects intersecting rail lines; and (6) is constructed after January 1, 2009.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter, for taxes payable in 2010 and thereafter.

Sec. 15. Minnesota Statutes 2008, section 272.0213, is amended to read:

272.0213 LEASED SEASONAL-RECREATIONAL LAND.

~~A county board may elect, by resolution, to~~ Qualified lands, as defined in this section, are exempt from taxation, including an exemption from the tax under section 273.19, ~~qualified lands.~~ "Qualified lands" for purposes of this section means property that:

(1) is owned by a county, city, town, the state, or the federal governments; and

(2) is rented by the entity for noncommercial seasonal-recreational or noncommercial seasonal-recreational residential use; ~~and~~

~~(3) was rented for the purposes specified in clause (2) and was exempt from taxation for property taxes payable in 2008.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 16. Minnesota Statutes 2008, section 273.113, subdivision 1, is amended to read:

Subdivision 1. **Definition.** For the purposes of this section, the following terms have the meanings given to them:

(1) ~~"proposed bovine tuberculosis modified accredited zone"~~ means the modified accredited zone ~~proposed~~ designated by the Board of Animal Health under section 35.244; ~~and~~

(2) "located within" means that the herd is kept in the area for at least a part of calendar year 2006, 2007, or 2008; and

(3) "animal" means cattle, bison, goats, and farmed cervidae.

EFFECTIVE DATE. This section is effective for property taxes payable in 2010 and thereafter.

Sec. 17. Minnesota Statutes 2008, section 273.113, subdivision 2, is amended to read:

Subd. 2. **Eligibility; amount of credit.** Agricultural and rural vacant land classified under section 273.13, subdivision 23, located within a ~~proposed bovine tuberculosis modified accredited~~

zone is eligible for a property tax credit equal to the ~~property tax~~ greater of: (1) \$5 per acre on the ~~parcel~~ first 160 acres of the property where the herd had been located, ~~excluding any tax attributable to residential structures;~~ or (2) an amount equal to \$5 per acre times five acres times the highest number of animals tested on the property for bovine tuberculosis in a whole-herd test as reported by the Board of Animal Health in 2006, 2007, or 2008. The amount of the credit cannot exceed the property tax payable on the property where the herd had been located, ~~excluding any tax attributable to residential structures.~~ To begin to qualify for the tax credit, the owner shall file an application with the county by December 1 of the levy year. The credit must be given for each subsequent taxes payable year until the credit terminates under subdivision 4. The assessor shall indicate the amount of the property tax reduction on the property tax statement of each taxpayer receiving a credit under this section. The credit paid pursuant to this section shall be deducted from the tax due on the property as provided in section 273.1393.

EFFECTIVE DATE. This section is effective for property taxes payable in 2010 and thereafter.

Sec. 18. Minnesota Statutes 2008, section 273.13, subdivision 24, is amended to read:

Subd. 24. **Class 3.** (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) ~~All~~ Personal property that is: ~~(i) part of an electric generation, transmission, or distribution system; or (ii), including tools, implements, and machinery,~~ has a class rate of 2.8 percent.

(3) Personal property that is either: (i) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; ~~and (iii) not described in clause (3), and all,~~ including tools, implements, and machinery; or (ii) part of an electric transmission or distribution system, including tools, implements, and machinery, has a class rate of 2.25 percent.

(4) Railroad operating property has a class rate as provided under ~~clause~~ paragraph (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

~~(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the~~ (5) Personal property consisting of mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under ~~clause~~ paragraph (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

EFFECTIVE DATE. This section is effective for taxes levied in 2009, payable in 2010 and thereafter.

Sec. 19. Minnesota Statutes 2008, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), or subdivision 23, paragraph (b), clause (1), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Except for property described in item (iii) below, class 4c property must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, seasonal residential recreational for commercial purposes under this clause, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle; or (iii) the property contains 20 or fewer rental units, is devoted to temporary residential occupancy for no more than 250 days in the year, is located in a township or a city with a population of 2,500 or less, that is located outside the metropolitan area as defined under section 473.121, subdivision 2, and that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4c provided that it meets either of the following:

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property qualifying under item (i) which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit

corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22; and

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section

103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year; and

(11) lakeshore and riparian property and adjacent land, not to exceed five acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle are classified as class 3a property.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

EFFECTIVE DATE. This section is effective for assessment year 2009, taxes payable in 2010, and thereafter. For assessment year 2009 only, the January 15 application date under paragraph (d), clause (1), is extended to July 1, 2009, for property initially qualifying for the 2009 assessment under paragraph (d), clause (1), item (iii).

Sec. 20. Minnesota Statutes 2008, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** ~~The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount is \$592,000,000 tax is imposed for taxes payable in 2002 2010 and subsequent years at the rate of the tax on commercial-industrial property payable under this section in 2006. For taxes payable in subsequent years, the levy base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the~~

~~implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.~~

~~The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:~~

~~(1) an erroneous report of taxable value by a local official;~~

~~(2) an erroneous calculation by the commissioner; and~~

~~(3) an increase or decrease in taxable value for commercial industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.~~

~~The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2010.

Sec. 21. Minnesota Statutes 2008, section 275.025, subdivision 4, is amended to read:

Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of~~ The state general tax must be levied by applying a ~~uniform~~ the rate determined under subdivision 1 to all commercial-industrial tax capacity and ~~five percent of the state general tax must be levied by applying a uniform rate to all seasonal residential recreational tax capacity.~~ On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

EFFECTIVE DATE. This section is effective for taxes payable 2010.

Sec. 22. Minnesota Statutes 2008, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 15, each taxing authority, other than a school district, shall adopt a proposed budget and shall certify to the county auditor the proposed or, in the case of a town, the final property tax levy for taxes payable in the following year.

(b) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

(c) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by September 15, the city shall be deemed to have certified its levies for those taxing jurisdictions.

(d) For purposes of this section, "taxing authority" includes all home rule and statutory cities, towns, counties, school districts, and special taxing districts as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

(e) At the meeting at which the taxing authority, other than a town, adopts its proposed tax levy under paragraph (a) or (b), the taxing authority shall announce the time and place of its subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under sections 123B.09, 375.12, or 412.191.

Sec. 23. Minnesota Statutes 2008, 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. The notice must clearly state for each city, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of the taxing authorities' regularly scheduled meetings in which the budget and levy will be discussed and the final budget and levy determined, which must occur after November 24. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. The public must be allowed to speak at the meetings. It must clearly state the time and place of each taxing authority's meeting, provide 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 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)~~ (4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

~~(6)~~ (5) 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 2010 and thereafter.

Sec. 24. Minnesota Statutes 2008, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. **Public advertisement.** (a) Except for property taxes levied in 2009 and 2010, 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) Minnesota supplemental aid under section 256D.36, subdivision 1;

(vi) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;

(vii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;

(viii) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;

(ix) group residential housing under section 256I.05, subdivision 8, transferred from programs in clauses (iv) and (v); or

(x) any successor programs to those listed in clauses (i) to (ix).

(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 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 the day following final enactment.

Sec. 25. Minnesota Statutes 2008, section 275.065, subdivision 6, is amended to read:

Subd. 6. **Public hearing; Adoption of budget and levy.** ~~(a) For purposes of this section, the following terms shall have the meanings given:~~

~~(1) "Initial hearing" means the first and primary hearing held to discuss the taxing authority's proposed budget and proposed property tax levy for taxes payable in the following year, or, for school districts, the current budget and the proposed property tax levy for taxes payable in the following year.~~

~~(2) "Continuation hearing" means a hearing held to complete the initial hearing, if the initial hearing is not completed on its scheduled date.~~

~~(3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final property tax levy, and, in the case of taxing authorities other than school districts, the final budget, for taxes payable in the following year.~~

~~(b) Between November 29 and December 20, the governing bodies of a city that has a population over 500, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold an initial public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold an initial public hearing to review its current budget and proposed property tax levy for taxes payable in the following year. The metropolitan special taxing districts shall be required to hold only a single joint initial public hearing, the location of which will be determined by the affected metropolitan agencies. A city, county, metropolitan special taxing district as defined in subdivision 3, paragraph (i), regional library district established under section 134.201, or school district is not required to hold a public hearing under this subdivision unless its proposed property tax levy for taxes payable in the following year, as certified under subdivision 1, has increased over its final property tax levy for taxes payable in the current year by a percentage that is greater than the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the current year.~~

~~(c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No initial hearing may be held on a Sunday.~~

~~(d) At the initial hearing under this subdivision, the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues~~

~~are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions. At the public hearing, the school district must also provide and discuss information on the distribution of its revenues by revenue source, and the distribution of its spending by program area.~~

~~(e) If the initial hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continuation hearing must be held at least five business days but no more than 14 business days after the initial hearing. A continuation hearing may not be held later than December 20 except as provided in paragraphs (f) and (g). A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No continuation hearing may be held on a Sunday.~~

~~(f) The governing body of a county shall hold its initial hearing on the first Thursday in December each year, and may hold additional initial hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continuation hearing shall be held on the third Tuesday in December. If the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20.~~

~~(g) The metropolitan special taxing districts shall hold a joint initial public hearing on the first Wednesday of December. A continuation hearing, if necessary, shall be held on the second Wednesday of December even if that second Wednesday is after December 10.~~

~~(h) The county auditor shall provide for the coordination of initial and continuation hearing dates for all school districts and cities within the county to prevent conflicts under clauses (i) and (j).~~

~~(i) By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its initial hearing and any continuation hearing. If a school board or regional library district does not certify these dates by August 10, the auditor will assign the initial and continuation hearing dates. The dates elected or assigned must not conflict with the initial and continuation hearing dates of the county or the metropolitan special taxing districts.~~

~~(j) By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their initial and continuation hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and any continuation hearing. Until September 15, the first and second Mondays of December are reserved for the use of the cities. If a city does not certify its hearing dates by September 15, the auditor shall assign the initial and continuation hearing dates. The dates elected or assigned for the initial hearing must not conflict with the initial hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. To the extent possible, the dates of the city's continuation hearing should not conflict with the continuation hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. This paragraph does not apply to cities of 500 population or less.~~

~~(k) The county initial hearing date and the city, metropolitan special taxing district, regional library district, and school district initial hearing dates must be designated on the notices required under subdivision 3. The continuation hearing dates need not be stated on the notices.~~

~~(1) At a subsequent hearing, each county, school district, city over 500 population, and metropolitan special taxing district may amend its proposed property tax levy and must adopt a final property tax levy. Each county, city over 500 population, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. The final property tax levy must be adopted prior to adopting the final budget. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing. If a continuation hearing is held, the subsequent hearing must be held either immediately following the continuation hearing or on a date subsequent to the continuation hearing. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year. The date, time, and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.~~

~~(m)~~ (a) The property tax levy certified under section 275.07 by a city of any population, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 123B.63, subdivision 3, or 126C.17, subdivision 9, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a;

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a;

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of education or the commissioner of revenue after the proposed levy was certified; ~~and~~

(7) the amount required under section 126C.55; and

(8) the levy to pay emergency debt certificates under section 475.755 authorized and issued after the proposed levy was certified.

~~(n)~~ (b) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

~~(o)~~ (c) Notwithstanding the requirements of this section, the employer is required to meet and

negotiate over employee compensation as provided for in chapter 179A.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 26. Minnesota Statutes 2008, section 275.16, is amended to read:

275.16 COUNTY AUDITOR TO FIX AMOUNT OF LEVY.

If any such municipality shall return to the county auditor a levy greater than permitted by chapters 123A, 123B, 124D, 126C, and 136C, and sections 275.124 to 275.16, and ~~275.70 to 275.74,~~ such county auditor shall extend only such amount of taxes as the limitations herein prescribed will permit; provided, if such levy shall include any levy for the payment of bonded indebtedness or judgments, such levies for bonded indebtedness or judgments shall be extended in full, and the remainder of the levies shall be reduced so that the total thereof, including levies for bonds and judgments, shall not exceed such amount as the limitations herein prescribed will permit.

EFFECTIVE DATE. This section is effective for taxes levied in 2009, payable in 2010, and thereafter.

Sec. 27. Minnesota Statutes 2008, section 275.62, subdivision 1, is amended to read:

Subdivision 1. **Report on taxes levied.** The commissioner of revenue shall establish procedures for the annual reporting of local government levies. Each local governmental unit shall submit a report to the commissioner by December 30 of the year in which the tax is levied. The report shall include, but is not limited to, information on the amount of the tax levied by the governmental unit for the following purposes:

(1) social services and related programs, which include taxes levied for the purposes defined in Minnesota Statutes 1991 Supplement, section 275.50, subdivision 5, clauses (a), (j), and (v);

(2) the amounts levied for each of the purposes listed in Minnesota Statutes 2008, section 275.70, subdivision 5; and

(3) other levies, which include the taxes levied for all purposes not included in clause (1), (2), or (3).

EFFECTIVE DATE. This section is effective for taxes levied in 2009, payable in 2010, and thereafter.

Sec. 28. Minnesota Statutes 2008, 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 accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and eight percent on June 1. This penalty 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. In order for the first

half of the tax due on 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, 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 accrues and 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~~ \$250, 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 attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent 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 accrues and on the first day of December following, an additional penalty of two percent accrues and 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 accrues and is charged on all such unpaid taxes. If one-half of such taxes are not 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 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~~ \$250, 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 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 taxes payable in 2010 and thereafter.

Sec. 29. Minnesota Statutes 2008, section 279.10, is amended to read:

279.10 PUBLICATION CORRECTED.

Immediately after preparing forms for printing such notice and list, and at least five days before the first day for the publication thereof, every ~~such~~ publisher shall furnish proof of the proposed publication to the county auditor for correction. When ~~such~~ the copy has been corrected, the auditor shall return ~~the same~~ it to the printer, who shall publish it as corrected. On the first day on which ~~such~~ the notice and list are published, the publisher shall mail a copy of the newspaper containing ~~the~~

~~same~~ the notice and list to the auditor. If during the publication of the notice and list, or within ten days after the last publication thereof, the auditor ~~shall discover~~ discovers that ~~such the~~ publication is ~~invalid~~ contains an error, the auditor shall ~~forthwith~~ direct the publisher to ~~republish the same as corrected~~ publish the correct information for an additional period of two weeks. The auditor does not have to direct the publisher to republish the entire list. The publisher, if not neglectful, ~~shall be~~ is entitled to ~~the same~~ compensation as allowed by law for ~~the original~~ publication of the corrected information, but shall receive no further compensation ~~therefor~~ if ~~such the~~ republication is necessary by reason of the neglect of the publisher.

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

Sec. 30. Minnesota Statutes 2008, section 360.0425, is amended to read:

360.0425 GENERAL POWERS OF AUTHORITY.

An airport authority created under section 360.0426 has all the powers granted a municipality under sections 360.032 to ~~360.046~~ 360.074.

Sec. 31. Minnesota Statutes 2008, section 375.194, subdivision 5, is amended to read:

Subd. 5. **Determination of county tax rate.** The eligible county's proposed and final tax rates shall be determined by dividing the certified levy by the total taxable net tax capacity, without regard to any abatements granted under this section. ~~The county board shall make available the estimated amount of the abatement at the public hearing under section 275.065, subdivision 6.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 32. Minnesota Statutes 2008, section 383A.75, subdivision 3, is amended to read:

Subd. 3. **Duties.** The committee is authorized to and shall meet from time to time to make appropriate recommendations for the efficient and effective use of property tax dollars raised by the jurisdictions for programs, buildings, and operations. In addition, the committee shall:

(1) identify trends and factors likely to be driving budget outcomes over the next five years with recommendations for how the jurisdictions should manage those trends and factors to increase efficiency and effectiveness;

(2) agree, by October 1 of each year, on the appropriate level of overall property tax levy for the three jurisdictions and publicly report such to the governing bodies of each jurisdiction for ratification or modification by resolution; and

(3) ~~plan for the joint truth-in-taxation hearings under section 275.065, subdivision 8; and~~

(4) identify, by December 31 of each year, areas of the budget to be targeted in the coming year for joint review to improve services or achieve efficiencies.

In carrying out its duties, the committee shall consult with public employees of each jurisdiction and with other stakeholders of the city, county, and school district, as appropriate.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 33. Minnesota Statutes 2008, section 428A.101, is amended to read:

428A.101 DEADLINE FOR SPECIAL SERVICE DISTRICT UNDER GENERAL LAW.

The establishment of a new special service district after June 30, 2009 2013, requires enactment of a special law authorizing the establishment.

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

Sec. 34. Minnesota Statutes 2008, section 428A.13, is amended by adding a subdivision to read:

Subd. 1a. **Prerequisites for establishing.** Prior to establishment of a housing improvement area, the governing body of the city must:

(1) provide full disclosure of public expenditures, as well as the terms of any loans, bonds, or other financing arrangements for housing improvement area projects; and

(2) ensure that all contracts for housing improvement projects are subject to section 471.345.

Sec. 35. Minnesota Statutes 2008, section 428A.14, subdivision 1, is amended to read:

Subdivision 1. **Authority.** Fees may be imposed by the implementing entity on the housing units within the housing improvement area at a rate, term, or amount sufficient to produce revenue required to provide housing improvements in the area to reimburse the implementing entity for advances made to pay for the housing improvements or to pay principal of, interest on, and premiums, if any, on bonds issued by the implementing entity under section 428A.16. The fee can be imposed on the basis of the tax capacity of the housing unit, or the total amount of square footage of the housing unit, or a method determined by the council and specified in the resolution. If a fee is imposed on a basis other than the tax capacity or square footage of the housing unit, the council must make a finding that the alternative basis for the fee is a more equitable basis. Fees imposed under this section must meet the standard for benefit to property as provided for special assessments under chapter 429, and are subject to the same appeal processes provided under chapter 429. Before the imposition of the fees, a hearing must be held and notice must be published in the official newspaper at least seven days before the hearing and shall be mailed at least seven days before the hearing to any housing unit owner subject to a fee. For purposes of this section, the notice must also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed housing improvement fee;

(2) the estimated cost of improvements including administrative costs to be paid for in whole or in part by the fee imposed under the ordinance;

(3) the amount to be charged against the particular property;

(4) the right of the property owner to prepay the entire fee;

(5) the number of years the fee will be in effect; and

(6) a statement that the petition requirements of section 428A.12 have either been met or do not apply to the proposed fee.

Within six months of the public hearing, the implementing entity may adopt a resolution imposing a fee within the area not exceeding the amount expressed in the notice issued under this

section.

Prior to adoption of the resolution approving the fee, the condominium associations located in the housing improvement area shall submit to the implementing entity a financial plan prepared by an independent third party, acceptable to the implementing entity and associations, that provides for the associations to finance maintenance and operation of the common elements in the condominium and a long-range plan to conduct and finance capital improvements.

Sec. 36. Minnesota Statutes 2008, section 428A.21, is amended to read:

428A.21 DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS UNDER GENERAL LAW.

The establishment of a new housing improvement area after June 30, ~~2009~~ 2013, requires enactment of a special law authorizing the establishment of the area.

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

Sec. 37. Minnesota Statutes 2008, section 429.011, subdivision 2a, is amended to read:

Subd. 2a. **Municipality; certain counties.** "Municipality" also includes the following:

(1) a county in the case of construction, reconstruction, or improvement of a county state-aid highway or;

(2) a county highway as defined in section 160.02 including curbs and gutters and storm sewers;

(3) a county exercising its powers and duties under section 444.075, subdivision 1; and

(4) a county for expenses not paid for under section 403.113, subdivision 3, paragraph (b), clause (3); and

(5) a county in the case of the abatement of nuisances.

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

Sec. 38. Minnesota Statutes 2008, section 446A.086, subdivision 8, is amended to read:

Subd. 8. **Tax levy for repayment.** (a) With the approval of the authority, a governmental unit may levy in the year the state makes a payment under this section an amount up to the amount necessary to provide funds for the repayment of the amount paid by the state plus interest through the date of estimated repayment by the governmental unit. The proceeds of this levy may be used only for this purpose unless they exceed the amount actually due. Any excess must be used to repay other state payments made under this section or must be deposited in the debt redemption fund of the governmental unit. The amount of aids to be reduced to repay the state are decreased by the amount levied.

(b) If the state is not repaid in full for a payment made under this section by November 30 of the calendar year following the year in which the state makes the payment, the authority shall require the governmental unit to certify a property tax levy in an amount up to the amount necessary to provide funds for repayment of the amount paid by the state plus interest through the date of estimated repayment by the governmental unit. To prevent undue hardship, the authority may allow the governmental unit to certify the levy over a five-year period. The proceeds of the levy may be

used only for this purpose unless they are in excess of the amount actually due, in which case the excess must be used to repay other state payments made under this section or must be deposited in the debt redemption fund of the governmental unit. If the authority orders the governmental unit to levy, the amount of aids reduced to repay the state are decreased by the amount levied.

~~(c) A levy under this subdivision is an increase in the levy limits of the governmental unit for purposes of section 275.065, subdivision 6, and must be explained as a specific increase at the meeting required under that provision.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 39. Minnesota Statutes 2008, section 465.719, subdivision 9, is amended to read:

Subd. 9. Application of other laws. A corporation created by a political subdivision under this section must comply with every law that applies to the political subdivision, as if the corporation is a part of the political subdivision, unless the resolution ratifying creation of the corporation specifically exempts the corporation from part or all of a law. If the resolution exempts the corporation from part or all of a law, the resolution must make a detailed and specific finding as to why the corporation cannot fulfill its purpose if the corporation is subject to that law. A corporation may not be exempted from chapter 13D, the Minnesota Open Meeting Law, sections 138.163 to 138.25, governing records management, or chapter 13, the Minnesota Government Data Practices Act. Any affected or interested person may bring an action in district court to void the resolution on the grounds that the findings are not sufficiently detailed and specific, or that the corporation can fulfill its purpose if it is subject to the law from which the resolution exempts the corporation. Laws that apply to a political subdivision that also apply to a corporation created by a political subdivision under this subdivision include, but are not limited to:

- (1) chapter 13D, the Minnesota Open Meeting Law;
- (2) chapter 13, the Minnesota Government Data Practices Act;
- (3) section 471.345, the Uniform Municipal Contracting Law;
- (4) sections 43A.17, limiting the compensation of employees based on the governor's salary; 471.991 to 471.999, providing for equitable pay; and 465.72 and 465.722, governing severance pay;
- ~~(5) section 275.065, providing for truth in taxation hearings. If any tax revenues of the political subdivision will be appropriated to the corporation, the corporation's annual operating and capital budgets must be included in the truth in taxation hearing of the political subdivision that created the corporation;~~
- ~~(6) if the corporation issues debt, its debt is included in the political subdivision's debt limit if it would be included if issued by the political subdivision, and issuance of the debt is subject to the election and other requirements of chapter 475 and section 471.69;~~
- ~~(7) (6) section 471.895, prohibiting acceptance of gifts from interested parties, and sections 471.87 to 471.89, relating to interests in contracts;~~
- ~~(8) (7) chapter 466, relating to municipal tort liability;~~
- ~~(9) (8) chapter 118A, requiring deposit insurance or bond or pledged collateral for deposits;~~

~~(10)~~ (9) chapter 118A, restricting investments;

~~(11)~~ (10) section 471.346, requiring ownership of vehicles to be identified;

~~(12)~~ (11) sections 471.38 to 471.41, requiring claims to be in writing, itemized, and approved by the governing board before payment can be made; and

~~(13)~~ (12) the corporation cannot make advances of pay, make or guarantee loans to employees, or provide in-kind benefits unless authorized by law.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 40. Minnesota Statutes 2008, section 469.053, is amended by adding a subdivision to read:

Subd. 4a. **Seaway port authority levy.** A levy made under this subdivision shall replace the mandatory city levy under subdivision 4. A seaway port authority is a special taxing district under section 275.066 and may levy a tax in any year for the benefit of the seaway port authority. The tax must not exceed 0.01813 percent of taxable market value. The county auditor shall distribute the proceeds of the property tax levy to the seaway port authority.

EFFECTIVE DATE. This section is effective for property taxes levied in 2009 and thereafter, payable in 2010 and thereafter.

Sec. 41. Minnesota Statutes 2008, section 473.121, is amended by adding a subdivision to read:

Subd. 37. **Implicit price deflator.** "Implicit price deflator" means the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the 12-month period ending March 31 of the levy year.

Sec. 42. Minnesota Statutes 2008, section 473.13, subdivision 1, is amended to read:

Subdivision 1. **Budget.** (a) On or before December 20 of each year, the council, ~~after the public hearing required in section 275.065,~~ shall adopt a final budget covering its anticipated receipts and disbursements for the ensuing year and shall decide upon the total amount necessary to be raised from ad valorem tax levies to meet its budget. The budget shall state in detail the expenditures for each program to be undertaken, including the expenses for salaries, consultant services, overhead, travel, printing, and other items. The budget shall state in detail the capital expenditures of the council for the budget year, based on a five-year capital program adopted by the council and transmitted to the legislature. After adoption of the budget and no later than five working days after December 20, the council shall certify to the auditor of each metropolitan county the share of the tax to be levied within that county, which must be an amount bearing the same proportion to the total levy agreed on by the council as the net tax capacity of the county bears to the net tax capacity of the metropolitan area. The maximum amount of any levy made for the purpose of this chapter may not exceed the limits set by the statute authorizing the levy.

(b) Each even-numbered year the council shall prepare for its transit programs a financial plan for the succeeding three calendar years, in half-year segments. The financial plan must contain schedules of user charges and any changes in user charges planned or anticipated by the council during the period of the plan. The financial plan must contain a proposed request for state financial assistance for the succeeding biennium.

(c) In addition, the budget must show for each year:

(1) the estimated operating revenues from all sources including funds on hand at the beginning of the year, and estimated expenditures for costs of operation, administration, maintenance, and debt service;

(2) capital improvement funds estimated to be on hand at the beginning of the year and estimated to be received during the year from all sources and estimated cost of capital improvements to be paid out or expended during the year, all in such detail and form as the council may prescribe; and

(3) the estimated source and use of pass-through funds.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 43. Minnesota Statutes 2008, section 473.167, subdivision 3, is amended to read:

Subd. 3. **Tax.** The council may levy a tax on all taxable property in the metropolitan area, as defined in section 473.121, to provide funds for loans made pursuant to subdivisions 2 and 2a. This tax for the right-of-way acquisition loan fund shall be certified by the council, levied, and collected in the manner provided by section 473.13. The tax shall be in addition to that authorized by section 473.249 and any other law and shall not affect the amount or rate of taxes which may be levied by the council or any metropolitan agency or local governmental unit. The amount of the levy shall be as determined and certified by the council, provided that the tax levied by the Metropolitan Council for the right-of-way acquisition loan fund shall not exceed \$2,828,379 for taxes payable in 2004 and \$2,828,379 for taxes payable in 2005. The amount of the levy for taxes payable in 2006 and subsequent years shall not exceed the product of (1) the Metropolitan Council's property tax levy limitation under this subdivision for the previous year, multiplied by (2) one plus a percentage equal to the growth in the implicit price deflator as defined in section ~~275.70, subdivision 2.~~

EFFECTIVE DATE. This section is effective for taxes levied in 2009, payable in 2010, and thereafter.

Sec. 44. Minnesota Statutes 2008, section 473.249, subdivision 1, is amended to read:

Subdivision 1. **Indexed limit.** (a) The Metropolitan Council may levy a tax on all taxable property in the metropolitan area defined in section 473.121 to provide funds for the purposes of sections 473.121 to 473.249 and for the purpose of carrying out other responsibilities of the council as provided by law. This tax for general purposes shall be levied and collected in the manner provided by section 473.13.

(b) The property tax levied by the Metropolitan Council for general purposes shall not exceed \$10,522,329 for taxes payable in 2004 and \$10,522,329 for taxes payable in 2005.

(c) The property tax levy limitation for general purposes for taxes payable in 2006 and subsequent years shall not exceed the product of: (1) the Metropolitan Council's property tax levy limitation for general purposes for the previous year determined under this subdivision multiplied by (2) one plus a percentage equal to the growth in the implicit price deflator as defined in section ~~275.70, subdivision 2.~~

EFFECTIVE DATE. This section is effective for taxes levied in 2009, payable in 2010, and thereafter.

Sec. 45. Minnesota Statutes 2008, section 473.253, subdivision 1, is amended to read:

Subdivision 1. **Sources of funds.** The council shall credit to the livable communities demonstration account the revenues provided in this subdivision. This tax shall be levied and collected in the manner provided by section 473.13. The levy shall not exceed the following amount for the years specified:

(1) for taxes payable in 2004 and 2005, \$8,259,070; and

(2) for taxes payable in 2006 and subsequent years, the product of (i) the property tax levy limit under this subdivision for the previous year multiplied by (ii) one plus a percentage equal to the growth in the implicit price deflator as defined in section 275.70, subdivision 2.

EFFECTIVE DATE. This section is effective for taxes levied in 2009, payable in 2010, and thereafter.

Sec. 46. Minnesota Statutes 2008, section 473F.08, subdivision 3, is amended to read:

Subd. 3. **Apportionment of levy.** The county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) ~~by August 20,~~ determine the areawide portion of the levy for each governmental unit by multiplying the local tax rate of the governmental unit for the ~~preceding~~ current levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) ~~by September 5,~~ determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy;

~~(c) for determinations made under clause (a) in the case of school districts, for taxes payable in 2002, exclude the general education tax rate and the portion of the referendum tax rate attributable to the first \$415 per pupil unit from the local tax rate for the preceding levy year;~~

~~(d) for determinations made under clause (a) in the case of the Metropolitan Council, for taxes payable in 2002, exclude the transit operating tax rate from the local tax rate for the preceding levy year; and~~

~~(e) for determinations made under clause (a) in the case of transit opt-out cities, for taxes payable in 2002, exclude the opt-out transit rate from the local tax rate for the preceding levy year.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2014 and subsequent years.

Sec. 47. Minnesota Statutes 2008, section 473F.08, subdivision 5, is amended to read:

Subd. 5. **Areawide tax rate.** (a) On or before ~~August 25~~ February 5 of each year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined under subdivisions 3, clause (a), 3a, and 3b. The administrative auditor shall then determine the areawide tax rate sufficient to yield an amount equal to the sum of such levies from the areawide net tax capacity.

(b) On or before ~~September 1~~ February 10 of each year, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

(c) For the purposes of the notice required under section 275.065, the deadline for the certification under paragraph (a) is October 10 and the deadline for certification under paragraph (b) is October 15.

(d) For any governmental unit for which the county auditor has not yet determined the local tax rate by January 31, the county auditor shall determine the areawide portion of the levy based on an estimated tax rate. In the following year, the distribution levy of the unit must be adjusted to correct for the difference between the distribution levy actually received and the distribution levy that would have been received if the actual tax rate had been used.

EFFECTIVE DATE. This section is effective for taxes payable in 2014 and subsequent years.

Sec. 48. Minnesota Statutes 2008, section 475.58, subdivision 1, is amended to read:

Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

(1) to pay any unpaid judgment against the municipality;

(2) for refunding obligations;

(3) for an improvement or improvement program, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement or by an improvement within the improvement program, or from tax increments, as defined in section 469.174, subdivision 25, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or tax increments and not less than 20 percent of the cost of the improvement or the improvement program is to be assessed against benefited property or is to be paid from the proceeds of federal grant funds or a combination thereof, or is estimated to be received from tax increments;

(4) payable wholly from the income of revenue producing conveniences;

(5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;

(6) under the provisions of a law which permits the issuance of obligations of a municipality without an election;

(7) to fund pension or retirement fund or postemployment benefit liabilities pursuant to section 475.52, subdivision 6;

(8) under a capital improvement plan under section 373.40; ~~and~~

(9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if the proceeds of the bonds are not used for a purpose prohibited under section 469.176, subdivision 4g, paragraph (b); and

(10) under section 475.755.

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

Sec. 49. **[475.755] EMERGENCY DEBT CERTIFICATES.**

(a) If at any time during a fiscal year beginning before January 1, 2012, the receipts of a local government are reasonably expected to be reduced below the amount provided in the local government's budget when the final property tax levy to be collected during the fiscal year was certified and the receipts are insufficient to meet the expenses incurred or to be incurred during the fiscal year, the governing body of the local government may authorize and sell certificates of indebtedness to mature within two years or less from the end of the fiscal year in which the certificates are issued. The maximum principal amount of the certificates that it may issue in a fiscal year is limited to the expected reduction in receipts plus the cost of issuance. The certificates may be issued in the manner and on the terms the governing body determines by resolution.

(b) The governing body of the local government shall levy taxes for the payment of principal and interest on the certificates in accordance with section 475.61.

(c) The certificates are not to be included in the net debt of the issuing local government.

(d) For purposes of this section, the following terms have the meanings given:

(1) "Local government" means a statutory or home rule charter city, a town, or a county.

(2) "Receipts" includes the following amounts scheduled to be received by the local government for the fiscal year from:

(i) taxes;

(ii) aid payments previously certified by the state to be paid to the local government;

(iii) state reimbursement payments for property tax credits; and

(iv) any other source.

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

Sec. 50. Laws 1976, chapter 162, section 3, as amended by Laws 1991, chapter 167, section 3, is amended to read:

Sec. 3. **COOPERATION.**

The Red River watershed management board may cooperate with water management and flood control authorities in Minnesota, North Dakota, South Dakota, and the province of Manitoba and may enter into contracts, compacts and agreements which may be necessary to insure integration of its projects, to control the effects of flooding or to assure the beneficial use of water in the Red River basin. The Red River Watershed Management Board may conduct its meetings at a public facility within the Red River basin, or within the jurisdiction of an authority with which the Red River Watershed Management Board is authorized to cooperate.

Sec. 51. Laws 2001, First Special Session chapter 5, article 3, section 8, the effective date, as amended by Laws 2005, chapter 151, article 3, section 19, and Laws 2006, chapter 259, article 4, section 20, is amended to read:

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, ~~through taxes levied in 2011, payable in 2012~~ and thereafter.

Sec. 52. Laws 2008, chapter 366, article 6, section 9, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter on land platted after May 18, 2008.

Sec. 53. Laws 2008, chapter 366, article 6, section 10, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter on land platted after May 18, 2008.

Sec. 54. Laws 2009, chapter 12, article 2, section 5, subdivision 2, is amended to read:

Subd. 2. **Requirements.** Class 2a or 2b property that had been assessed under Minnesota Statutes 2006, section 273.111, or that is part of an agricultural homestead under Minnesota Statutes, section 273.13, subdivision 23, paragraph (a), is entitled to valuation and tax deferral under this section if:

(1) the land consists of at least ten acres;

(2) a conservation management plan for the land must be prepared ~~by an approved plan writer according to the guidance provided by the Board of Water and Soil Resources and implemented during the period in which the land is subject to valuation and deferral under this section;~~

(3) the land must be enrolled for a minimum of ten years; and

(4) there are no delinquent property taxes on the land.

Real estate may not be enrolled for valuation and deferral under this section and Minnesota Statutes, sections 273.111, 273.112, or 273.117, or Minnesota Statutes, chapter 290C, concurrently.

~~No more than 50 percent of the total acreage of an agricultural homestead may be class 2b property enrolled in this program.~~

Sec. 55. **CLOQUET AREA FIRE AND AMBULANCE SPECIAL TAXING DISTRICT.**

Subdivision 1. **Agreement.** The city of Cloquet and Perch Lake Township, by resolution of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance Taxing District for the purpose of providing fire and ambulance services throughout the district. In this section, "municipality" means home rule charter and statutory cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and ambulance services of the municipalities that receive fire and ambulance services from the district. Any other municipality that is contiguous to a municipality that is a member of the district may join the district with the agreement of the municipalities that comprise the district at the time of its application to join.

Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Taxing District Board is governed by a board made up initially of one or more elected officials of the governing body of each participating municipality in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. Each municipality's representatives serve at the pleasure of that municipality's governing body.

Subd. 3. **Tax.** The district board may impose a property tax on taxable property in the district. This tax shall be imposed at a rate that does not exceed 0.2835 percent of taxable market value for taxes payable in 2010. The board shall annually determine the separate amounts of the levy that are attributable to the cost of providing fire services and the cost of providing ambulance services. Costs for the provision of ambulance services shall be levied against taxable property within the area of the district that receive the services. Costs for the provision of fire services shall be levied against taxable property within the area of the district that receive the services.

When an additional municipality becomes a member of the district, the additional cost of providing ambulance and fire services to that municipality will be determined by the board and added to the maximum levy amount.

Each county auditor of a county that contains a municipality subject to the tax under this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District. The district may also impose other fees or charges as allowed by law for the provision of fire and ambulance services.

Subd. 4. **Public indebtedness.** The district may incur debt in the manner provided for a municipality by Minnesota Statutes, chapter 475, when necessary to accomplish its duties.

Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district may be given only in the month of January, with a minimum of twelve months notice of intent to withdraw. Withdrawal becomes effective for taxes levied in the year when the notice is given. The district and its members may develop and agree upon continuing obligations after withdrawal of a municipality.

EFFECTIVE DATE. This section is effective in Cloquet and Perch Lake Township the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each.

Sec. 56. **PROPERTY TAX TREATMENT OF HORSE BREEDING AND HORSE BOARDING PROPERTIES.**

Subdivision 1. **Study.** In order to provide for the uniform assessment and classification for property tax purposes of real property used for horse breeding and horse boarding activities, the commissioner of revenue, in consultation with the commissioner of agriculture, shall study the treatment of such properties under current law. The commissioner must report by February 1, 2010, to the chairs and ranking minority members of the taxes committees of the senate and the house of representatives, summarizing the current treatment and making recommendations for needed or useful law changes.

Subd. 2. **Appeals to the commissioner.** A person who has a right, title, interest, or lien in or upon property that had been classified as agricultural for property tax purposes for taxes payable in 2009 based on the use of the land for breeding or boarding horses, may appeal the classification of the land for taxes payable in 2010 to the commissioner of revenue if the use of the land has not substantially changed. The appeal must be in written form, and must be received by the commissioner before September 1, 2009. If the commissioner decides to resolve the appeal by issuance of a written order, the order must be issued on or before December 31, 2009. If the commissioner issues an order, a copy must be sent to both the appellant and the county assessor. The order is appealable in tax court only by the owner or taxpayer, and only within 60 days of issuance.

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

Sec. 57. REPORT BY ADMINISTRATIVE AUDITOR.

The administrative auditor selected pursuant to Minnesota Statutes, section 473F.03, with the cooperation of the county auditors in the area defined by Minnesota Statutes, section 473F.02, subdivision 2, shall develop a working model of the metropolitan revenue distribution system that implements the changes to the system provided in sections 43 and 44. By February 1, 2012, the administrative auditor shall prepare a report to the chairs and ranking minority members of the house of representatives and senate tax committees regarding the working model, including recommendations for amendments to Minnesota Statutes, chapter 473F, that are needed in order to administer sections 43 and 44.

Sec. 58. PURPOSE; COMMISSIONER GUIDANCE.

The purpose of section 6 is not to contract or expand the definition of "institutions of purely public charity" but to provide clear standards that can be applied uniformly to determine eligibility for exemption from property taxations. To carry out this purpose and to promote uniformity in application of the provisions of this section and section 6, the commissioner of revenue shall prepare a bulletin providing guidance to assessors as to the commissioner's interpretation of section 6. The bulletin may include a discussion of court decisions relevant to the requirements in section 6. This guidance must include examples of facts or circumstances that satisfy the requirement of "a compelling factual reason for failing to meet the factors in clause (2), (3), or (5)" under section 6. Assessors must implement the guidance provided in the bulletin when assessing property for which an exemption as an institution of purely public charity has been requested. The commissioner shall distribute the bulletin to all assessors by July 1, 2010.

Sec. 59. REPEALER.

(a) Minnesota Statutes 2008, section 275.065, subdivisions 6b, 6c, 8, 9, and 10, are repealed.

(b) Minnesota Statutes 2008, sections 275.70; 275.71; 275.72; 275.73; 275.74; and 275.75, are repealed.

(c) Minnesota Statutes 2008, section 275.025, subdivision 3, is repealed.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

ARTICLE 5**AIDS AND CREDITS**

Section 1. Minnesota Statutes 2008, section 273.1384, subdivision 4, is amended to read:

Subd. 4. **Payment.** (a) The commissioner of revenue shall reimburse each local taxing jurisdiction, other than school districts, for the tax reductions granted under this section in two equal installments on October 31 and December 26 of the taxes payable year for which the reductions are granted, including in each payment the prior year adjustments certified on the abstracts for that taxes payable year. The reimbursements related to tax increments shall be issued in one installment each year on December 26.

(b) 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 the Department of Education and the commissioner of education shall pay the reimbursement amounts to each school

district as provided in section 273.1392.

(c) The market value credit reimbursements payable in 2010, 2011, and 2012 for each city and each county under this section are reduced by the dollar amount of the reduction in market value credit reimbursements for that city under section 477A.013, subdivision 11, and for that county under section 477A.0124, subdivision 6. The payable 2010, 2011, or 2012 market value credit reimbursement for a city or county is not reduced to less than zero by this paragraph.

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

Sec. 2. Minnesota Statutes 2008, section 290A.23, subdivision 3, is amended to read:

Subd. 3. **Annual appropriation.** For payments made after July 1, 1996, there is annually appropriated from the general fund to the commissioner of revenue the amount necessary to make the payments required under section 290A.04, ~~subdivisions~~ subdivision 2 and 2h.

EFFECTIVE DATE. This section is effective for claims based on property taxes payable in 2010 and thereafter.

Sec. 3. Minnesota Statutes 2008, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(e) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

- (1) the city has a population that is greater than 1,000 and less than 2,500;
- (2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and
- (3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(f) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

- (1) the city had a population in 1997 of 2,500 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;
- (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;
- (4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and
- (5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(g) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

- (1) the city has a population in 1997 of 2,000 or more;
- (2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;
- (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and
- (4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(h) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

- (1) the city has a population in 1998 that is greater than 200 but less than 500;
- (2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;
- (3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

(i) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

- (1) the city had a population in 1998 that is greater than 200 but less than 500;
- (2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;
- (3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;
- (4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and
- (5) the city's formula aid for aids payable in 2000 was greater than zero.

(j) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

- (1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;
- (2) the population of the city declined more than two percent between 1988 and 1998;
- (3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and
- (4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(k) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased

in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(1) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and by an additional \$75,000 in calendar years 2009 to 2014 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year 2009 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

(n) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

(o) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(p) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

(q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the minimum and maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 \$30,000 in calendar year ~~2006~~ 2010 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

(r) The city aid base for a city is increased by \$80,000 in 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2009 only, if:

(1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;

(2) the placement of the land is being challenged administratively or in court; and

(3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.

(s) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:

(1) the city has a 2004 estimated population greater than 200 but less than 2,000;

(2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;

(3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and

(4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.

(t) The city aid base for a city is increased by \$30,000 in 2009 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$30,000 in calendar year 2009, only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.

(u) The city aid base for a city is increased by \$100,000 in 2009 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city had a city net tax capacity for aids payable in 2007 of less than \$150 per capita and the city experienced flooding on March 14, 2007, that resulted in evacuation of at least 40 homes.

(v) The city aid base for a city is increased by \$100,000 in 2009 to 2013, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city:

(1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical area;

(2) has a 2005 population greater than 7,000 but less than 8,000; and

(3) has a 2005 net tax capacity per capita of less than \$500.

(w) The city aid base is increased by \$25,000 in calendar years 2009 to 2013 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2009 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2006 is less than 200; and

(3) the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 40 percent.

(x) The city aid base is increased by \$90,000 in calendar year 2009 only and the minimum and maximum total amount of aid it may receive under section 477A.013, subdivision 9, is also increased by \$90,000 in calendar year 2009 only, provided that the city is located in the seven-county metropolitan area, has a 2006 population between 5,000 and 7,000 and has a 1997 population of over 7,000.

(y) The city aid base is increased by \$150,000 in calendar year 2010 only, and the minimum and maximum total amount of aid it may receive under section 477A.013, subdivision 9, is also increased by \$150,000 in calendar year 2010 only, provided that the city is located outside the seven-county metropolitan area, with a 2006 population greater than 425 but less than 475, and has an adjusted net tax capacity per capita greater than \$900 based on the data used to certify the 2009 aid distribution.

Sec. 4. Minnesota Statutes 2008, section 477A.0124, is amended by adding a subdivision to read:

Subd. 6. **Aid adjustments.** For aid payable in 2010, 2011, and 2012 only, each county's total distribution amount under this section is equal to its distribution amount under this section for aid payable in each year prior to the reductions under section 477A.0133, minus an aid reduction amount equal to 0.5 percent of the county's levy plus aid revenue base determined under section 477A.0133, subdivision 2, for the previous year.

Each county's reduction amount for each year is limited to the sum of the county's distributions under this section and section 273.1384 for that year before the reductions under this paragraph.

The aid reduction is applied first to the county's distributions under this section, and then, if necessary, to reduce the county's reimbursements under section 273.1384.

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

Sec. 5. Minnesota Statutes 2008, section 477A.013, is amended by adding a subdivision to read:

Subd. 11. **2010, 2011, and 2012 city aid.** For aid payable in 2010, 2011, and 2012 only, each city's distribution amount under subdivision 9 is reduced by an amount equal to 0.7 percent of the city's levy plus aid revenue base determined under section 477A.0133 for the previous year.

The reduction is limited to the sum of the city's distribution under this section and the city's reimbursement under section 273.1384 before the reductions in this subdivision.

The reduction amount for each year is applied first to the city's distribution under this section, and then, if necessary, to the city's reimbursements under section 273.1384 for that year.

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

Sec. 6. **[477A.0133] 2010, 2011, and 2012 CITY AND COUNTY AID REDUCTIONS.**

Subdivision 1. **City aid.** The commissioner of revenue shall compute an aid reduction amount for each city for aid payable in 2010, 2011, and 2012 equal to 0.7 percent of the city's levy plus aid

revenue base for the previous year.

The "levy plus aid revenue base" for a city is the sum of that city's certified property tax levy for taxes payable in the previous year, plus the sum of the amounts the city was certified to receive in the previous year as:

(1) local government aid under section 477A.013; and

(2) taconite aids under sections 298.28 and 298.282, including any aid which was required to be placed in a special fund for expenditure in the next succeeding year.

The reduction is limited to the sum of the city's payable distributions in each year, prior to the reductions under this subdivision, under sections 273.1384 and 477A.013.

The reduction is applied first to the city's distribution under section 477A.013, and then, if necessary, to the city's reimbursements under section 273.1384.

To the extent that sufficient information is available on each successive payment date within the year, the commissioner of revenue shall pay any remaining distribution or reimbursement amount that is reduced under this subdivision in equal installments on the payment dates provided by law.

Subd. 2. **County aid.** The commissioner of revenue shall compute an aid reduction amount for each county for aid payable in 2010, 2011, and 2012 equal to 0.5 percent of the county's levy plus aid revenue base for the previous year.

The "levy plus aid revenue base" for a county is the sum of that county's certified property tax levy for taxes payable in the previous year, plus the sum of the amounts the county was certified to receive in the previous year as:

(1) county program aid under section 477A.0124; and

(2) taconite aids under sections 298.28 and 298.282, including any aid which was required to be placed in a special fund for expenditure in the next succeeding year.

The reduction is limited to the sum of the county's payable 2009 distributions under sections 273.1384 and 477A.0124.

The aid reduction is applied first to the county's distributions under section 477A.0124, and then, if necessary, to reduce the county's reimbursements under section 273.1384.

To the extent that sufficient information is available on each payment date in each year, the commissioner of revenue shall pay any remaining distribution or reimbursement amount that is reduced under this section in equal installments on the payment dates provided by law.

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

Sec. 7. REPEALER.

(a) Minnesota Statutes 2008, section 290A.04, subdivision 2h, is repealed.

(b) Minnesota Statutes 2008, section 477A.16, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective for claims based on property taxes payable in 2010. Paragraph (b) is effective for aids payable in 2010.

ARTICLE 6**LOCAL DEVELOPMENT****Section 1. [414.023] INCORPORATIONS TEMPORARILY PROHIBITED.**

The chief administrative law judge must not order any municipal incorporations after June 1, 2009, and before June 1, 2014.

Sec. 2. Minnesota Statutes 2008, section 428A.01, subdivision 3, is amended to read:

Subd. 3. **Special services.** "Special services" has the meaning given in the city's ordinance ~~but~~, provided that special services may not include a service that is ordinarily provided throughout the city from general fund revenues of the city unless an increased level of the service is provided in the special service district.

For a city that includes a portion of the Central Corridor light rail transit project, "special services" includes public redevelopment costs related to the project, including the cost of programs to mitigate lost parking caused by the project.

Sec. 3. Minnesota Statutes 2008, section 469.174, is amended by adding a subdivision to read:

Subd. 10c. **Compact development district.** "Compact development district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that the following conditions are satisfied:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings or other structures that are classified as class 3a property under section 273.13, subdivision 24; and

(2) the planned redevelopment or development of the district, when completed, will increase the total square footage of buildings, classified as class 3a under section 273.13, subdivision 24, occupying the district by three times or more relative to the square footage of similar buildings occupying the district when the resolution was approved.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2009.

Sec. 4. Minnesota Statutes 2008, section 469.174, subdivision 22, is amended to read:

Subd. 22. **Tourism facility.** "Tourism facility" means property that:

(1) is located in a county where the median income is no more than 85 percent of the state median income;

(2) is located in a county in development region 2, 3, 4, ~~or 5~~, or 7E, as defined in section 462.385;

(3) is not located in a city with a population in excess of 20,000; and

(4) is acquired, constructed, or rehabilitated for use as a convention and meeting facility that is privately owned, marina, hotel, motel, lodging facility, or nonhomestead dwelling unit that in each case is intended to serve primarily individuals from outside the county.

EFFECTIVE DATE. This section is effective for requests for certification made after June 30, 2009.

Sec. 5. Minnesota Statutes 2008, section 469.175, subdivision 1, is amended to read:

Subdivision 1. **Tax increment financing plan.** (a) A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to ~~the development program for the project, including~~ the property within the project, if any, that the authority intends to acquire, identified by parcel number, identifiable property name, block, or other appropriate means indicating the area in which the authority intends to acquire properties;

(3) a list of any development activities that the plan proposes to take place within the project, ~~for which contracts have been entered into at the time of the preparation of the plan,~~ including the names of the parties to the contract, the activity governed by the contract, the estimated cost stated in the contract, and the expected date of completion of that activity;

~~(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;~~

~~(5)~~ estimates of the following:

(i) cost of the project, including administrative expenses, ~~except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the amount of the cost of the project, including administrative expenses, and interest costs that will be paid or financed with tax increments from the district, but not to exceed the estimated tax increments to be generated by the development activity;~~

(ii) amount of ~~bonded indebtedness to be incurred~~ bonds to be issued;

(iii) ~~sources of revenue to finance or otherwise pay public costs;~~

~~(iv) the most recent original net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;~~

~~(v)~~ (iv) the estimated captured net tax capacity of the tax increment financing district at completion; and

~~(vi)~~ (v) the duration of the tax increment financing district's and any subdistrict's existence;

~~(6)~~ (5) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

~~(7)~~ (6) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

~~(8)~~ (7) identification of all parcels to be included in the district or any subdistrict.

(b) The authority may specify in the tax increment financing plan the first year in which it elects to receive increment, up to four years following the year of approval of the district. This paragraph does not apply to an economic development district.

EFFECTIVE DATE. This section is effective for tax increment financing plans approved after June 30, 2009.

Sec. 6. Minnesota Statutes 2008, section 469.175, subdivision 6, is amended to read:

Subd. 6. **Annual financial reporting.** (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

(1) provide for full disclosure of the sources and uses of ~~public funds in~~ tax increments of the district;

(2) permit comparison and reconciliation with the affected local government's accounts and financial reports;

(3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;

(4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county auditor and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

(1) the original net tax capacity of the district and any subdistrict under section 469.177, subdivision 1;

(2) the net tax capacity for the reporting period of the district and any subdistrict;

(3) the captured net tax capacity of the district;

(4) any fiscal disparity deduction from the captured net tax capacity under section 469.177, subdivision 3;

(5) the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1);

(6) any captured net tax capacity distributed among affected taxing districts under section 469.177, subdivision 2, paragraph (a), clause (2);

(7) the type of district;

(8) the date the municipality approved the tax increment financing plan and the date of approval of any modification of the tax increment financing plan, the approval of which requires notice, discussion, a public hearing, and findings under subdivision 4, paragraph (a);

(9) the date the authority first requested certification of the original net tax capacity of the district and the date of the request for certification regarding any parcel added to the district;

(10) the date the county auditor first certified the original net tax capacity of the district and the date of certification of the original net tax capacity of any parcel added to the district;

(11) the month and year in which the authority has received or anticipates it will receive the first increment from the district;

(12) the date the district must be decertified;

(13) for the reporting period and prior years of the district, the actual amount received from, at least, the following categories:

(i) tax increments paid by the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding any excess taxes;

(ii) tax increments that are interest or other investment earnings on or from tax increments;

(iii) tax increments that are proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;

(iv) tax increments that are repayments of loans or other advances made by the authority with tax increments;

(v) ~~bond or loan~~ proceeds; and

(vi) ~~special assessments~~;

~~(vii) grants~~;

~~(viii) transfers from funds not exclusively associated with the district; and~~

~~(ix) the market value homestead credit paid to the authority under section 273.1384;~~

(14) for the reporting period and for the prior years of the district, the actual amount expended for, at least, the following categories:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;

(iv) administrative costs, including the allocated cost of the authority; and

~~(v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements; and~~ for housing districts, construction of affordable housing;

~~(vi) transfers to funds not exclusively associated with the district;~~

(15) the amount of any payments for activities and improvements located outside of the district that are paid for or financed with tax increments;

(16) the amount of payments of principal and interest that are made during the reporting period on any nondefeased:

(i) general obligation tax increment financing bonds; and

(ii) other tax increment financing bonds, including pay-as-you-go contracts and notes; and

~~(iii) notes and pay-as-you-go contracts;~~

(17) the principal amount, at the end of the reporting period, of any nondefeased:

(i) general obligation tax increment financing bonds; and

(ii) other tax increment financing bonds, including pay as you go contracts and notes; and

~~(iii) notes and pay-as-you-go contracts;~~

(18) the amount of principal and interest payments that are due for the current calendar year on any nondefeased:

(i) general obligation tax increment financing bonds; and

(ii) other tax increment financing bonds, including pay-as-you-go contracts and notes; and

~~(iii) notes and pay-as-you-go contracts;~~

(19) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the amount of total increased property taxes imposed on other properties in the municipality that approved the tax increment financing plan as a result of the fiscal disparities contribution; to be paid from outside the tax increment financing district; and

~~(20) the estimate, if any, contained in the tax increment financing plan of the amount of the cost of the project, including administrative expenses, that will be paid or financed with tax increment; and~~

~~(21) any additional information the state auditor may require.~~

~~(d) The commissioner of revenue shall prescribe the method of calculating the increased property taxes under paragraph (c), clause (19), and the form of the statement disclosing this information on the annual statement under subdivision 5.~~

~~(e) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.~~

EFFECTIVE DATE. This section is effective for tax increment financing reports due after December 31, 2009.

Sec. 7. Minnesota Statutes 2008, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. **Duration limits; terms.** (a) No tax increment shall in any event be paid to the authority

(1) after 15 years after receipt by the authority of the first increment for a renewal and renovation district,

(2) after 20 years after receipt by the authority of the first increment for a soils condition district,

(3) after eight years after receipt by the authority of the first increment for an economic development district,

(4) for a housing district, a compact development district, or a redevelopment district, after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

(c) An action by the authority to waive or decline to accept an increment has no effect for purposes of computing a duration limit based on the receipt of increment under this subdivision or any other provision of law. The authority is deemed to have received an increment for any year in which it waived or declined to accept an increment, regardless of whether the increment was paid to the authority.

(d) Receipt by a hazardous substance subdistrict of an increment as a result of a reduction in original net tax capacity under section 469.174, subdivision 7, paragraph (b), does not constitute receipt of increment by the overlying district for the purpose of calculating the duration limit under this section.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2009.

Sec. 8. Minnesota Statutes 2008, section 469.176, is amended by adding a subdivision to read:

Subd. 1i. **Compact development districts.** Tax increments derived from a compact development district may be used only to pay:

(1) administrative expenses up to the amount permitted under subdivision 3;

(2) the cost of acquiring land located in the district or abutting the boundary of the district;

(3) demolition and removal of buildings or other improvements and other site preparation costs for lands located in the district or abutting the boundary of the district; and

(4) installation of public infrastructure or public improvements serving the district, but excluding the costs of streets, roads, highways, parking, or other public improvements primarily designed to serve private passenger motor vehicles.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2009.

Sec. 9. Minnesota Statutes 2008, section 469.176, subdivision 3, is amended to read:

Subd. 3. Limitation on administrative expenses.

(a) For districts for which certification was requested before August 1, 1979, or after June 30, 1982 and before August 1, 2001, no tax increment shall be used to pay any administrative expenses for a project which exceed ten percent of the total estimated tax increment expenditures authorized by the tax increment financing plan or the total tax increment expenditures for the project, whichever is less.

(b) For districts for which certification was requested after July 31, 1979, and before July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in Minnesota Statutes 1980, section 273.73, for a district which exceeds five percent of the total tax increment expenditures authorized by the tax increment financing plan or the total estimated tax increment expenditures for the district, whichever is less.

(c) For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for a project which exceed ten percent of total estimated tax increment expenditures authorized by the tax increment financing plan or the total tax increments, as defined in section 469.174, subdivision 25, clause (1), from the district, whichever is less.

(d) Increments used to pay the county's administrative expenses under subdivision 4h are not subject to the percentage limits in this subdivision.

EFFECTIVE DATE. This section is effective for all districts, regardless of when the request for certification was made.

Sec. 10. Minnesota Statutes 2008, section 469.1763, subdivision 2, is amended to read:

Subd. 2. Expenditures outside district. (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the

district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code;

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing.

(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, a district created within a transit improvement area as defined in section 469.351, subdivisions 1 to 3, or for an existing ~~district~~ districts located within such a biotechnology and health sciences industry zone, or a transit improvement area, tax increment derived from such a ~~district~~ districts may be expended outside of the district but within the zone or transit improvement area, only for expenditures required for the construction of public infrastructure necessary to support the activities of the biotechnology and health sciences industry zone, or the transit improvement area, including land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are considered as expenditures for activities within the district.

Sec. 11. Minnesota Statutes 2008, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or

within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district in order to accommodate delays in development activities due to unanticipated economic circumstances.

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

Sec. 12. Minnesota Statutes 2008, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so. The loan or advance must be authorized, by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is ~~made~~ authorized, before money is transferred, advanced, or spent, whichever is earliest. The resolution may generally grant to the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate, and maximum term. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is ~~made~~ authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted.

EFFECTIVE DATE. This section is effective for interfund loans made after June 30, 2009.

Sec. 13. Minnesota Statutes 2008, section 469.312, is amended by adding a subdivision to read:

Subd. 6. **Termination of designation of qualified business.** No person will be deemed to be a qualified business eligible for the benefits provided in sections 469.310 to 469.320, unless the person has entered into a business subsidy agreement with a local government unit as provided in section 469.310, subdivision 11, prior to May 1, 2009.

Sec. 14. Laws 1995, chapter 264, article 5, section 44, subdivision 4, as amended by Laws 1996, chapter 471, article 7, section 21, and Laws 1997, chapter 231, article 10, section 12, and Laws 2008, chapter 154, article 9, section 18, is amended to read:

Subd. 4. **Authority.** For housing replacement projects in the city of Crystal, "authority" means the Crystal economic development authority. For housing replacement projects in the city

of Fridley, "authority" means the housing and redevelopment authority in and for the city of Fridley or a successor in interest. For housing replacement projects in the city of Minneapolis, "authority" means the Minneapolis community development agency or its successors and assigns. For housing replacement projects in the city of St. Paul, "authority" means the St. Paul housing and redevelopment authority. For housing replacement projects in the city of Duluth, "authority" means the Duluth economic development authority. For housing replacement projects in the city of Richfield, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Richfield. For housing replacement projects in the city of Columbia Heights, "authority" is the authority as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Columbia Heights. For housing replacement projects in the city of Brooklyn Park, "authority" is the authority, as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the governing body of the city of Brooklyn Park.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the city of Brooklyn Park without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 15. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by Laws 1996, chapter 471, article 7, section 22, and Laws 1997, chapter 231, article 10, section 13, and Laws 2002, chapter 377, article 7, section 6, and Laws 2008, chapter 154, article 9, section 19, is amended to read:

Subdivision 1. **Creation of projects.** (a) An authority may create a housing replacement project under sections 44 to 47, as provided in this section.

(b) For the cities of Crystal, Fridley, Richfield, ~~and~~ Columbia Heights, and Brooklyn Park, the authority may designate up to 50 parcels in the city to be included in a housing replacement district. No more than ten parcels may be included in year one of the district, with up to ten additional parcels added to the district in each of the following nine years. For the cities of St. Paul and Duluth, each authority may designate not more than 200 parcels in the city to be included in a housing replacement district over the life of the district. For the city of Minneapolis, the authority may designate not more than 400 parcels in the city to be included in housing replacement districts over the life of the districts. The only parcels that may be included in a district are (1) vacant sites, (2) parcels containing vacant houses, or (3) parcels containing houses that are structurally substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

(c) The city in which the authority is located must pay at least 25 percent of the housing replacement project costs from its general fund, a property tax levy, or other unrestricted money, not including tax increments.

(d) The housing replacement district plan must have as its sole object the acquisition of parcels for the purpose of preparing the site to be sold for market rate housing. As used in this section, "market rate housing" means housing that has a market value that does not exceed 150 percent of the average market value of single-family housing in that municipality.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to the affected cities without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

Sec. 16. Laws 2008, chapter 366, article 5, section 28, subdivision 1, is amended to read:

Subdivision 1. **Additional taxes authorized; use of proceeds.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or charter provision to the contrary, the governing body of the city of Bloomington may impose any or all of the taxes described in this section. The proceeds of any taxes imposed under this section or section 27, less refunds and the cost of collection, must be used to provide financing for parking facilities or other public improvements for any phase of the Mall of America ~~phase II~~. The Port Authority of the city of Bloomington may, but is not required to, issue or cause the sale of bonds, a developer's note, or other obligations to finance the improvements. If a governmental entity other than the city of Bloomington issues the obligations used to finance the parking facilities and other public improvements, the city may transfer the funds available under this section and section 27 for financing the project to the entity that issued the bonds.

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

Sec. 17. Laws 2008, chapter 366, article 5, section 29, subdivision 1, is amended to read:

Subdivision 1. **Issuing authority.** (a) The city of Bloomington may contract with any of the following authorities to issue and sell revenue bonds for the purposes and in the amounts specified in subdivision 2:

(1) the commissioner of finance, exercising the authority granted under this section and Minnesota Statutes, sections 16A.672 to 16A.675;

(2) the Agricultural and Economic Development Board, exercising the powers granted under this section and Minnesota Statutes, chapter 41A; or

(3) the Minnesota Public Facilities Authority, exercising the powers granted under this section and Minnesota Statutes, chapter 446A.

(b) The authority granted in this section is in addition to the statutes in paragraph (a) and notwithstanding any contrary provisions in them.

(c) The contract must include as a party the developer of any phase II of the Mall of America and may include as a party any other entity deemed appropriate by the city of Bloomington, the issuing authority, and the developer.

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

Sec. 18. Laws 2008, chapter 366, article 5, section 29, subdivision 2, is amended to read:

Subd. 2. **Purposes and amounts.** (a) The revenue bonds may be issued in a single or multiple issues and sold for the following purposes:

(1) to pay the costs to design, construct, furnish, and equip parking facilities and ~~related~~ other public improvements for any phase II of the Mall of America;

(2) to pay the costs of issuance, debt service, and bond insurance or other credit enhancements, and to fund reserves; and

(3) to refund bonds issued under this section.

(b) The amount of bonds that may be issued for the purposes of paragraph (a), clause (1), may not exceed per issue the estimated cost from time to time of the parking facilities and other public improvements, including soft costs; the amount of bonds that may be issued for the purposes of paragraph (a), clauses (2) and (3), is not limited.

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

Sec. 19. Laws 2008, chapter 366, article 5, section 29, subdivision 4, is amended to read:

Subd. 4. **Sale and issuance; proceeds.** (a) The issuing authority may sell and issue the bonds on the terms and conditions the issuing authority determines to be in the best interests of the state after reviewing an agreement between the city of Bloomington and the developer of any phase H of the Mall of America setting out the terms upon which the city of Bloomington will use the proceeds of the bond sales. The bonds may be sold at public or private sale at a price or prices the issuing authority finds appropriate. The issuing authority may enter any agreements or pledges the issuing authority determines necessary or useful to sell the bonds that are not inconsistent with this section.

(b) The city may enter into a preliminary agreement with the issuing authority under which the city agrees, if the revenue bonds are not issued, to pay or cause to be paid the costs and expenses incurred by the issuing authority relating to the proposed issuance of the revenue bonds.

(c) The proceeds of the bonds issued under this section must be credited to a special Mall of America revenue bond proceeds account with the issuing authority or a trustee and are appropriated to the issuing authority for payment to the city of Bloomington for the purposes specified in subdivision 2.

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

Sec. 20. Laws 2008, chapter 366, article 5, section 34, is amended to read:

Sec. 34. **CITY OF OAKDALE; ORIGINAL TAX CAPACITY.**

(a) The provisions of this section apply to redevelopment tax increment financing districts created by the Housing and Redevelopment Authority in and for the city of Oakdale in the areas comprised of the parcels with the following parcel identification numbers: (1) 3102921320053; 3102921320054; 3102921320055; 3102921320056; 3102921320057; 3102921320058; 3102921320062; 3102921320063; 3102921320059; 3102921320060; ~~and~~ 3102921320061; ~~and~~ ~~(2)~~ 3102921330005; and 3102921330004; and (2) 2902921330001 and 2902921330005.

(b) For a district subject to this section, the Housing and Redevelopment Authority may, when requesting certification of the original tax capacity of the district under Minnesota Statutes, section 469.177, elect to have the original tax capacity of the district be certified as the tax capacity of the land.

(c) The authority to request certification of a district under this section expires on July 1, 2013.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Oakdale and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. **MALL OF AMERICA; LABOR PEACE.**

As a condition to providing any public financing to any phase of the Mall of America project,

the governing bodies of the city of Bloomington and the Bloomington Port Authority shall require the developers of any phase of the Mall of America project to enter into a labor peace agreement with the labor organization which is most actively engaged in representing and attempting to represent hotel workers in Hennepin and Ramsey Counties. The labor peace agreement must be an enforceable agreement and must prohibit the labor organization and its members from engaging in any boycott or other activity advising customers not to patronize any hotel that is part of any phase for at least the first five years of the hotel's operation, and must cover all operations at the hotel, other than construction, alteration, or repair of the premises separately owned and operated, which are conducted by lessees or tenants or under management agreements, except retail operations, including gift, jewelry, and clothing shops that have annual gross revenues of less than \$250,000.

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

Sec. 22. **CHISAGO CITY AND LINDSTROM JOINT VENTURE.**

Any two or more of the cities of Chisago City and Lindstrom, their economic development authorities, housing and redevelopment authorities, and the county of Chisago may enter into a joint powers agreement to acquire and develop or redevelop a business park in either city. Any party to the agreement may spend money or issue debt for all or a part of the project, regardless of whether the project is located within its corporate boundaries. Issuance of debt under this section is subject to Minnesota Statutes, chapter 475, except that an election is not required. The agreement may provide for the parties to share revenues from the project. Any party to the agreement may levy taxes or spend its funds, as otherwise permitted by law, to pay for the project, including debt issued to finance the project.

If the project is included in a tax increment financing district, each city and authority that is a party to the agreement may treat the tax increment financing district as being located within its corporate boundaries for purposes of the authority under the tax increment financing act, Minnesota Statutes, sections 469.174 to 469.1799, to spend increments or issue bonds for the project.

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

Sec. 23. **CITY OF MANKATO; TAX INCREMENT FINANCING DISTRICT; PROJECT REQUIREMENTS.**

Subdivision 1. **Expenditures outside district.** Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, or any other law to the contrary, the city of Mankato may expend increments generated from its South Riverfront tax increment financing district anywhere within the South Riverfront Redevelopment project area. In this section, the "South Riverfront Redevelopment project area" and the "South Riverfront tax increment financing district" mean the area and district as they may be modified from time to time.

Subd. 2. **Use of increments.** Tax increments derived from the South Riverfront tax increment financing district may be used to reimburse or otherwise pay the city of Mankato for allowable expenditures under the plan budget for the South Riverfront tax increment district.

Subd. 3. **Interfund loans.** The requirement for resolutions under Minnesota Statutes, section 469.178, subdivision 7, does not apply to the South Riverfront tax increment financing district.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Mankato and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision

3.

Sec. 24. CITY OF NORTH MANKATO; TAX INCREMENT FINANCING DISTRICT; PROJECT REQUIREMENTS.

Subdivision 1. **Addition of parcel to district.** Notwithstanding Minnesota Statutes, sections 469.174, subdivision 10, and 469.175, subdivision 4, paragraph (d), or any other law to the contrary, the governing body of the city of North Mankato may elect to expand the boundaries of Tax Increment Financing District No. IDD 1-8 to include real property, described as follows:

Lots 3, 4, 5, 6, 7, 8, B, and C and part of vacated Cedar Street, Lots A, 1, and 2 lying northwesterly of a line beginning at a point on the South line of Lot A 74.67 feet West of the southeast corner of Lot A; thence northeasterly 107.30 feet to a point on the East line of Lot 2; thence continuing northeasterly 47.47 feet to a point on the East right-of-way line of vacated Cedar Street; said point being 101.93 feet southerly from the intersection of the south right-of-way line of Wheeler Avenue and the east right-of-way line vacated Cedar Street, Lamm's Second Addition, City of North Mankato, Nicollet County, Minnesota (tax parcel number R 18.614.0040).

Subd. 2. **Original tax capacity of district.** Upon addition of the property described in subdivision 1 in Tax Increment Financing District No. IDD 1-8, the Nicollet County auditor shall increase the original tax capacity of Tax Increment Financing District No. IDD 1-8 by the amount required by Minnesota Statutes, section 469.177.

Subd. 3. **Use of increments.** Tax increments and other revenues derived from any portion of Tax Increment Financing District No. IDD 1-8, as enlarged, may be used:

(1) to reimburse or otherwise pay the port authority of the city of North Mankato and the city of North Mankato for allowable expenditures under the plan budget for Tax Increment Financing District No. IDD 1-8, as amended from time to time; and

(2) to pay the principal, premium, and interest on the \$990,000 city of North Mankato taxable general obligation tax increment bonds, series 2001D, issued by the city of North Mankato for redevelopment costs in Tax Increment Financing District No. IDD 1-8 under the tax increment financing plan for Tax Increment Financing District No. IDD 1-8 as originally adopted January 16, 1990, and amended April 2, 2001.

Subd. 4. **Approval of modification.** When the governing body of the city elects to exercise the authority provided in subdivision 1 to modify the district, it must comply with Minnesota Statutes, section 469.175, subdivision 4, except for paragraph (d).

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of North Mankato and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. CITY OF ST. LOUIS PARK; EXTENSION OF TAX INCREMENT DISTRICT DURATION.

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, the duration of the Elmwood Village Tax Increment Financing District is extended to 25 years after receipt by the St. Louis Park Economic Development Authority of the first increment from the district.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of St. Louis Park with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 26. **CENTRAL CORRIDOR LIGHT RAIL TRANSIT PROJECT AREA.**

The Housing and Redevelopment Authority of the city of St. Paul, with the approval of the city of St. Paul, may establish the Central Corridor light rail transit project area as a redevelopment project under Minnesota Statutes, section 469.028. At least 80 percent of the property included in the project area must be located within one quarter mile of the Central Corridor light rail transit alignment.

EFFECTIVE DATE. This section is effective upon approval by the St. Paul City Council in compliance with Minnesota Statutes, section 645.021.

Sec. 27. **CITIES OF ST. PAUL AND FRIDLEY; AUTHORITY TO EXERCISE SPECIAL LAW AUTHORITY.**

Notwithstanding the failure of the governing bodies of the city of St. Paul and the city of Fridley to approve Laws 1995, chapter 264, article 5, sections 44 to 47, as required by Laws 1995, chapter 264, article 5, section 49, the provisions of sections 44 to 47, as amended, apply to the city of St. Paul and to the city of Fridley without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

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

Sec. 28. **CITY OF ST. PAUL; TAX INCREMENTS FOR CENTRAL CORRIDOR COSTS.**

The Neighborhood Commercial Scattered Site tax increment financing district (county No. 100), the Hubbard tax increment financing district (county No. 193), the Spruce Tree tax increment financing district (county No. 83), and the Snelling-University tax increment financing district (county No. 135) are subject to this section.

Minnesota Statutes, sections 469.176, subdivisions 4b; 4g, paragraph (c); 4j; and 4l, and 469.1763, subdivision 2, paragraph (a), do not apply to the expenditure of tax increments from the named tax increment districts. The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended for these districts to a ten-year period. Tax increments from these districts may be expended within the original redevelopment project areas or within the Central Corridor light rail transit redevelopment project area for any public redevelopment costs and to pay the cost of programs to mitigate lost parking caused by the construction of the Central Corridor light rail transit line.

EFFECTIVE DATE. This section is effective upon approval by the St. Paul City Council in compliance with Minnesota Statutes, section 645.021.

Sec. 29. **CITY OF SAUK RAPIDS; TIF.**

Any parcel in the city of Sauk Rapids located within Blocks 26, 27, 59, 61, and 62, original town of Sauk Rapids Plat, is deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (1), if the following conditions are met:

(1) a building on the parcel was demolished in compliance with Minnesota Statutes, section

469.174, subdivision 10, paragraph (d), clause (2), after the authority adopted a resolution pursuant to Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3); and

(2) the request for certification of the parcel as part of a district is filed with the county auditor by December 31, 2012.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Sauk Rapids with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SOUTH ST. PAUL; TAX INCREMENT FINANCING DISTRICT.

Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law, the Housing and Redevelopment Authority of the city of South St. Paul may establish a redevelopment tax increment financing district comprised of the properties included in the existing Concord Street tax increment district in the city that are exempt under Minnesota Statutes, section 469.179, subdivision 1, and were not decertified before July 1, 2009. The district created under this section may be certified after August 1, 2009, and terminates no later than December 31, 2024. The Housing and Redevelopment Authority of the city of South St. Paul may create the district under this section only if it enters into an agreement with Dakota County to pay the county annually out of the increment from this district an amount equal to the tax that would have been payable to the county on the captured tax capacity of the district had the district not been created.

Subd. 2. **Special rules.** The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to parcels located within the district. Minnesota Statutes, section 469.176, subdivisions 4j and 4l, do not apply to the district. The original tax capacity of the district is \$354,945.

Subd. 3. **Authorized expenditures.** Tax increment from the district may be expended to pay for any eligible activities authorized by Minnesota Statutes, chapter 469, within the redevelopment area that includes the district. All such expenditures are deemed to be activities within the district under Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4. The Housing and Redevelopment Authority of the city of South St. Paul must collect the second half of the 2009 tax increment from the existing Concord Street tax increment district and use the tax increment for eligible activities within the redevelopment area.

Subd. 4. **Adjusted net tax capacity.** The captured tax capacity of the district must be included in the adjusted net tax capacity of the city, county, and school district for the purposes of determining local government aid, education aid, and county program aid. The county auditor shall report to the commissioner of revenue the amount of the captured tax capacity for the district at the time the assessment abstracts are filed.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of South St. Paul.

Sec. 31. LOAN TO AIRCRAFT ASSEMBLY PROJECT.

Of the money available in the Minnesota investment fund provided in Minnesota Statutes, section 116J.8731, \$3,000,000 is appropriated in fiscal year 2010 to the commissioner of employment and economic development for a loan to an aircraft manufacturing and assembly company, associated with the aerospace industry, for equipment utilized to establish an aircraft

completion center at the Minneapolis-St. Paul International Airport. The finishing center must use the state's vocational training programs designed specifically for aircraft maintenance training and, to the extent possible, recruit employees from these programs. The center must create at least 200 new manufacturing jobs within 24 months of receiving the loan, and create not less than 500 new manufacturing jobs over a five-year period in Minnesota.

This loan is not subject to loan limitations under Minnesota Statutes, section 116J.8731, subdivision 5, and any match requirements under Minnesota Statutes, section 116J.8371, subdivision 3, may be made from current resources. This is a onetime appropriation and is effective the day following final enactment.

Sec. 32. MOUNTAIN IRON ECONOMIC DEVELOPMENT AUTHORITY; WIND ENERGY PROJECT.

(a) The Mountain Iron economic development authority may form or become a member of a limited liability company organized under Minnesota Statutes, chapter 322B, for the purpose of developing a community-based energy development project pursuant to Minnesota Statutes, section 216B.1612. A limited liability company formed or joined under this section is subject to the open meeting requirements established in Minnesota Statutes, chapter 13D. A project authorized by this section may not sell, transmit, or distribute the electrical energy at retail or provide for end use of the electrical energy to an off-site facility of the economic development authority or the limited liability company. Nothing in this section modifies the exclusive service territories or exclusive right to serve as provided in Minnesota Statutes, sections 216B.37 to 216B.43.

(b) The authority may acquire a leasehold interest in property outside its corporate boundaries for the purpose of developing a community-based energy development project as provided in Minnesota Statutes, section 216B.1612.

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

Sec. 33. SEAWAY PORT AUTHORITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.

If the Seaway Port Authority of Duluth adopts a tax increment financing plan or plans and the governing body of the city of Duluth approves the plan or plans for one or more tax increment financing districts consisting of one or more parcels identified as: 010-2730-00010; 010-2730-00020; 010-2730-00040; 010-2730-00050; 010-2730-00070; 010-2730-00080; 010-2730-00090; 010-2730-00100; 010-2730-00160; 010-2730-00180; 010-2730-00200; 010-2730-01250; 010-2730-01340; 010-2730-01350; 010-2730-01490; 010-2730-01500; 010-2730-01510; 010-2730-01520; 010-2730-01530; 010-2730-01540; 010-2730-01550; 010-2730-01560; 010-2730-01570; 010-2730-01580; 010-2730-01590; 010-2730-1300; 010-2746-1330; 010-2746-1440; 010-2746-1380; 010-3300-4560; 010-3300-4565; 010-3300-04570; 010-3300-04580; 010-3300-04640; 010-3300-04645; 010-3300-04650, the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to a ten-year period.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Duluth and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 34. WINONA COUNTY ECONOMIC DEVELOPMENT AUTHORITY; WIND ENERGY PROJECT.

(a) The Winona County economic development authority may form or become a member of a limited liability company organized under Minnesota Statutes, chapter 322B, for the purpose of developing a community-based energy development project pursuant to Minnesota Statutes, section 216B.1612. A limited liability company formed or joined under this section is subject to the open meeting requirements established in Minnesota Statutes, chapter 13D. A project authorized by this section may not sell, transmit, or distribute the electrical energy at retail or provide for end use of the electrical energy to an off-site facility of the economic development authority or the limited liability company. Nothing in this section modifies the exclusive service territories or exclusive right to serve as provided in Minnesota Statutes, sections 216B.37 to 216B.43.

(b) The authority may acquire a leasehold interest in property outside its corporate boundaries for the purpose of developing a community-based energy development project as provided in Minnesota Statutes, section 216B.1612.

EFFECTIVE DATE. This section is effective the day after the county of Winona and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 35. REPEALER.

(a) Laws 1996, chapter 464, article 1, section 8, subdivisions 3 and 5, are repealed.

(b) Laws 2008, chapter 366, article 5, section 30, subdivision 7, is repealed.

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

ARTICLE 7

PUBLIC FINANCE

Section 1. [16A.647] TAX CREDIT AND INTEREST SUBSIDY BONDS.

Subdivision 1. **Authority to issue.** When authorized by law to issue state general obligation bonds, the commissioner may issue all or part of the bonds as tax credit bonds or as interest subsidy bonds or a combination of the two. The provisions of section 16A.695 do not apply to bonds issued as tax credit bonds or interest subsidy bonds.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them.

(b) "Tax credit bonds" means bonds, the interest on which is includable in the income of the owner of the bonds for federal income tax purposes, but for which the owner is entitled to a federal tax credit.

(c) "Interest subsidy bonds" means bonds, the interest on which is includable in the income of the owner of the bonds for federal income tax purposes, but for which the issuer is entitled to federal interest subsidy payments based on a percentage of the interest payable on the interest subsidy bonds.

Subd. 3. **Method of sale.** Notwithstanding the provisions of section 16A.641, subdivision 4, the commissioner may sell any series of tax credit bonds or interest subsidy bonds at negotiated

sale upon the terms and conditions and the restrictions the commissioner prescribes, but the commissioner may contract for investment banking and banking services only after receiving competitive proposals for the services. The commissioner may enter into all contracts deemed necessary or desirable to accomplish the sale in a cost-effective manner.

Subd. 4. **Sinking fund.** The commissioner's order authorizing the issuance of interest subsidy bonds must establish a separate sinking fund account for the interest subsidy bonds in the state bond fund. There is annually appropriated, as received, to each interest subsidy bond account, in addition to amounts appropriated under section 16A.641, the interest subsidy payments received from the federal government with respect to that issue of interest subsidy bonds in that year.

Subd. 5. **Sale.** Tax credit bonds and interest subsidy bonds must be sold at a price not less than 98 percent of their stated principal amount. No state trunk highway bond may be sold for a price of less than par and accrued interest.

Sec. 2. Minnesota Statutes 2008, section 37.31, subdivision 8, is amended to read:

Subd. 8. **Expiration.** The authority to issue bonds, other than bonds to refund outstanding bonds, under this section expires July 1, ~~2009~~ 2015.

Sec. 3. Minnesota Statutes 2008, section 126C.55, subdivision 4, is amended to read:

Subd. 4. **Pledge of district's full faith and credit.** If, at the request of a school district or intermediate school district, the state has paid part or all of the principal or interest due on a district's debt obligation on a specific date, the pledge of the full faith and credit and unlimited taxing powers of the school district or the member districts of the intermediate district to repay the principal and interest due on those debt obligations shall also, without an election or the requirement of a further authorization, become a pledge of the full faith and credit and unlimited taxing powers of the school district or the member districts of the intermediate district to repay to the state the amount paid, with interest. Amounts paid by the state must be repaid in the order in which the state payments were made. Whenever the state pays under this section interest on bonds for which the issuer is entitled to federal interest subsidy payments, the state is subrogated to the issuer's rights to any federal interest subsidy payments relating to the interest paid by the state, unless and until the state has been reimbursed by the issuer in full.

Sec. 4. Minnesota Statutes 2008, section 204B.46, is amended to read:

204B.46 MAIL ELECTIONS; QUESTIONS.

A county, municipality, or school district submitting questions to the voters at a special election may conduct an election by mail with no polling place other than the office of the auditor or clerk. No more than two questions may be submitted at a mail election and no offices may be voted on at a mail election. Notice of the election must be given to the county auditor at least 53 days prior to the election. This notice shall also fulfill the requirements of Minnesota Rules, part 8210.3000. The special mail ballot procedures must be posted at least six weeks prior to the election. No earlier than 20 or later than 14 days prior to the election, the auditor or clerk shall mail ballots by nonforwardable mail to all voters registered in the county, municipality, or school district. Eligible voters not registered at the time the ballots are mailed may apply for ballots pursuant to chapter 203B.

Sec. 5. Minnesota Statutes 2008, section 360.036, subdivision 2, is amended to read:

Subd. 2. **Issuance of bonds.** (a) Bonds to be issued by a municipality under sections 360.011 to 360.076, shall be authorized and issued in the manner and within the limitation prescribed by laws or the charter of the municipality for the issuance and authorization of bonds for public purposes generally, except as provided in paragraphs (b) and (c).

(b) No election is required to authorize the issuance of the bonds if:

(1) a board organized under section 360.042 recommends by a resolution adopted by a vote of not less than 60 percent of its members the issuance of bonds, and the bonds are authorized by a resolution of the governing body of each of the municipalities acting jointly pursuant to section 360.042, adopted by a vote of not less than 60 percent of its members; ~~or~~

(2) the bonds are authorized by a resolution of the governing body of the municipality, adopted by a vote of not less than 60 percent of its members; or

(3) the bonds are being issued for the purpose of financing the costs of constructing, enlarging, or improving airports and other air navigation facilities; and

(i) the governing body estimates that passenger facility charges and other revenues pledged to the payment thereof will be at least 20 percent of the debt service payable on the bonds in any year;

(ii) the project will be funded in part by a state or federal grant for airport development; and

(iii) the principal amount of the bonds issued under this clause does not exceed 25 percent of the amount of the state or federal grant.

(c) If the bonds are general obligations of the municipality, the levy of taxes required by section 475.61 to pay principal and interest on the bonds is not included in computing or applying any levy limitation applicable to the municipality.

Sec. 6. Minnesota Statutes 2008, section 366.095, subdivision 1, is amended to read:

Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates of indebtedness within the debt limits for a town purpose otherwise authorized by law. The certificates shall be payable in not more than five ten years and be issued on the terms and in the manner as the board may determine. If the amount of the certificates to be issued exceeds 0.25 percent of the market value of the town, they shall not be issued for at least ten days after publication in a newspaper of general circulation in the town of the board's resolution determining to issue them. If within that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular town election is filed with the clerk, the certificates shall not be issued until their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made to pay the principal and interest on the certificates as in the case of bonds.

Sec. 7. Minnesota Statutes 2008, section 373.47, subdivision 1, is amended to read:

Subdivision 1. **Authority to incur debt.** Subject to prior approval by the Statewide Radio Board under section 403.36, the governing body of a county may finance the cost of designing, constructing, and acquiring public safety communication system infrastructure and equipment for use on the statewide, shared public safety radio system by issuing:

(1) capital improvement bonds under section 373.40, as if the infrastructure and equipment

qualified as a "capital improvement" within the meaning of section 373.40, subdivision 1, paragraph (b), bonds issued under this section are exempt from and shall not be included in calculating the limitations in section 373.40, subdivision 4; and

(2) capital notes under the provisions of section 373.01, subdivision 3, as if the equipment qualified as "capital equipment" within the meaning of section 373.01, subdivision 3.

EFFECTIVE DATE. This section is effective the day following final enactment, and applies to bonds issued after May 22, 2002.

Sec. 8. Minnesota Statutes 2008, section 446A.086, is amended by adding a subdivision to read:

Subd. 12. Federal interest subsidy payments. Whenever the state pays under this section interest on bonds for which the issuer is entitled to federal interest subsidy payments, the state is subrogated to the issuer's rights to any federal interest subsidy payments relating to the interest paid by the state, unless and until the state has been reimbursed by the issuer in full.

Sec. 9. Minnesota Statutes 2008, section 469.005, subdivision 1, is amended to read:

Subdivision 1. **County and multicounty authorities.** The area of operation of a county authority shall include all of the county for which it is created, and in case of a multicounty authority, it shall include all of the political subdivisions for which the multicounty authority is created; provided, that a county authority or a multicounty authority shall not undertake any project within the boundaries of any city which has not empowered the authority to function therein as provided in section 469.004 unless a resolution has been adopted by the governing body of the city, ~~and by any authority which has been established in the city,~~ declaring that there is a need for the county or multicounty authority to exercise its powers in the city. A resolution is not required for the operation of a Section 8 program or a public housing scattered site project.

Sec. 10. Minnesota Statutes 2008, section 469.015, subdivision 1, is amended to read:

Subdivision 1. **Bids; notice.** All construction work, and work of demolition or clearing, and every purchase of equipment, supplies, or materials, necessary in carrying out the purposes of sections 469.001 to 469.047, ~~that involve expenditure of \$50,000 or more~~ shall be awarded by contract as provided in section 471.345. Before receiving bids under section 471.345, subdivision 3, the authority shall publish, once a week for two consecutive weeks in an official newspaper of general circulation in the community a notice that bids will be received for that construction work, or that purchase of equipment, supplies, or materials. The notice shall state the nature of the work and the terms and conditions upon which the contract is to be let, naming a time and place where bids will be received, opened and read publicly, which time shall be not less than seven days after the date of the last publication. After the bids have been received, opened and read publicly and recorded, the authority shall award the contract to the lowest responsible bidder, provided that the authority reserves the right to reject any or all bids. Each contract shall be executed in writing, and the person to whom the contract is awarded shall give sufficient bond to the authority for its faithful performance. If no satisfactory bid is received, the authority may readvertise. The authority may establish reasonable qualifications to determine the fitness and responsibility of bidders and to require bidders to meet the qualifications before bids are accepted.

Sec. 11. Minnesota Statutes 2008, section 469.015, subdivision 2, is amended to read:

Subd. 2. **Exception; emergency.** If the authority by a vote of four-fifths of its members shall

declare that an emergency exists requiring the immediate purchase of any equipment or material or supplies at a cost in excess of \$50,000 ~~but not exceeding \$75,000~~ the amount provided in section 471.345, or making of emergency repairs, it shall not be necessary to advertise for bids, but the material, equipment, or supplies may be purchased in the open market at the lowest price obtainable, or the emergency repairs may be contracted for or performed without securing formal competitive bids. An emergency, for purposes of this subdivision, shall be understood to be unforeseen circumstances or conditions which result in the placing in jeopardy of human life or property.

Sec. 12. Minnesota Statutes 2008, section 469.015, subdivision 3, is amended to read:

Subd. 3. **Performance and payment bonds.** Performance and payment bonds shall be required from contractors for any works of construction as provided in and subject to all the provisions of sections 574.26 to 574.31 ~~except for contracts entered into by an authority for an expenditure of less than \$50,000.~~

Sec. 13. Minnesota Statutes 2008, section 469.034, subdivision 2, is amended to read:

Subd. 2. **General obligation revenue bonds.** (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors, and the maturities may extend to not more than 35 years for obligations sold to finance housing for the elderly and 40 years for other obligations issued under this subdivision. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the taxable market value of the general jurisdiction governmental unit whose general obligation is pledged, or (2) \$3,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located. The project must be owned for the term of the bonds either by the authority

or by a limited partnership or other entity in which the authority or another entity under the sole control of the authority is the sole general partner and the partnership or other entity must receive (1) an allocation from the Department of Finance or an entitlement issuer of tax-exempt bonding authority for the project and a preliminary determination by the Minnesota Housing Finance Agency or the applicable suballocator of tax credits that the project will qualify for four percent low-income housing tax credits or (2) a reservation of nine percent low-income housing tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits for the project. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

- (1) three years have passed since initial occupancy;
- (2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and
- (3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

(f) The authority may issue bonds to refund bonds issued under this subdivision in accordance with section 475.67. The finding of the adequacy of pledged revenues required by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the issuance of refunding bonds. This paragraph applies to refunding bonds issued on and after July 1, 1992.

Sec. 14. Minnesota Statutes 2008, section 469.040, subdivision 2, is amended to read:

Subd. 2. Leased property, exception. Notwithstanding the provisions of subdivision 1, any property other than property to be operated as a parking facility that the authority leases to private individuals or corporations for development in connection with a redevelopment project shall have the same tax status as if the leased property were owned by the private individuals or corporations. This subdivision does not apply to leases by the authority to individuals or families for residential use.

EFFECTIVE DATE. This section applies to housing projects and housing development projects constructed or acquired by an authority after July 1, 1987, for property taxes payable in 2010 and thereafter.

Sec. 15. Minnesota Statutes 2008, section 469.040, subdivision 4, is amended to read:

Subd. 4. Facilities funded from multiple sources. In the metropolitan area, as defined in section 473.121, subdivision 2, the tax treatment provided in subdivision 3 applies to that portion of any multifamily rental housing facility represented by the ratio of (1) the number of units in the facility that are ~~subject to the requirements of~~ constructed with funds provided under Section 5 of the United States Housing Act of 1937, and are receiving operating subsidy under Section 5 or rental assistance under Section 8 of the United States Housing Act of 1937 as the result of the implementation of a federal court order or consent decree to (2) the total number of units within the facility.

The housing and redevelopment authority for the city in which the facility is located, any public entity exercising the powers of such housing and redevelopment authority, or the county housing and redevelopment authority for the county in which the facility is located, shall annually certify to the

assessor responsible for assessing the facility, at the time and in the manner required by the assessor, the number of units in the facility that are ~~subject to the requirements of~~ constructed with funds provided under Section 5 of the United States Housing Act of 1937, and are receiving operating subsidy under Section 5 or rental assistance under Section 8 of the United States Housing Act of 1937.

Nothing in this subdivision shall prevent that portion of the facility not subject to this subdivision from meeting the requirements of section 273.128, and for that purpose the total number of units in the facility must be taken into account.

Sec. 16. Minnesota Statutes 2008, section 469.153, subdivision 2, is amended to read:

Subd. 2. **Project.** (a) "Project" means (1) any properties, real or personal, used or useful in connection with a revenue producing enterprise, or any combination of two or more such enterprises engaged or to be engaged in generating, transmitting, or distributing electricity, assembling, fabricating, manufacturing, mixing, processing, storing, warehousing, or distributing any products of agriculture, forestry, mining, or manufacture, or in research and development activity in this field, or in the manufacturing, creation, or production of intangible property, including any patent, copyright, formula, process, design, know how, format, or other similar item; (2) any properties, real or personal, used or useful in the abatement or control of noise, air, or water pollution, or in the disposal of solid wastes, in connection with a revenue producing enterprise, or any combination of two or more such enterprises engaged or to be engaged in any business or industry; (3) any properties, real or personal, used or useful in connection with the business of telephonic communications, conducted or to be conducted by a telephone company, including toll lines, poles, cables, switching, and other electronic equipment and administrative, data processing, garage, and research and development facilities; (4) any properties, real or personal, used or useful in connection with a district heating system, consisting of the use of one or more energy conversion facilities to produce hot water or steam for distribution to homes and businesses, including cogeneration facilities, distribution lines, service facilities, and retrofit facilities for modifying the user's heating or water system to use the heat energy converted from the steam or hot water.

(b) "Project" also includes any properties, real or personal, used or useful in connection with a revenue producing enterprise, or any combination of two or more such enterprises engaged in any business.

(c) "Project" also includes any properties, real or personal, used or useful for the promotion of tourism in the state. Properties may include hotels, motels, lodges, resorts, recreational facilities of the type that may be acquired under section 471.191, and related facilities.

(d) "Project" also includes any properties, real or personal, used or useful in connection with a revenue producing enterprise, whether or not operated for profit, engaged in providing health care services, including hospitals, nursing homes, and related medical facilities.

(e) "Project" does not include any property to be sold or to be affixed to or consumed in the production of property for sale, and does not include any housing facility to be rented or used as a permanent residence.

(f) "Project" also means the activities of any revenue producing enterprise involving the construction, fabrication, sale, or leasing of equipment or products to be used in gathering, processing, generating, transmitting, or distributing solar, wind, geothermal, biomass, agricultural

or forestry energy crops, or other alternative energy sources for use by any person or any residential, commercial, industrial, or governmental entity in heating, cooling, or otherwise providing energy for a facility owned or operated by that person or entity.

(g) "Project" also includes any properties, real or personal, used or useful in connection with a county jail, county regional jail, community corrections facilities authorized by chapter 401, or other law enforcement facilities, the plans for which are approved by the commissioner of corrections; provided that the provisions of section 469.155, subdivisions 7 and 13, do not apply to those projects.

(h) "Project" also includes any real properties used or useful in furtherance of the purpose and policy of section 469.141.

(i) "Project" also includes related facilities as defined by section 471A.02, subdivision 11.

(j) "Project" also includes an undertaking to purchase the obligations of local governments located in whole or in part within the boundaries of the municipality that are issued or to be issued for public purposes.

Sec. 17. Minnesota Statutes 2008, section 471.191, subdivision 1, is amended to read:

Subdivision 1. **Lease to nonprofit.** Any city operating a program of public recreation and playgrounds pursuant to sections 471.15 to 471.19 may acquire or lease, equip, and maintain land, buildings, and other recreational facilities, including, but without limitation, outdoor or indoor swimming pools, skating rinks and arenas, athletic fields, golf courses, marinas, concert halls, museums, and facilities for other kinds of athletic or cultural participation, contests, conventions, conferences, and exhibitions, together with related automobile parking facilities as defined in section 459.14, and may expend funds for the operation of such program and borrow and expend funds for capital costs thereof pursuant to the provisions of this section. A school district operating a program of public recreation and playgrounds has the rights provided in this section. Any facilities to be operated by a nonprofit corporation, as contemplated in section 471.16, may be leased to the corporation upon such rentals and for such term, not exceeding 30 years, and subject to such other provisions as may be agreed; including but not limited to provisions (a) permitting the lessee, subject to whatever conditions are stated, to provide for the construction and equipment of the facilities by any means available to it and in the manner determined by it, without advertisement for bids as required for other municipal facilities, and (b) granting the lessee the option to renew the lease upon such conditions and rentals, or to purchase the facilities at such price, as may be agreed; provided that (c) any such lease shall require the lessee to pay net rentals sufficient to pay the principal, interest, redemption premiums, and other expenses when due with respect to all city bonds issued for the acquisition or betterment of the facilities, less such amount of taxes and special assessments, if any, as may become payable in any year of the term of the lease, on the land, building, or other facilities leased, and (d) no option shall be granted to purchase the facilities at any time at a price less than the amount required to pay all principal and interest to become due on such bonds to the earliest date or dates on which they may be paid and redeemed, and all redemption premiums and other expenses of such payment and redemption.

Sec. 18. Minnesota Statutes 2008, section 474A.02, subdivision 2, is amended to read:

Subd. 2. **Annual volume cap.** "Annual volume cap" means the aggregate dollar amount of obligations constituting "private activity bonds" under federal tax law and bearing interest excluded from gross income for purposes of federal income taxation which, under the provisions of federal

tax law, may be issued in one year by issuers. Employees of the department shall handle the volume cap allocations for obligations permitted under the federal American Recovery and Reinvestment Act of 2009, whether taxable or tax-exempt, in accordance with orders of the commissioner.

Sec. 19. Minnesota Statutes 2008, section 474A.02, subdivision 14, is amended to read:

Subd. 14. **Manufacturing project.** "Manufacturing project" means any facility which is used in the manufacturing or production of tangible personal property, including the processing resulting in a change in the condition of the property, or in the manufacturing, creation, or production of intangible property, including any patent, copyright, formula, process, design, know how, format, or other similar item.

Sec. 20. Minnesota Statutes 2008, section 475.67, subdivision 8, is amended to read:

Subd. 8. **Escrow account securities.** Securities purchased for the escrow account shall be limited to:

(a) general obligations of the United States, securities whose principal and interest payments are guaranteed by the United States, and securities issued by the following agencies of the United States: Banks for Cooperatives, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, and the Federal National Mortgage Association; or

(b) obligations issued or guaranteed by any state or any political subdivision of a state, which at the date of purchase are rated in the highest or the next highest rating given category by Standard and Poor's Corporation, Moody's Investors Service, or a similar nationally recognized rating agency, but not less than the rating on the refunded bonds immediately prior to the refunding.

"Rating category," as used in this subdivision, means a generic securities rating category, without regard in the case of a long-term rating category to any refinement or gradation of such long-term rating category by a numerical modifier or otherwise.

Sec. 21. Laws 1971, chapter 773, section 4, as amended by Laws 1976, chapter 234, section 2, is amended to read:

Sec. 4. No proceeds of any bonds issued pursuant to section 1 hereof shall be expended for the construction or equipment of any portion of the St. Paul auditorium or civic center connected thereto; nor shall any proceeds be expended for the acquisition or betterment of the building known as the Lowry Medical Arts Annex. All bonds issued under this act shall mature at any time or times within ten or, for bonds for public buildings or parking structures, 30 years from the date of issue.

EFFECTIVE DATE. This section is effective the day after the city council and the chief clerical officer of the city of St. Paul have timely completed their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 22. **ST. PAUL PORT AUTHORITY CREDIT.**

Notwithstanding Minnesota Statutes, section 474A.061, subdivision 4, the commissioner of finance shall apply the \$31,800 deposit paid in 2008 for a proposed issue of \$1,590,000 in tax exempt bonds by the St. Paul Port Authority for District Cooling St. Paul, Inc. to an application for an allocation of tax exempt bonds by the St. Paul Port Authority for the same project.

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

January 1, 2011.

Sec. 23. **EFFECTIVE DATE.**

Except where provided otherwise, this article is effective the day following final enactment.

ARTICLE 8

MINERALS

Section 1. Minnesota Statutes 2008, section 298.17, is amended to read:

Subdivision 1. **Generally.** All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university.

Subd. 2. **IRRRB account.** Of the moneys apportioned to the general fund by this section there is annually appropriated and credited to the Iron Range Resources and Rehabilitation Board account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated pursuant to this ~~section shall~~ subdivision must be used (1) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (2) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the Iron Range Resources and Rehabilitation Board regarding the loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be made by May 15 annually.

Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission.

Subd. 3. **2009 collections.** If the amount of occupation tax proceeds collected in 2009 exceeds the amount of occupation tax that was forecast to be collected in the February 2009 forecast, one-half of the amount credited to the general fund under subdivision 1 and not used for the support of elementary and secondary schools or the university, that exceeds the amount that would have been credited to the general fund for noneducation purposes if the tax had been collected at the forecast amount, must be deposited in the Minnesota 21st Century Minerals Fund created in section 116J.423.

Sec. 2. Minnesota Statutes 2008, section 298.227, is amended to read:

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

(a) An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources

and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at least 50 percent of the distribution based on 14.7 cents per ton beginning with distributions in 2002. Effective for proposals for expenditures of money from the fund beginning May 26, 2007, the commissioner may not release the funds before the next scheduled meeting of the board. If the board rejects a proposed expenditure, the funds must be deposited in the Taconite Environmental Protection Fund under sections 298.222 to 298.225. If a producer uses money which has been released from the fund prior to May 26, 2007 to procure haulage trucks, mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in section 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the taconite economic development fund. The portion of the money to be repaid is 100 percent of the grant if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the taconite tax relief area. If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by the commissioner within one year of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund.

(b) Notwithstanding the requirements of paragraph (a), setting the amount of distributions and the review process, an amount equal to ten cents per taxable ton of production in 2007, for distribution in 2008 only, that would otherwise be distributed under paragraph (a), may be used for a loan for the cost of construction of a biomass energy facility. This amount must be deducted from the distribution under paragraph (a) for which a matching expenditure by the producer is not required. The granting of the loan is subject to approval by the Iron Range Resources and Rehabilitation Board; interest must be payable on the loan at the rate prescribed in section 298.2213, subdivision 3. Repayments of the loan and interest must be deposited in the northeast Minnesota economic development fund established in section 298.2213. If a loan is not made

under this paragraph by July 1, ~~2009~~ 2010, the amount that had been made available for the loan under this paragraph must be transferred to the northeast Minnesota economic development fund. Money distributed in 2008 to the fund established under this section that exceeds ten cents per ton is available to qualifying producers under paragraph (a) on a pro rata basis.

~~If 2008 H.F. No. 1812 is enacted and includes a provision that amends this section in a manner that is different from the amendment in this section, the amendment in this section supersedes the amendment in 2008 H.F. No. 1812, notwithstanding section 645.26.~~

Sec. 3. Minnesota Statutes 2008, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in 2001, 2002, and 2003, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced therefrom. For concentrates produced in 2005, the tax rate is the same rate imposed for concentrates produced in 2004. For concentrates produced in 2009 and subsequent years, the tax is also imposed upon other iron-bearing material.

(b) For concentrates produced in 2006 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year, that may not be less than zero. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under

this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed. The exemption from production tax under this paragraph does not subject the exempt property to ad valorem taxation.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

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

Sec. 4. Minnesota Statutes 2008, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) 23.15 cents per taxable ton, plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

(b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) Four cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year.

(c)(i) 15.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

If there are insufficient tax proceeds to make the distribution provided under this paragraph in any year, money must be transferred from the taconite property tax relief account in subdivision 6, to the extent of the shortfall in the distribution.

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives

pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and two cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48, subdivision 8.

Sec. 5. Minnesota Statutes 2008, section 298.282, subdivision 1, is amended to read:

Subdivision 1. **Distribution of taconite municipal aid account.** The amount deposited with the county as provided in section 298.28, subdivision 3, must be distributed as provided by this section among: (1) the municipalities comprising a ~~tax relief~~ taconite assistance area under section ~~273.134~~ 273.1341, paragraph (b); (2) a township that contains a state park consisting primarily of an underground iron ore mine; and (3) a city located within five miles of that state park, each being referred to in this section as a qualifying municipality.

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

Sec. 6. Laws 2008, chapter 366, article 10, section 15, is amended to read:

Sec. 15. 2008 DISTRIBUTIONS ONLY.

For distribution in 2008 only, a special fund is established to receive 11.4 cents per ton that otherwise would be allocated under Minnesota Statutes, section 298.28, subdivision 6. If sufficient funds are not available under Minnesota Statutes, section 298.28, subdivision 6, to make the payments required under this section and under Minnesota Statutes, section 298.28, subdivision 6, the remaining amount needed to total 11.4 cents per ton may be taken from funds available under Minnesota Statutes, section 298.28, subdivision 9. If 2008 H.F. No. 1812 is enacted and includes a provision that distributes funds that would otherwise be allocated under Minnesota Statutes, section 298.28, subdivision 6, in a manner different from the distribution required in this section, the distribution in this section supersedes the distribution set in 2008 H.F. No. 1812 notwithstanding Minnesota Statutes, section 645.26. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the following specified purposes:

(1) two cents per ton must be paid to the Hibbing Economic Development Authority to retire bonds and for economic development purposes;

(2) one cent per ton must be divided among and paid in equal shares to each of the board of St. Louis County School District No. 2142, the board of Ely School District No. 696, the board of

Mountain Iron-Buhl School District No. 712, and the board of Virginia School District No. 706 for each to study the potential for and impact of consolidation and streamlining the operations of their school districts;

- (3) 0.25 cent per ton must be paid to the city of Grand Rapids, for industrial park work;
- (4) 0.65 cent per ton must be paid to the city of Aitkin, for sewer and water for housing projects;
- (5) 0.5 cent per ton must be paid to the city of Crosby, for well and water tower infrastructure;
- (6) 0.5 cent per ton must be paid to the city of Two Harbors, for well and water tower infrastructure;
- (7) 1.5 cents per ton must be paid to the city of Silver Bay to pay for health and safety and maintenance improvements at a former elementary school building that is currently owned by the city, to be used for economic development purposes;
- (8) 1.5 cents per ton must be paid to St. Louis County to extend water and sewer lines from the city of Chisholm to the St. Louis County fairgrounds;
- (9) 1.5 cents per ton must be paid to the White Community Hospital for debt restructuring;
- (10) 0.5 cent per ton must be paid to the city of Keewatin for street, sewer, and water improvements;
- (11) 0.5 cent per ton must be paid to the city of Calumet for street, sewer, and water improvements; and
- (12) one cent per ton must be paid to Breitung township for sewer and water extensions associated with the development of a state park, provided that Breitung township may retain the amount distributed to it until used for this purpose or, if a new state park is not established in Breitung township by July 1, 2009 2012, the money provided in this clause must be transferred to the northeast Minnesota economic development fund established in Minnesota Statutes, section 298.2213.

Sec. 7. GRANTS OF LOANS FOR GREEN MANUFACTURING FACILITY; APPROPRIATION.

(a) If approved by a majority vote of the members of the Iron Range Resources and Rehabilitation Board, \$10,000,000 must be made available from the Douglas J. Johnson economic protection trust fund, notwithstanding Minnesota Statutes, section 298.292, subdivision 2, as a grant or forgivable loan to a manufacturer of windmill blades at a facility to be located within the taconite tax relief area defined in Minnesota Statutes, section 273.134.

(b) If \$10,000,000 is provided from the Douglas J. Johnson economic protection trust fund under paragraph (a):

(1) an additional \$10,000,000 is appropriated from the general fund to the commissioner of iron range resources and rehabilitation to be used to make a grant or forgivable loan to the manufacturer described in paragraph (a); and

(2) notwithstanding Minnesota Statutes, section 116J.423, the commissioner of employment and

economic development must transfer \$10,000,000 from the Minnesota minerals 21st century fund to the commissioner of iron range resources and rehabilitation to be used to make a grant or forgivable loan to the manufacturer described in paragraph (a).

ARTICLE 9

DEPARTMENT INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2008, section 289A.08, subdivision 3, is amended to read:

Subd. 3. **Corporations.** (a) A corporation that is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, must file a return, except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return.

(b) Members of a unitary business that are required to file a combined report on one return must designate a member of the unitary business to be responsible for tax matters, including the filing of returns, the payment of taxes, additions to tax, penalties, interest, or any other payment, and for the receipt of refunds of taxes or interest paid in excess of taxes lawfully due. The designated member must be a member of the unitary business that is filing the single combined report and either:

(1) a corporation that is subject to the taxes imposed by chapter 290; or

(2) a corporation that is not subject to the taxes imposed by chapter 290:

(i) Such corporation consents by filing the return as a designated member under this clause to remit taxes, penalties, interest, or additions to tax due from the members of the unitary business subject to tax, and receive refunds or other payments on behalf of other members of the unitary business. The member designated under this clause is a "taxpayer" for the purposes of this chapter and chapter 270C, and is liable for any liability imposed on the unitary business under this chapter and chapter 290.

(ii) If the state does not otherwise have the jurisdiction to tax the member designated under this clause, consenting to be the designated member does not create the jurisdiction to impose tax on the designated member, other than as described in item (i).

(iii) The member designated under this clause must apply for a business tax account identification number.

(c) The commissioner shall adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report. All members of an affiliated group that are required to file a combined report must file one return on behalf of the members of the group under rules adopted by the commissioner.

(d) If a corporation claims on a return that it has paid tax in excess of the amount of taxes lawfully due, that corporation must include on that return information necessary for payment of the tax in excess of the amount lawfully due by electronic means.

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

Sec. 2. Minnesota Statutes 2008, section 289A.12, is amended by adding a subdivision to read:

Subd. 16. **Qualified intermediaries.** The commissioner may by notice and demand require a qualified intermediary to file a return relating to transactions for which the intermediary acted to facilitate exchanges under section 1031 of the Internal Revenue Code. The return must include the name, address, and state or federal tax identification number or Social Security number of each of the parties to the exchange, information relating to the property subject to the exchange, and any other information required by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2009, and applies to all transactions whether facilitated on, before, or after that date.

Sec. 3. Minnesota Statutes 2008, 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; or, in the case of a corporation which is a member of a unitary group, the return of the corporation 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 290.17, subdivision 4, 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 16 must be filed within 30 days after being demanded by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 4. Minnesota Statutes 2008, section 289A.19, subdivision 4, is amended to read:

Subd. 4. **Estate tax returns.** ~~When an extension to file the federal estate tax return has been granted under section 6081 of the Internal Revenue Code, the time for filing the estate tax return is extended for that period. If the estate requests an extension to file an estate tax return within the time provided in section 289A.18, subdivision 3, the commissioner shall extend the time for filing the estate tax return for six months. The time for filing an estate tax return shall be extended for either six months or the amount of time granted under section 6081 of the Internal Revenue Code to file the federal estate tax return, whichever is longer.~~

EFFECTIVE DATE. This section is effective for estates of decedents dying after December 31, 2008.

Sec. 5. Minnesota Statutes 2008, section 289A.31, subdivision 5, is amended to read:

Subd. 5. **Withholding tax, withholding from payments to out-of-state contractors, and withholding by partnerships and small business corporations.** (a) Except as provided in paragraph (b), an employer or person withholding tax under section 290.92 or 290.923, subdivision 2, who fails to pay to or deposit with the commissioner a sum or sums required by those sections to be deducted, withheld, and paid, is personally and individually liable to the state for the sum or sums, and added penalties and interest, and is not liable to another person for that payment or payments. The sum or sums deducted and withheld under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must be held as a special fund in trust for the state of Minnesota.

(b) If the employer or person withholding tax under section 290.92 or 290.923, subdivision 2, fails to deduct and withhold the tax in violation of those sections, and later the taxes against which the tax may be credited are paid, the tax required to be deducted and withheld will not be collected from the employer. This does not, however, relieve the employer from liability for any penalties and interest otherwise applicable for failure to deduct and withhold. This paragraph does not apply to an employer subject to paragraph (g), or to a contractor required to withhold under section 290.92, subdivision 31.

(c) Liability for payment of withholding taxes includes a responsible person or entity described in the personal liability provisions of section 270C.56.

(d) Liability for payment of withholding taxes includes a third party lender or surety described in section 270C.59.

(e) A partnership or S corporation required to withhold and remit tax under section 290.92, subdivisions 4b and 4c, is liable for payment of the tax to the commissioner, and a person having control of or responsibility for the withholding of the tax or the filing of returns due in connection with the tax is personally liable for the tax due.

(f) A payor of sums required to be withheld under section 290.9705, subdivision 1, is liable to

the state for the amount required to be deducted, and is not liable to an out-of-state contractor for the amount of the payment.

(g) If an employer fails to withhold tax from the wages of an employee when required to do so under section 290.92, subdivision 2a, by reason of treating such employee as not being an employee, then the liability for tax is equal to three percent of the wages paid to the employee. The liability for tax of an employee is not affected by the assessment or collection of tax under this paragraph. The employer is not entitled to recover from the employee any tax determined under this paragraph.

EFFECTIVE DATE. This section is effect for taxes required to be withheld after June 30, 2009.

Sec. 6. Minnesota Statutes 2008, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **Federal tax changes.** If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for any period, as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

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

Sec. 7. Minnesota Statutes 2008, section 290.01, subdivision 19b, is amended to read:

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

(1) net interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As

used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. No deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or the qualifying child's vehicle to provide such transportation for a qualifying child. 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 or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code and under the provisions of Public Law 109-1;

(7) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

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

(9) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(11) 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 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 under United States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

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

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(15) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

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

(17) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program.

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

Sec. 8. Minnesota Statutes 2008, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or adjusted

gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.01, subdivision 19b, clause (10) or (16), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.01, subdivision 19b, clauses (11) and (12), are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

~~(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$1,000 for married taxpayers filing joint returns.~~

~~(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$2,000 for married taxpayers filing joint returns.~~

(i) (g) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 is adjusted annually for inflation under subdivision 7 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 "2007" shall be substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, 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. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(j) (h) The commissioner shall construct tables showing the amount of the credit at various

income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

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

Sec. 9. Minnesota Statutes 2008, section 290A.10, is amended to read:

290A.10 PROOF OF TAXES PAID.

Every claimant who files a claim for relief for property taxes payable shall include with the claim a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating that there are no delinquent property taxes on the homestead. Indication on the property tax statement from the county treasurer that there are no delinquent taxes on the homestead shall be sufficient proof. Taxes included in a confession of judgment under section 277.23 or 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 277.23 or 279.37.

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

Sec. 10. Minnesota Statutes 2008, section 290A.14, is amended to read:

290A.14 PROPERTY TAX STATEMENT.

The county treasurer shall prepare and send a sufficient number of copies of the property tax statement to the owner, and to the owner's escrow agent if the taxes are paid via an escrow account, to enable the owner to comply with the filing requirements of this chapter and to retain one copy as a record. The property tax statement, in a form prescribed by the commissioner, shall indicate the manner in which the claimant may claim relief from the state under both this chapter and chapter 290B, and the amount of the tax for which the applicant may claim relief. The statement shall also indicate if there are delinquent property taxes on the property in the preceding year. Taxes included in a confession of judgment under section 277.23 or 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 277.23 or 279.37.

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

Sec. 11. **REPEALER.**

Minnesota Rules, part 8009.3000, is repealed.

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

ARTICLE 10

DEPARTMENT SALES AND USE TAXES

Section 1. Minnesota Statutes 2008, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

- (1) the United States and its agencies and instrumentalities;
- (2) school districts, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts Education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;
- (3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;
- (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051;
- (5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and
- (6) sales to public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library.

(b) This exemption does not apply to the sales of the following products and services:

- (1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;
- (2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;
- (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except for leases entered into by the United States or its agencies or instrumentalities; or
- (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, ~~and~~ soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except for lodging, prepared food, candy, ~~and~~ soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2009.

Sec. 2. Minnesota Statutes 2008, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

- (1) a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions; and

(2) any senior citizen group or association of groups that:

(i) in general limits membership to persons who are either age 55 or older, or physically disabled; ~~and~~

(ii) is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, not including housing, no part of the net earnings of which inures to the benefit of any private shareholders; and

(iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) This exemption does not apply to the following sales:

(1) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities; and

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, ~~and~~ soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes; and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except as provided in paragraph (c).

(c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, only if the vehicle is:

(1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a passenger automobile, as defined in section 168.002, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2009, except that the amendment to paragraph (a) is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2008, section 297A.992, subdivision 2, is amended to read:

Subd. 2. **Authorization; rates.** (a) Notwithstanding section 297A.99, subdivisions 1, 2, and 3,

or 477A.016, or any other law, the board of a county participating in a joint powers agreement as specified in this section shall impose by resolution (1) a transportation sales and use tax at a rate of one-quarter of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority. The taxes authorized are to fund transportation improvements as specified in this section, including debt service on obligations issued to finance such improvements pursuant to subdivision 7.

(b) The tax imposed under this section is not included in determining if the total tax on lodging in the city of Minneapolis exceeds the maximum allowed tax under Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article 12, section 87, or in determining a tax that may be imposed under any other limitations.

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

Sec. 4. Minnesota Statutes 2008, section 297A.993, subdivision 1, is amended to read:

Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99, subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or more than one county outside the metropolitan transportation area acting under a joint powers agreement, may impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority. The taxes imposed under this section are subject to approval by a majority of the voters in each of the counties affected at a general election who vote on the question to impose the taxes.

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

Sec. 5. **REPEALER.**

Minnesota Statutes 2008, section 297A.67, subdivision 24, is repealed.

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

ARTICLE 11

DEPARTMENT SPECIAL TAXES

Section 1. Minnesota Statutes 2008, section 287.04, is amended to read:

287.04 EXEMPTIONS.

The tax imposed by section 287.035 does not apply to:

- (a) A decree of marriage dissolution or an instrument made pursuant to it.
- (b) A mortgage given to correct a misdescription of the mortgaged property.
- (c) A mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid.

- (d) A contract for the conveyance of any interest in real property, including a contract for deed.
- (e) A mortgage secured by real property subject to the minerals production tax of sections 298.24 to 298.28.
- (f) The principal amount of a mortgage loan made under a low and moderate income or other affordable housing program, if the mortgagee is a federal, state, or local government agency.
- (g) Mortgages granted by fraternal benefit societies subject to section 64B.24.
- (h) A mortgage amendment or extension, as defined in section 287.01.
- (i) An agricultural mortgage if the proceeds of the loan secured by the mortgage are used to acquire or improve real property classified under section 273.13, subdivision 23, paragraph (a); or ~~(b), clause (1), (2), or (3).~~
- (j) A mortgage on an armory building as set forth in section 193.147.

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

Sec. 2. Minnesota Statutes 2008, section 287.05, is amended by adding a subdivision to read:

Subd. 9. **Modification of mortgage.** If a mortgage, or a document modifying a mortgage, contains more than one statement that purports to limit: the enforcement of the mortgage to a certain dollar amount; the tax imposed on the mortgage under this chapter; or the effect of a modifying document, including but not limited to the statements authorized in subdivisions 1, 1a, and 8, then the tax must be imposed based on the combined effect, if any, of all the statements.

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

Sec. 3. Minnesota Statutes 2008, 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 under 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;

(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; and

(15) a transfer on death deed under section 507.071, and any affidavit or other document to the extent it references a transfer on death deed.

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

Sec. 4. Minnesota Statutes 2008, section 287.25, is amended to read:

287.25 PAYMENT OF TAX; STAMPS.

Except for documents filed electronically, ~~the county board shall determine the method for collection of the tax imposed by section 287.21:~~

~~(1) The tax imposed by section 287.21 may be paid by the affixing of a documentary stamp or stamps in the amount of the tax to the document or instrument with respect to which the tax is paid, provided that the county board may permit the payment of the tax without the affixing of the documentary stamps and in such cases shall direct the treasurer to endorse a receipt for such tax upon the face of the document or instrument. Documents submitted electronically must have the deed tax data affixed electronically and the tax paid as provided in section 287.08.~~

~~(2) the tax imposed by section 287.21 may~~ must be paid in the manner prescribed by section 287.08 relating to payment of mortgage registration tax, and the treasurer must endorse a receipt for the tax on the face of the document or instrument.

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

Sec. 5. Minnesota Statutes 2008, section 295.56, is amended to read:

295.56 TRANSFER OF ACCOUNTS RECEIVABLE.

When a hospital ~~or~~, surgical center, health care provider, or wholesale drug distributor transfers, assigns, or sells accounts receivable to another person who is subject to tax under this chapter, liability for the tax on the accounts receivable is imposed on the transferee, assignee, or buyer of the accounts receivable. No liability for these accounts receivable is imposed on the transferor, assignor, or seller of the accounts receivable.

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

Sec. 6. Minnesota Statutes 2008, section 295.57, subdivision 5, is amended to read:

Subd. 5. **Exemption for amounts paid for legend drugs.** If a hospital, surgical center, or health care provider cannot determine the actual cost or reimbursement of legend drugs under the exemption provided in section 295.53, subdivision 1, paragraph (a), clause ~~(6)~~ (5), the following method must be used:

A hospital, surgical center, or health care provider must determine the amount paid for legend drugs used during the month or quarter and multiply that amount by a ratio, the numerator of which is the total amount received for taxable patient services, and the denominator of which is the total amount received for all patient services, including amounts exempt under section 295.53, subdivision 1. The result represents the allowable exemption for the monthly or quarterly cost of drugs.

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

Sec. 7. Minnesota Statutes 2008, section 296A.21, subdivision 1, is amended to read:

Subdivision 1. **General rules.** (a) The commissioner shall make determinations, corrections, assessments, and refunds with respect to taxes and fees under this chapter, including interest, additions to taxes, and assessable penalties. Except as otherwise provided in this section, the amount of taxes assessable must be assessed within 3-1/2 years after the date the return is filed. For purposes of this section, a tax return filed before the last day prescribed by law for filing is considered to be filed on the last day.

(b) A claim for a refund of an overpayment of state tax or fees must be filed within 3-1/2 years from the date prescribed for filing the return, plus any extension of time granted for filing the return, but only if filed within the extended time; or the claim must be filed within one year from the date of an order assessing tax or fees, or from the date of a return filed by the commissioner, upon payment in full of the tax, fees, penalties, and interest shown on the order or return, whichever period expires later.

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

Sec. 8. Minnesota Statutes 2008, section 297E.02, subdivision 4, is amended to read:

Subd. 4. **Pull-tab and tipboard tax.** (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is 1.7 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

- (1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;
- (2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;
- (3) sales of promotional tickets as defined in section 349.12; and
- (4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of ~~\$120,000~~ \$10,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by electronic means.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to 1.7 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be 1.75 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February 2001 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270C.405 from 90 days after the claim is filed.

EFFECTIVE DATE. This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 9. Minnesota Statutes 2008, section 297E.06, is amended by adding a subdivision to read:

Subd. 1a. **Required signatures.** The gambling manager and the chief executive officer of the organization, or their respective designees, and the person who completed the tax return must sign the tax return. The organization shall inform the commissioner of revenue in writing of the identity of the designees as soon as practicable in the form and manner prescribed by the commissioner.

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

Sec. 10. Minnesota Statutes 2008, section 297E.11, subdivision 1, is amended to read:

Subdivision 1. **General rule.** Except as otherwise provided in this chapter, the amount of taxes assessable must be assessed within 3-1/2 years after the return is filed, whether or not the return is filed on or after the date prescribed. A return must not be treated as filed until it is in processible form. A return is in processible form if it is filed on a permitted form and contains sufficient data to identify the taxpayer and permit the mathematical verification of the tax liability shown on the return. For purposes of this section, a tax return filed before the last day prescribed by law for filing

is considered to be filed on the last day.

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

Sec. 11. Minnesota Statutes 2008, section 297F.09, subdivision 7, is amended to read:

Subd. 7. **Electronic payment.** A cigarette or tobacco products distributor having a liability of \$120,000 \$10,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by electronic means.

EFFECTIVE DATE. This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 12. Minnesota Statutes 2008, section 297G.09, subdivision 6, is amended to read:

Subd. 6. **Electronic payments.** A licensed brewer, importer, or wholesaler having an excise tax liability of \$120,000 \$10,000 or more during a fiscal year ending June 30 must remit all excise tax liabilities in the subsequent calendar year by electronic means.

EFFECTIVE DATE. This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 13. Minnesota Statutes 2008, section 297I.30, is amended by adding a subdivision to read:

Subd. 9. **Extensions for filing returns.** When, in the commissioner's judgment, good cause exists, the commissioner may extend the time for filing returns for not more than six months.

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

Sec. 14. Minnesota Statutes 2008, section 297I.35, subdivision 2, is amended to read:

Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges due under this chapter during a calendar year is equal to or exceeds \$120,000 \$10,000, or if the taxpayer is required to make payment of any other tax to the commissioner by electronic means, then all tax and surcharge payments in the subsequent calendar year must be paid by electronic means.

EFFECTIVE DATE. This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 15. Minnesota Statutes 2008, section 298.28, subdivision 11, is amended to read:

Subd. 11. **Remainder.** (a) The proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in subdivisions 2 to 10a, as certified by the commissioner of revenue, and paragraphs (b), (c), and (d), and (e) have been made, together with interest earned on all money distributed under this section prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(b) There shall be distributed to each city, town, and county the amount that it received under section 294.26 in calendar year 1977; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake County and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake County and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(c) There shall be distributed to the Iron Range Resources and Rehabilitation Board the amounts it received in 1977 under section 298.22. The amount distributed under this paragraph shall be expended within or for the benefit of the taconite assistance area defined in section 273.1341.

(d) There shall be distributed to each school district 62 percent of the amount that it received under section 294.26 in calendar year 1977.

~~(e) In 2003 only, \$100,000 must be distributed to a township located in a taconite tax relief area as defined in section 273.134, paragraph (a), that received \$119,259 of homestead and agricultural credit aid and \$182,014 in local government aid in 2001.~~

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

Sec. 16. Minnesota Statutes 2008, section 473.843, subdivision 3, is amended to read:

Subd. 3. **Payment of fee.** On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

An operator having a fee of ~~\$120,000~~ \$10,000 or more during a fiscal year ending June 30 must pay all fees in the subsequent calendar year by electronic means.

EFFECTIVE DATE. This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 17. **REPEALER.**

Minnesota Statutes 2008, sections 287.26; 287.27, subdivision 1; and 298.28, subdivisions 11a and 13, are repealed.

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

ARTICLE 12

DEPARTMENT PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 2008, section 273.11, subdivision 23, is amended to read:

Subd. 23. **First tier valuation limit; agricultural homestead property.** ~~(a) Beginning with assessment year 2006,~~ The commissioner of revenue shall annually certify the first tier limit for agricultural homestead property as. ~~For assessment year 2010, the limit is \$1,110,000. Beginning with assessment year 2011, the limit is the product of (i) \$600,000 the first tier limit for the preceding assessment year, and (ii) the ratio of the statewide average taxable market value of agricultural property per acre of deeded farm land in the preceding assessment year to the statewide average~~

taxable market value of agricultural property per acre of deeded farm land for the second preceding assessment year 2004. The limit shall be rounded to the nearest \$10,000.

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

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

EFFECTIVE DATE. This section is effective for taxes payable in 2011 and thereafter.

Sec. 2. Minnesota Statutes 2008, section 273.111, subdivision 4, is amended to read:

Subd. 4. **Determination of value.** (a) The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 8, be determined solely with reference to its appropriate agricultural classification and value notwithstanding sections 272.03, subdivision 8, and 273.11. Furthermore, the assessor shall not consider any added values resulting from nonagricultural factors. In order to account for the presence of nonagricultural influences that may affect the value of agricultural land, the commissioner of revenue shall develop a fair and uniform method of determining agricultural values for each county in the state that are consistent with this subdivision. The commissioner shall annually assign the resulting values to each county, and these values shall be used as the basis for determining the agricultural value for all properties in the county qualifying for tax deferral under this section.

(b) In the case of property qualifying for tax deferral only under subdivision 3a, the value shall be based on the value in effect for assessment year 2008, multiplied by the ratio of the total taxable market value of all property in the county for the year prior to the current assessment year divided by the total taxable market value of all property in the county for assessment year 2008.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and thereafter.

Sec. 3. Minnesota Statutes 2008, section 273.1115, subdivision 2, is amended to read:

Subd. 2. **Requirement.** Real estate is entitled to valuation under this section only if all of the following requirements are met:

(1) the property is classified as class 1a, 1b, 2a, or 2b property under section 273.13, subdivisions 22 and 23, or the property is classified as class 2e under section 273.13, subdivision 23, and immediately before being classified as class 2e was classified as class 1a or 1b;

(2) the property is at least ten contiguous acres, when the application is filed under subdivision 3;

(3) the owner has filed a completed application for deferral as specified in subdivision 3 with the county assessor in the county in which the property is located;

(4) there are no delinquent taxes on the property; and

(5) a covenant on the land restricts its use as provided in subdivision 3, clause (4).

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 4. Minnesota Statutes 2008, section 273.1231, subdivision 8, is amended to read:

Subd. 8. **Utility property.** "Utility property" means property appraised and classified for tax purposes by order of the commissioner of revenue under sections 273.33 to 273.3711.

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

Sec. 5. Minnesota Statutes 2008, section 273.124, subdivision 3, is amended to read:

Subd. 3. **Cooperatives and charitable corporations; homestead and other property.** (a) When property is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a building on the property, or a unit within a building on the property, the corporation or association may claim homestead treatment for each dwelling, or for each unit in the case of a building containing several dwelling units, or for the part of the value of the building occupied by a shareholder. Each building or unit must be designated by legal description or number. The net tax capacity of each building or unit that qualifies for assessment as a homestead under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The net tax capacity of the property is the sum of the net tax capacities of each of the respective buildings or units comprising the property, including the net tax capacity of each unit's or building's proportionate share of the land and any common buildings. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a building or unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

(b) To the extent provided in paragraph (a), a cooperative or corporation organized under chapter 308A or 308B may obtain separate assessment and valuation, and separate property tax statements for each residential homestead, residential nonhomestead, or for each seasonal residential recreational building or unit not used for commercial purposes. The appropriate class rates under section 273.13 shall be applicable as if each building or unit were a separate tax parcel; provided, however, that the tax parcel which exists at the time the cooperative or corporation makes application under this subdivision shall be a single parcel for purposes of property taxes or the enforcement and collection thereof, other than as provided in paragraph (a) or this paragraph.

(c) A member of a corporation or association may initially obtain the separate assessment and valuation and separate property tax statements, as provided in paragraph (b), by applying to the assessor by June 30 of the assessment year.

(d) When a building, or dwelling units within a building, no longer qualify under paragraph (a) or (b), the current owner must notify the assessor within 30 days. Failure to notify the assessor within 30 days shall result in the loss of benefits under paragraph (a) or (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits under paragraph (a) or (b)" means the difference in the net tax capacity of the building or units which no longer qualify as computed under paragraph (a) or (b) and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings

in which units no longer qualify, and the auditor shall calculate the benefits under paragraph (a) or (b). Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under paragraph (a) or (b) and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected property.

Sec. 6. Minnesota Statutes 2008, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for each lot occupied by a shareholder. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land for each homestead. The manufactured home park shall be valued and assessed as if it were homestead property within class 1 if all of the following criteria are met:

- (1) the occupant is using the property as a permanent residence;
- (2) the occupant or the cooperative association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation; and
- (3) the corporation or association organized under chapter 308A or 308B is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to member residents of the manufactured home park who hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

Sec. 7. Minnesota Statutes 2008, 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) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. 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 receive homestead treatment.

(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, state or federal tax returns or tax return information, including the federal income tax schedule F required by this section, or affidavits or other proofs of the property owners and spouses submitted under this or another section to support a claim for a property tax homestead classification 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) or (d), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The application must be signed by each relative of an owner who occupies the property and by each relative's spouse who also occupies the property. The Social Security number of each relative and spouse of a relative occupying 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 any assessment year, 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. 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, property owner's spouse, qualifying relative of a property owner, 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, property owner's spouse, 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 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 for applications received after June 30, 2009.

Sec. 8. Minnesota Statutes 2008, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property held by a trustee under a trust is eligible for classification as homestead property if: the property satisfies the requirements of paragraph (a), (b), (c), or (d).

~~(1)~~ (a) The grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;

~~(2)~~ (b) A relative or surviving relative of the grantor who meets the requirements of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;

~~(3)~~ (c) A family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property; and, either (1) a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead; or is actively farming (2) the property is at least 40 acres, including undivided government lots and correctional 40's, and a shareholder, member, or partner of the tenant-entity is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership; or

~~(4)~~ (d) A person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead; or, a person who received the homestead classification for taxes payable in 2005 under ~~clause (3) paragraph (c)~~ who does not qualify under ~~clause (3) paragraph (c)~~ for taxes payable in 2006 or thereafter but who continues to qualify under ~~clause (3) paragraph (c)~~ as it existed for taxes payable in 2005.

For purposes of this subdivision, "grantor" is defined as the person creating or establishing a testamentary, inter Vivos, revocable or irrevocable trust by written instrument or through the exercise of a power of appointment.

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

Sec. 9. Minnesota Statutes 2008, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a net class rate of 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a net class rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property may contain property that would otherwise be classified as 2b, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, and other similar land impractical for the assessor to value separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a net class rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a class rate of .65 percent, provided that the owner of the property must apply to the assessor ~~to receive the reduced class~~ in order for the property to initially qualify for the reduced rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property qualifies beginning with the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary

nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(f) Real estate of less than ten acres, which is exclusively or intensively used for raising or cultivating agricultural products, shall be considered as agricultural land. To qualify under this paragraph, property that includes a residential structure must be used intensively for one of the following purposes:

(i) for drying or storage of grain or storage of machinery or equipment used to support agricultural activities on other parcels of property operated by the same farming entity;

(ii) as a nursery, provided that only those acres used to produce nursery stock are considered agricultural land;

(iii) for livestock or poultry confinement, provided that land that is used only for pasturing and grazing does not qualify; or

(iv) for market farming; for purposes of this paragraph, "market farming" means the cultivation of one or more fruits or vegetables or production of animal or other agricultural products for sale to local markets by the farmer or an organization with which the farmer is affiliated.

(g) Land shall be classified as agricultural even if all or a portion of the agricultural use of that property is the leasing to, or use by another person for agricultural purposes.

Classification under this subdivision is not determinative for qualifying under section 273.111.

(h) The property classification under this section supersedes, for property tax purposes only, any locally administered agricultural policies or land use restrictions that define minimum or maximum farm acreage.

(i) The term "agricultural products" as used in this subdivision includes production for sale of:

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

(2) fish bred for sale and consumption if the fish breeding occurs on land zoned for agricultural

use;

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

(4) property which is owned and operated by nonprofit organizations used for equestrian activities, excluding racing;

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

(6) insects primarily bred to be used as food for animals;

(7) trees, grown for sale as a crop, including short rotation woody crops, and not sold for timber, lumber, wood, or wood products; and

(8) maple syrup taken from trees grown by a person licensed by the Minnesota Department of Agriculture under chapter 28A as a food processor.

(j) If a parcel used for agricultural purposes is also used for commercial or industrial purposes, including but not limited to:

(1) wholesale and retail sales;

(2) processing of raw agricultural products or other goods;

(3) warehousing or storage of processed goods; and

(4) office facilities for the support of the activities enumerated in clauses (1), (2), and (3),

the assessor shall classify the part of the parcel used for agricultural purposes as class 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its use. The grading, sorting, and packaging of raw agricultural products for first sale is considered an agricultural purpose. A greenhouse or other building where horticultural or nursery products are grown that is also used for the conduct of retail sales must be classified as agricultural if it is primarily used for the growing of horticultural or nursery products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of those products. Use of a greenhouse or building only for the display of already grown horticultural or nursery products does not qualify as an agricultural purpose.

(k) The assessor shall determine and list separately on the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

~~(k)~~ (l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a class rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

(i) the land is properly cleared and regularly maintained for the primary purposes of the landing, taking off, and taxiing of aircraft; but that portion of the land that contains facilities for servicing, repair, or maintenance of aircraft is not included as a landing area;

(ii) the land is part of the airport property; and

(iii) the land is not used for commercial or residential purposes.

The land contained in a landing area under this paragraph must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of this paragraph. For purposes of this paragraph, "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

~~(4)~~ (m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b. It has a class rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

~~(m)~~ (n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined, provided that the minimum acreage change is five acres, even if the actual mining activity constitutes less than five acres.

(o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are not rules,

are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

EFFECTIVE DATE. The section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2008, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), ~~or subdivision 23, paragraph (b), clause (1)~~, real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups

for recreational vehicles. Class 4c property under this clause must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise qualifies for class 4c under this clause is also class 4c under this clause regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. In order for a property to be classified as class 4c, seasonal residential recreational for commercial purposes under this clause, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c property classified under this clause also includes commercial use real property used exclusively for recreational purposes in conjunction with other class 4c property classified under this clause and devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located must be designated class 4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) real property up to a maximum of three acres of land owned and used by a nonprofit community service oriented organization and ~~that is not used for residential purposes on either a temporary or permanent basis, qualifies for class 4e provided that it meets either of the following:~~

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

(ii) the organization makes annual charitable contributions and donations at least equal to the property's previous year's property taxes and the property is allowed to be used for public and community meetings or events for no charge, as appropriate to the size of the facility.

For purposes of this clause,

(A) "charitable contributions and donations" has the same meaning as lawful gambling purposes under section 349.12, subdivision 25, excluding those purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

(B) "property taxes" excludes the state general tax;

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal Revenue Code; and

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises.

Any portion of the property ~~not qualifying under either item (i) which is used for revenue producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as~~ or (ii) is class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

The organization shall maintain records of its charitable contributions and donations and of public meetings and events held on the property and make them available upon request any time to the assessor to ensure eligibility. An organization meeting the requirement under item (ii) must file an application by May 1 with the assessor for eligibility for the current year's assessment. The commissioner shall prescribe a uniform application form and instructions;

(4) postsecondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2;

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, Metropolitan Airports Commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale;

(8) a privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land abuts a public airport; and

(ii) the owner of the aircraft storage hangar provides the assessor with a signed agreement restricting the use of the premises, prohibiting commercial use or activity performed at the hangar; and

(9) residential real estate, a portion of which is used by the owner for homestead purposes, and that is also a place of lodging, if all of the following criteria are met:

(i) rooms are provided for rent to transient guests that generally stay for periods of 14 or fewer days;

(ii) meals are provided to persons who rent rooms, the cost of which is incorporated in the basic room rate;

(iii) meals are not provided to the general public except for special events on fewer than seven days in the calendar year preceding the year of the assessment; and

(iv) the owner is the operator of the property.

The market value subject to the 4c classification under this clause is limited to five rental units. Any rental units on the property in excess of five, must be valued and assessed as class 3a. The portion of the property used for purposes of a homestead by the owner must be classified as class 1a property under subdivision 22; and

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates

as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion of the units in the building qualify as low-income rental housing units as certified under section 273.128, subdivision 3, only the proportion of qualifying units to the total number of units in the building qualify for class 4d. The remaining portion of the building shall be classified by the assessor based upon its use. Class 4d also includes the same proportion of land as the qualifying low-income rental housing units are to the total units in the building. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of 0.75 percent.

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

Sec. 11. Minnesota Statutes 2008, section 273.13, subdivision 33, is amended to read:

Subd. 33. **Classification of unimproved property.** (a) All real property that is not improved with a structure must be classified according to its current use.

(b) Except as provided in subdivision 23, paragraph (c) or (d), real property that is not improved with a structure and for which there is no identifiable current use must be classified according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the unimproved land based upon the use made of surrounding land or land in proximity to the unimproved land.

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

Sec. 12. Minnesota Statutes 2008, 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~~ August 1, 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 for assessment year 2009 and thereafter.

Sec. 13. Minnesota Statutes 2008, 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~~ August 1, 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 for assessment year 2009 and thereafter.

Sec. 14. Minnesota Statutes 2008, section 274.13, subdivision 2, is amended to read:

Subd. 2. **Special board; delegated duties.** The board of equalization for any county may appoint a special board of equalization and may delegate to it the powers and duties in subdivision 1. The special board of equalization shall serve at the direction and discretion of the appointing county board, subject to the restrictions imposed by law on the appointing board. The appointing board may determine the number of members to be appointed to the special board, the compensation and expenses to be paid, and the term of office of each member. At least one member of the special board of equalization must be an appraiser, realtor, or other person familiar with property valuations in the county. The county auditor is a nonvoting member and serves as the recorder for the special board. The special board is subject to the quorum requirements for county boards and the training requirements for county boards in section 274.135, subdivision 2.

EFFECTIVE DATE. The section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2008, section 274.135, subdivision 3, is amended to read:

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.

(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the county where the property is located \$500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 16. Minnesota Statutes 2008, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

The board ~~may~~ must meet on any after the second Friday in June on at least one meeting day and ~~may meet for up to ten consecutive meeting days in June, after the second Friday in June.~~ The actual meeting dates must be contained on the valuation notices mailed to each property owner in the county as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.

For counties that conduct either regular board of review meetings or open book meetings, at least one of the meeting days must include a meeting that does not end before 7:00 p.m. For counties that require taxpayer appointments for the board of review, appointments must include some available times that extend until at least 7:00 p.m. The county may have a Saturday meeting in lieu of, or in

addition to, the extended meeting times under this paragraph.

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

Sec. 17. Minnesota Statutes 2008, section 274.175, is amended to read:

274.175 VALUES FINALIZED.

The assessments recorded by the county assessor and the county auditor under sections 273.124, subdivision 9; 274.16; 274.17; or other law for real and personal property are final on July 1 of the assessment year, except for property added to the assessment rolls under section 272.02, subdivision 38, and assessments certified to the auditor under sections 273.33, subdivision 2, and 273.37, subdivision 2, or deleted because of tax forfeiture pursuant to chapter 281. No changes in value may be made after July 1 of the assessment year, except for corrections permitted in sections 273.01 and 274.01, or assessments certified to the auditor under sections 273.33, subdivision 2, and 273.37, subdivision 2.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter.

Sec. 18. Minnesota Statutes 2008, section 290C.06, is amended to read:

**290C.06 CALCULATION OF AVERAGE ESTIMATED MARKET VALUE;
~~TIMBERLAND MANAGED FOREST LAND.~~**

The commissioner shall annually calculate a statewide average estimated market value per acre for class ~~2b timberland~~ 2c managed forest land under section 273.13, subdivision 23, ~~paragraph (b).~~

EFFECTIVE DATE. This section is effective for calculations made in 2010 and thereafter.

Sec. 19. Minnesota Statutes 2008, section 290C.07, is amended to read:

290C.07 CALCULATION OF INCENTIVE PAYMENT.

An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall equal the greater of:

(1) the difference between the property tax that would be paid on the land using the previous year's statewide average total township tax rate and ~~the a class rate for class 2b timberland under section 273.13, subdivision 23, paragraph (b) of one percent,~~ if the land were valued at (i) the average statewide timberland managed forest land market value per acre calculated under section 290C.06, and (ii) the average statewide timberland managed forest land current use value per acre calculated under section 290C.02, subdivision 5; or

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and ~~the a class rate for 2b timberland under section 273.13, subdivision 23, paragraph (b) of one percent,~~ provided that the payment shall be no less than \$7 per acre for each acre enrolled in the sustainable forest incentive program.

EFFECTIVE DATE. This section is effective for calculations made in 2010 and thereafter.

Sec. 20. Minnesota Statutes 2008, section 477A.011, subdivision 34, is amended to read:

Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the greater of 285 or the sum of (1) 5.0734098 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage; plus (3) 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772.

(c) For a city with a population of 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It applies to any city for aids payable in 2009 and thereafter. ~~The city revenue need under this paragraph may not be less than 285.~~

(d) The city revenue need cannot be less than zero.

(e) For calendar year 2005 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (d), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to the 2003 implicit price deflator for state and local government purchases.

EFFECTIVE DATE. This section is effective for aids payable in 2009 and thereafter.

Sec. 21. Minnesota Statutes 2008, section 477A.011, subdivision 42, is amended to read:

Subd. 42. **City jobs base.** (a) "City jobs base" for a city with a population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of jobs per capita in the city, and (3) its population. For cities with a population less than 5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36, paragraph ~~(j)~~ (k), its city jobs base is reduced by the lesser of 36 percent of the amount of aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed \$4,725,000 under this paragraph.

(b) For calendar year 2010 and subsequent years, the city jobs base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.

(c) For purposes of this subdivision, "jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available as of May 1, 2008, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each

city by June 1, 2008. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by June 20, 2008. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by July 15, 2008, including any estimates still under objection.

EFFECTIVE DATE. This section is effective for aids payable in 2009 and thereafter.

Sec. 22. Minnesota Statutes 2008, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** (a) In calendar year 2009, the formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by its unmet need.

(b) In calendar year 2010 and subsequent years, the formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by the average of its unmet need for the most recently available two years.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. For aids payable in 2009 only, all data used in calculating aid to cities under sections 477A.011 to 477A.013 will be based on the data available for calculating aid to cities for aids payable in 2008. For aids payable in 2010 and thereafter, data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated except as provided in section 477A.011, subdivisions 3 and 35.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter.

Sec. 23. **REPEALER.**

Minnesota Rules, parts 8115.0200; 8115.0300; 8115.0400; 8115.0500; 8115.0600; 8115.1000; 8115.1100; 8115.1200; 8115.1300; 8115.1400; 8115.1500; 8115.1600; 8115.1700; 8115.1800; 8115.1900; 8115.2000; 8115.2100; 8115.2200; 8115.2300; 8115.2400; 8115.2500; 8115.2600; 8115.2700; 8115.2800; 8115.2900; 8115.3000; 8115.4000; 8115.4100; 8115.4200; 8115.4300; 8115.4400; 8115.4500; 8115.4600; 8115.4700; 8115.4800; 8115.4900; 8115.5000; 8115.5100; 8115.5200; 8115.5300; 8115.5400; 8115.5500; 8115.5600; 8115.5700; 8115.5800; 8115.5900; 8115.6000; 8115.6100; 8115.6200; 8115.6300; 8115.6400; and 8115.9900; are repealed.

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

ARTICLE 13

DEPARTMENT CONDITIONAL USE DEEDS

Section 1. Minnesota Statutes 2008, section 282.01, subdivision 1, is amended to read:

Subdivision 1. **Classification as conservation or nonconservation.** (a) It is the general policy of this state to encourage the best use of tax-forfeited lands, recognizing that some lands in public

ownership should be retained and managed for public benefits while other lands should be returned to private ownership. Parcels of land becoming the property of the state in trust under law declaring the forfeiture of lands to the state for taxes must be classified by the county board of the county in which the parcels lie as conservation or, nonconservation, or as conservation land suited for particular purposes. In making the classification the board shall consider the present use of adjacent lands, the productivity of the soil, the character of forest or other growth, accessibility of lands to established roads, schools, and other public services, their peculiar suitability or desirability for particular uses, and the suitability of the forest resources on the land for multiple use, and sustained yield management. The classification, furthermore, must encourage and foster a mode of land utilization that will facilitate the economical and adequate provision of transportation, roads, water supply, drainage, sanitation, education, and recreation; facilitate reduction of governmental expenditures; conserve and develop the natural resources; and foster and develop agriculture and other industries in the districts and places best suited to them.

~~In making the classification the county board may use information made available by any office or department of the federal, state, or local governments, or by any other person or agency possessing pertinent information at the time the classification is made. The lands may be reclassified from time to time as the county board considers necessary or desirable, except for conservation lands held by the state free from any trust in favor of any taxing district.~~

~~If the lands are located within the boundaries of an organized town, with taxable valuation in excess of \$20,000, or incorporated municipality, the classification or reclassification and sale must first be approved by the town board of the town or the governing body of the municipality in which the lands are located. The town board of the town or the governing body of the municipality is considered to have approved the classification or reclassification and sale if the county board is not notified of the disapproval of the classification or reclassification and sale within 60 days of the date the request for approval was transmitted to the town board of the town or governing body of the municipality. If the town board or governing body desires to acquire any parcel lying in the town or municipality by procedures authorized in this section, it must file a written application with the county board to withhold the parcel from public sale. The application must be filed within 60 days of the request for classification or reclassification and sale. The county board shall then withhold the parcel from public sale for six months. A municipality or governmental subdivision shall pay maintenance costs incurred by the county during the six-month period while the property is withheld from public sale, provided the property is not offered for public sale after the six-month period. A clerical error made by county officials does not serve to eliminate the request of the town board or governing body if the board or governing body has forwarded the application to the county auditor. If the town board or governing body of the municipality fails to submit an application and a resolution of the board or governing body to acquire the property within the withholding period, the county may offer the property for sale upon the expiration of the withholding period.~~

(b) Whenever the county board deems it appropriate, the board may hold a meeting for the purpose of reclassifying tax-forfeited land that has not been sold or released from the trust. The criteria and procedures for reclassification are the same as those required for an initial classification.

(c) Prior to meeting for the purpose of classifying or reclassifying tax-forfeited lands, the county board must give notice of its intent to meet for that purpose as provided in this paragraph. The notice must be given no more than 90 days and no less than 60 days before the date of the meeting; provided that if the meeting is rescheduled, notice of the new date, time, and location must be given at least

14 days before the date of the rescheduled meeting. The notice must be posted on a Web site under the procedures in section 331A.12. The board must also mail a notice by electronic means to each person who requests notice of meetings dealing with this subject and who agrees as provided in chapter 325L to accept notice that is mailed by electronic means. Receipt of actual notice under the conditions specified in section 13D.04, subdivision 7, satisfies the notice requirements of this paragraph.

The board may classify or reclassify tax-forfeited lands at any regular or special meeting, as those terms are defined in chapter 13D and may conduct only this business, or this business as well as other business or activities at the meeting.

(d) At the meeting, the county board must allow any person or agency possessing pertinent information to make or submit comments and recommendations about the pending classification or reclassification. In addition, representatives of governmental entities in attendance must be allowed to describe plans, ideas, or projects that may involve use or acquisition of the property by that or another governmental entity. After allowing testimony, the board may classify, reclassify, or delay taking action on any parcel or parcels.

(e) When classifying, reclassifying, appraising, and selling lands under this chapter, the county board may designate the tracts as assessed and acquired, or may by resolution provide for the subdivision of the tracts into smaller units or for the grouping of several tracts into one tract when the subdivision or grouping is deemed advantageous for conservation or sale purposes. This paragraph does not authorize the county board to subdivide a parcel or tract of tax-forfeited land that, as assessed and acquired, is withheld from sale under section 282.018, subdivision 1.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 2. Minnesota Statutes 2008, section 282.01, subdivision 1a, is amended to read:

Subd. 1a. **Conveyance; generally to public entities.** (a) Upon written request from a state agency or a governmental subdivision of the state, a parcel of unsold tax-forfeited land is withheld from sale or lease to others for a maximum of six months. The request must be submitted to the county auditor. Upon receipt, the county auditor must withhold the parcel from sale or lease to any other party for six months, and must confirm the starting date of the six-month withholding period to the requesting agency or subdivision. If the request is from a governmental subdivision of the state, the governmental subdivision must pay the maintenance costs incurred by the county during the period the parcel is withheld. The county board may approve a sale or conveyance to the requesting party during the withholding period. A conveyance of the property to the requesting party terminates the withholding period.

A governmental subdivision of the state must not make, and a county auditor must not act upon, a second request to withhold a parcel from sale or lease within 18 months of a previous request for that parcel.

(b) Nonconservation tax-forfeited lands may be sold by the county board, for their market value as determined by the county board, to an organized or incorporated governmental subdivision of the state for any public purpose for which the subdivision is authorized to acquire property ~~or~~.

(c) Nonconservation tax-forfeited lands may be released from the trust in favor of the taxing districts on application ~~of~~ to the county board by a state agency for an authorized use at not less than

their market value as determined by the county board.

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:

(1) the county board determines that a sale at a reduced price is in the public interest because (i) a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or (ii) the reduced price will lead to the development of affordable housing; and

(2) the governmental subdivision or state agency has documented (i) its specific plans for correcting the blighted conditions or developing affordable housing, and (ii) the specific law or laws that empower it to acquire real property in furtherance of such plans.

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue ~~may convey by deed~~ in the name of the state ~~a tract of tax forfeited land held in trust in favor of the taxing districts~~ to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract ~~and the need therefor~~ and the favorable recommendation of the county board. An authorized public use under this paragraph is a use that either (i) allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or (ii) is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains amenities such as campgrounds, playgrounds, ball fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit ways for buses or commuter trains;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and

(8) public service facilities such as fire halls, police stations, lift stations, water tower, sanitation facilities, water treatment facilities, and administrative offices.

(f) The commissioner of revenue must convey a parcel of nonconservation tax-forfeited land to a local governmental subdivision by quit claim deed on behalf of the state upon the favorable recommendation of the county board if the governmental subdivision has certified to the board that prior to forfeiture the subdivision was entitled to the parcel under a written development agreement, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(g) Conservation tax-forfeited land may be sold to a governmental subdivision of the state

for less than its market value for either: (i) creation or preservation of wetlands, (ii) drainage or storage of storm water under a storm water management plan, or (iii) preservation, or restoration and preservation, of the land in its natural state. The deed in such case must contain a restrictive covenant limiting the use of the land to one of these purposes for 30 years or until the property is reconveyed back to the state in trust. At any time, the governmental subdivision may reconvey the property to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue. No part of a purchase price determined under this paragraph shall be refunded upon a reconveyance, but the amount paid for a conveyance under this paragraph may be taken into account by the county board when setting the terms of a future sale of the same property to the same governmental subdivision under paragraph (b) or (d).

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 3. Minnesota Statutes 2008, section 282.01, subdivision 1c, is amended to read:

Subd. 1c. **Deed of conveyance; form; approvals.** The deed of conveyance for property conveyed for a an authorized public use under the authorities in subdivision 1a, paragraph (e), must be on a form approved by the attorney general and must be conditioned on continued use for the purpose stated in the application as provided in this section. These deeds are conditional use deeds that convey a defeasible estate. Reversion of the estate occurs by operation of law and without the requirement for any affirmative act by, or on behalf of the state when there is a failure to put the property to the approved authorized public use for which it was conveyed, or an abandonment of that use; except as provided in subdivision 1d.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 4. Minnesota Statutes 2008, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) If after three years from the date of the conveyance a governmental subdivision to which tax-forfeited land has been conveyed for a specified an authorized public use as provided in this section fails to put the land to that use, or abandons that use, the governing body of the subdivision may, must: (1) with the approval of the county board, purchase the property for an authorized public purpose at the present appraised market value as determined by the county board. ~~In that case, the commissioner of revenue shall, upon proper written application approved by the county board, issue an appropriate deed to the subdivisions free of a use restriction and reverter. The governing body may also,~~ or (2) authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota in trust for the taxing districts. If the governing body purchases the property under clause (1), the commissioner of revenue shall, upon property application submitted by the county auditor, convey the property on behalf of the state by quit claim deed to the subdivision free of a use restriction and the possibility of reversion or defeasement. If the governing body decides to reconvey the property to the state under clause (2), the officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its form must be approved by the attorney general. ~~A sale, lease, transfer, or other conveyance of tax-forfeited lands by a housing and redevelopment authority, a port authority, an economic development authority, or a city as authorized by chapter 469 is not an abandonment of use and the lands shall not be reconveyed to the state nor shall they revert to the state. A certificate made by a housing and redevelopment authority, a port authority, an economic development authority, or a city referring to a conveyance by it and stating that the conveyance has been made as authorized by chapter 469 may be filed with~~

the county recorder or registrar of titles, and the rights of reverter in favor of the state provided by subdivision 1e will then terminate. No vote of the people is required for the conveyance. For the purposes of this paragraph, there is no failure to put the land to the authorized public use and no abandonment of that use if a formal plan of the governmental subdivision shows an intended future use of the land for the authorized public use.

(b) Property held by a governmental subdivision of the state under a conditional use deed executed by the commissioner of revenue after January 1, 2006, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that, the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quit claim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed by the commissioner of revenue before January 1, 2006, is released from the use restriction and possibility of reversion on January 1, 2021, if the county board records a document describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) All property held by a governmental subdivision of the state under a conditional use deed executed by the commissioner of revenue is released from the use restriction and possibility of reversion on the later of: (i) January 1, 2012; (ii) 40 years after the date the deed was executed; or (iii) upon final resolution of an appeal to district court under subdivision 1e if the appeal was commenced prior to January 1, 2012. Upon the occurrence of item (i), (ii), or (iii), the governmental subdivision may record a certificate referring to the land, the original conveyance, and to the release under this paragraph.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 5. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision to read:

Subd. 1g. **Conditional use deed fees.** (a) A governmental subdivision applying for a conditional use deed under subdivision 1a, paragraph (e), must submit a fee of \$250 to the commissioner of revenue along with the application. If the application is denied, the commissioner shall refund \$150 of the application fee.

(b) The proceeds from the fees must be deposited in a Department of Revenue conditional use deed revolving fund. The sums deposited into the revolving fund are appropriated to the commissioner of revenue for the purpose of making the refunds described in this subdivision, and administering conditional use deed laws.

EFFECTIVE DATE. This section is effective for applications received by the commissioner after June 30, 2009.

Sec. 6. Minnesota Statutes 2008, section 282.01, subdivision 2, is amended to read:

Subd. 2. **Conservation lands; county board supervision.** (a) Lands classified as conservation lands, unless reclassified as nonconservation lands, sold to a governmental subdivision of the state, designated as lands primarily suitable for forest production and sold as hereinafter provided, or released from the trust in favor of the taxing districts, as herein provided, will must be held under the supervision of the county board of the county within which such parcels lie, and must not be conveyed or sold unless the lands are:

~~The county board may, by resolution duly adopted, declare lands classified as conservation lands as primarily suitable for timber production and as lands which should be placed in private ownership for such purposes. If such action be approved by the commissioner of natural resources, the lands so designated, or any part thereof, may be sold by the county board in the same manner as provided for the sale of lands classified as nonconservation lands. Such county action and the approval of the commissioner shall be limited to lands lying within areas zoned for restricted uses under the provisions of Laws 1939, chapter 340, or any amendments thereof.~~

- (1) reclassified as nonconservation lands;
- (2) conveyed to a governmental subdivision of the state under subdivision 1a;
- (3) released from the trust in favor of the taxing districts as provided in paragraph (b); or
- (4) conveyed or sold under the authority of another general or special law.

(b) The county board may, by resolution duly adopted, resolve that certain lands classified as conservation lands shall be devoted to conservation uses and may submit such resolution to the commissioner of natural resources. If, upon investigation, the commissioner of natural resources determines that the lands covered by such resolution, or any part thereof, can be managed and developed for conservation purposes, the commissioner shall make a certificate describing the lands and reciting the acceptance thereof on behalf of the state for such purposes. The commissioner shall transmit the certificate to the county auditor, who shall note the same upon the auditor's records and record the same with the county recorder. The title to all lands so accepted shall be held by the state free from any trust in favor of any and all taxing districts and such lands shall be devoted thereafter to the purposes of forestry, water conservation, flood control, parks, game refuges, controlled game management areas, public shooting grounds, or other public recreational or conservation uses, and managed, controlled, and regulated for such purposes under the jurisdiction of the commissioner of natural resources and the divisions of the department.

(c) All proceeds derived from the sale of timber, lease of hay stumpage, or other revenue from such lands under the jurisdiction of the commissioner of natural resources shall be paid into the general fund of the state.

~~In case (d) If the commissioner of natural resources shall determine~~ determines that any tract of land so held acquired by the state under paragraph (b) and situated within or adjacent to the boundaries of any governmental subdivision of the state is suitable for use by such subdivision for any authorized public purpose, the commissioner may convey such tract by deed in the name of the state to such subdivision upon the filing with the commissioner of a resolution adopted by a majority vote of all the members of the governing body thereof, stating the purpose for which the land is desired. The deed of conveyance shall be upon a form approved by the attorney general

~~and must be conditioned upon continued use for the purpose stated in the resolution. All proceeds derived from the sale of timber, lease of hay stumpage, or other revenue from such lands under the jurisdiction of the natural resources commissioner shall be paid into the general fund of the state.~~

(e) The county auditor, with the approval of the county board, may lease conservation lands remaining under the ~~jurisdiction~~ supervision of the county board and sell timber and hay stumpage thereon in the manner hereinafter provided, and all proceeds derived therefrom shall be distributed in the same manner as provided in section 282.04.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 7. Minnesota Statutes 2008, section 282.01, subdivision 3, is amended to read:

Subd. 3. **Nonconservation lands; appraisal and sale.** (a) All parcels of land classified as nonconservation, except those which may be reserved, shall be sold as provided, if it is determined, by the county board of the county in which the parcels lie, that it is advisable to do so, having in mind their accessibility, their proximity to existing public improvements, and the effect of their sale and occupancy on the public burdens. Any parcels of land proposed to be sold shall be first appraised by the county board of the county in which the parcels lie. The parcels may be reappraised whenever the county board deems it necessary to carry out the intent of sections 282.01 to 282.13.

(b) In an appraisal the value of the land and any standing timber on it shall be separately determined. No parcel of land containing any standing timber may be sold until the appraised value of the timber on it and the sale of the land have been approved by the commissioner of natural resources. The commissioner shall base review of a proposed sale on the policy and considerations specified in subdivision 1. The decision of the commissioner shall be in writing and shall state the reasons for it. The commissioner's decision is exempt from the rulemaking provisions of chapter 14 and section 14.386 does not apply. The county may appeal the decision of the commissioner in accordance with chapter 14.

(c) In any county in which a state forest or any part of it is located, the county auditor shall submit to the commissioner at least 60 days before the first publication of the list of lands to be offered for sale a list of all lands included on the list which are situated outside of any incorporated municipality. If, at any time before the opening of the sale, the commissioner notifies the county auditor in writing that there is standing timber on any parcel of such land, the parcel shall not be sold unless the requirements of this section respecting the separate appraisal of the timber and the approval of the appraisal by the commissioner have been complied with. The commissioner may waive the requirement of the 60-day notice as to any parcel of land which has been examined and the timber value approved as required by this section.

(d) If any public improvement is made by a municipality after any parcel of land has been forfeited to the state for the nonpayment of taxes, and the improvement is assessed in whole or in part against the property benefited by it, the clerk of the municipality shall certify to the county auditor, immediately upon the determination of the assessments for the improvement, the total amount that would have been assessed against the parcel of land if it had been subject to assessment; or if the public improvement is made, petitioned for, ordered in or assessed, whether the improvement is completed in whole or in part, at any time between the appraisal and the sale of the parcel of land, the cost of the improvement shall be included as a separate item and added to the appraised value of the parcel of land at the time it is sold. No sale of a parcel of land shall discharge or free the parcel of land from lien for the special benefit conferred upon it by reason of the public improvement until

the cost of it, including penalties, if any, is paid. The county board shall determine the amount, if any, by which the value of the parcel was enhanced by the improvement and include the amount as a separate item in fixing the appraised value for the purpose of sale. ~~In classifying, appraising, and selling the lands, the county board may designate the tracts as assessed and acquired, or may by resolution provide for the subdivision of the tracts into smaller units or for the grouping of several tracts into one tract when the subdivision or grouping is deemed advantageous for the purpose of sale. Each such smaller tract or larger tract must be classified and appraised as such before being offered for sale. If any such lands have once been classified, the board of county commissioners, in its discretion, may, by resolution, authorize the sale of the smaller tract or larger tract without reclassification.~~

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 8. Minnesota Statutes 2008, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale: method, requirements, effects.** The sale authorized under subdivision 3 must be conducted by the county auditor at the county seat of the county in which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be conducted in any county facility within the county. The sale must not be for less than the appraised value except as provided in subdivision 7a. The parcels must be sold for cash only ~~and at not less than the appraised value~~, unless the county board of the county has adopted a resolution providing for their sale on terms, in which event the resolution controls with respect to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, and the balance must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. Standing timber or timber products must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value must be allocated between the land and the timber in proportion to their respective appraised values. In that case, standing timber or timber products must not be removed from the land until the amount of the excess bid allocated to timber or timber products has been paid in addition to the appraised value of the land. The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance of the purchase price for sales occurring after December 31, 1990, is subject to interest at the rate determined in section 279.03, subdivision 1a. The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 9. Minnesota Statutes 2008, section 282.01, subdivision 7, is amended to read:

Subd. 7. **County sales; notice, purchase price, disposition.** The sale must commence at the time determined by the county board of the county in which the parcels are located. The county auditor

shall offer the parcels of land in order in which they appear in the notice of sale, and shall sell them to the highest bidder, but not for a sum less than the appraised value, until all of the parcels of land have been offered. Then the county auditor shall sell any remaining parcels to anyone offering to pay the appraised value, except that if the person could have repurchased a parcel of property under section 282.012 or 282.241, that person may not purchase that same parcel of property at the sale under this subdivision for a purchase price less than the sum of all taxes, assessments, penalties, interest, and costs due at the time of forfeiture computed under section 282.251, and any special assessments for improvements certified as of the date of sale. The sale must continue until all the parcels are sold or until the county board orders a reappraisal or withdraws any or all of the parcels from sale. The list of lands may be added to and the added lands may be sold at any time by publishing the descriptions and appraised values. The added lands must be: (1) parcels of land that have become forfeited and classified as nonconservation since the commencement of any prior sale; (2) parcels classified as nonconservation that have been reappraised; (3) parcels that have been reclassified as nonconservation; or (4) other parcels that are subject to sale but were omitted from the existing list for any reason. The descriptions and appraised values must be published in the same manner as provided for the publication of the original list. Parcels added to the list must first be offered for sale to the highest bidder before they are sold at appraised value. All parcels of land not offered for immediate sale, as well as parcels that are offered and not immediately sold, continue to be held in trust by the state for the taxing districts interested in each of the parcels, under the supervision of the county board. Those parcels may be used for public purposes until sold, as directed by the county board.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 10. Minnesota Statutes 2008, section 282.01, subdivision 7a, is amended to read:

Subd. 7a. **City sales; alternate procedures.** Land located in a home rule charter or statutory city, or in a town which cannot be improved because of noncompliance with local ordinances regarding minimum area, shape, frontage or access may be sold by the county auditor pursuant to this subdivision if the auditor determines that a nonpublic sale will encourage the approval of sale of the land by the city or town and promote its return to the tax rolls. If the physical characteristics of the land indicate that its highest and best use will be achieved by combining it with an adjoining parcel and the city or town has not adopted a local ordinance governing minimum area, shape, frontage, or access, the land may also be sold pursuant to this subdivision. If the property consists of an undivided interest in land or land and improvements, the property may also be sold to the other owners under this subdivision. The sale of land pursuant to this subdivision shall be subject to any conditions imposed by the county board pursuant to section 282.03. The governing body of the city or town may recommend to the county board conditions to be imposed on the sale. The county auditor may restrict the sale to owners of lands adjoining the land to be sold. The county auditor shall conduct the sale by sealed bid or may select another means of sale. The land shall be sold to the highest bidder ~~but in no event shall the land~~ and may be sold for less than its appraised value. All owners of land adjoining the land to be sold shall be given a written notice at least 30 days prior to the sale.

This subdivision shall be liberally construed to encourage the sale and utilization of tax-forfeited land, to eliminate nuisances and dangerous conditions and to increase compliance with land use ordinances.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 11. Minnesota Statutes 2008, 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 July 1, 2009.

Sec. 12. **REPEALER.**

Minnesota Statutes 2008, section 282.01, subdivisions 1b, 9, 10, and 11, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2009.

ARTICLE 14

DEPARTMENT MISCELLANEOUS

Section 1. Minnesota Statutes 2008, section 270B.14, subdivision 16, is amended to read:

Subd. 16. **Disclosure to law enforcement authorities.** Under circumstances involving threat of death or physical injury to any individual, or harassment of a Department of Revenue employee, the commissioner may disclose return information to the extent necessary to apprise appropriate federal, state, or local law enforcement authorities of such circumstances. For purposes of this subdivision, "harassment" is purposeful conduct directed at an individual and causing an individual to feel frightened, threatened, oppressed, persecuted, or intimidated. For purposes of harassment, the return information that initially can be disclosed is limited to the name, address, and phone number of the harassing individual, the name of the employee being harassed, and the nature and circumstances of the harassment. Data disclosed under this subdivision are classified under section 13.82 once they are received by the law enforcement authority.

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

Sec. 2. Minnesota Statutes 2008, section 270C.12, is amended by adding a subdivision to read:

Subd. 5. **Duration.** Notwithstanding the provisions of any statutes to the contrary, including section 15.059, the coordinating committee as established by this section to oversee and coordinate preparation of the microdata samples of income tax returns and other information shall not expire.

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

Sec. 3. Minnesota Statutes 2008, 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 for returns or claims prepared as a tax preparer 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 the day following final enactment.

Sec. 4. Minnesota Statutes 2008, section 270C.446, subdivision 5, is amended to read:

Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax preparer from the list of tax preparers published under this section:

(1) when the commissioner determines that the name was included on the list in error;

(2) within 90 days after the preparer has demonstrated to the commissioner that the preparer fully paid all fines imposed, served any suspension, satisfied any sentence imposed, and demonstrated to the satisfaction of the commissioner that the preparer has successfully completed any remedial actions required by the commissioner, the State Board of Accountancy, or the Lawyers Board of Professional Responsibility; or

(3) when the commissioner has been notified that the tax preparer is deceased.

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

Sec. 5. Minnesota Statutes 2008, 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 256.9658, 290.92, and 297E.02, and, ~~for the taxes listed in this subdivision, the applicable penalties for nonpayment under section 289A.60 and interest on those taxes.~~

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

Sec. 6. Minnesota Statutes 2008, section 289A.41, is amended to read:

289A.41 BANKRUPTCY; SUSPENSION OF TIME.

The running of the period during which a tax must be assessed or collection proceedings commenced is suspended during the period from the date of a filing of a petition in bankruptcy until 30 days after either notice to the commissioner of revenue that the bankruptcy proceedings have been closed or dismissed, or notice that the automatic stay has been terminated or has expired, whichever occurs first.

The suspension of the statute of limitations under this section applies to the person the petition in bankruptcy is filed against and other persons who may also be wholly or partially liable for the tax.

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

ARTICLE 15

MISCELLANEOUS

Section 1. Minnesota Statutes 2008, section 16A.152, subdivision 1b, is amended to read:

Subd. 1b. **Budget reserve increase.** ~~On July 1, 2003~~ January 1, 2011, the commissioner of finance shall transfer \$300,000,000 ~~\$.~~ to the budget reserve account in the general fund. ~~On July 1, 2004, the commissioner of finance shall transfer \$296,000,000 to the budget reserve account in the general fund.~~ The amounts necessary for this purpose are appropriated from the general fund.

Sec. 2. Minnesota Statutes 2008, section 270C.445, is amended to read:

270C.445 TAX PREPARATION SERVICES.

Subdivision 1. **Scope.** This section applies to a person who provides tax preparation services, except:

- (1) a person who provides tax preparation services for fewer than ten clients in a calendar year;
- (2) a person who provides tax preparation services only to immediate family members. For the purposes of this section, "immediate family members" means a spouse, parent, grandparent, child, or sibling;
- (3) an employee who prepares a tax return for an employer's business;
- (4) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, testator, trustor, grantor, or beneficiaries of them; and
- (5) nonprofit organizations providing tax preparation services under the Internal Revenue Service Volunteer Income Tax Assistance Program or Tax Counseling for the Elderly Program.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Client" means an individual for whom a tax preparer performs or agrees to perform tax preparation services.

(c) "Person" means an individual, corporation, partnership, limited liability company, association, trustee, or other legal entity.

(d) "Refund anticipation loan" means a loan or any other extension of credit, whether provided by the tax preparer or another entity such as a financial institution, in anticipation of, and whose payment is secured by, a client's federal or state income tax refund or both.

(e) "Tax preparation services" means services provided for a fee or other consideration to a client to:

- (1) assist with preparing or filing state or federal individual income tax returns;
- (2) assume final responsibility for completed work on an individual income tax return on which preliminary work has been done by another; or

(3) ~~offer or~~ facilitate the provision of refund anticipation loans and refund anticipation checks.

(f) "Tax preparer" or "preparer" means a person providing tax preparation services subject to this section.

(g) "Advertise" means to solicit business through any means or medium.

(h) "Facilitate" means to individually or in conjunction or cooperation with another person:

(1) accept an application for a refund anticipation loan;

(2) pay to a client the proceeds, through direct deposit, a negotiable instrument, or any other means, of a refund anticipation loan; or

(3) offer, arrange, process, provide, or in any other manner act to allow the making of, a refund anticipation loan.

(i) "Refund anticipation check" means a negotiable instrument provided to a client by the tax preparer or another person, which is issued from the proceeds of a taxpayer's federal or state income tax refund or both and represents the net of the refund minus the tax preparation fee and any other fees. A refund anticipation check includes a refund transfer.

Subd. 3. **Standards of conduct.** No tax preparer shall:

(1) without good cause fail to promptly, diligently, and without unreasonable delay complete a client's tax return;

(2) obtain the signature of a client to a tax return or authorizing document that contains blank spaces to be filled in after it has been signed;

(3) fail to sign a client's tax return when payment for services rendered has been made;

(4) fail or refuse to give a client a copy of any document requiring the client's signature within a reasonable time after the client signs the document;

(5) fail to retain for at least four years a copy of individual income tax returns;

(6) fail to maintain a confidential relationship ~~between themselves and their~~ with clients or former clients;

(7) fail to take commercially reasonable measures to safeguard a client's nonpublic personal information;

(8) make, authorize, publish, disseminate, circulate, or cause to make, either directly or indirectly, any false, deceptive, or misleading statement or representation relating to or in connection with the offering or provision of tax preparation services;

(9) require a client to enter into a loan arrangement in order to complete a tax return;

(10) claim credits or deductions on a client's tax return for which the tax preparer knows or reasonably should know the ~~taxpayer~~ client does not qualify;

(11) charge, offer to accept, or accept a fee based upon a percentage of an anticipated refund for tax preparation services;

(12) under any circumstances, withhold or fail to return to a client a document provided by the client for use in preparing the client's tax return;

(13) establish an account in the preparer's name to receive a client's refund through a direct deposit or any other instrument unless the client's name is also on the account, except that a taxpayer may assign the portion of a refund representing the Minnesota education credit available under section 290.0674 to a bank account without the client's name, as provided under section 290.0679;

(14) fail to act in the best interests of the client;

(15) fail to safeguard and account for any money handled for the client;

(16) fail to disclose all material facts of which the preparer has knowledge which might reasonably affect the client's rights and interests;

(17) violate any provision of section 332.37;

(18) include any of the following in any document provided or signed in connection with the provision of tax preparation services:

(i) a hold harmless clause;

(ii) a confession of judgment or a power of attorney to confess judgment against the client or appear as the client in any judicial proceeding;

(iii) a waiver of the right to a jury trial, if applicable, in any action brought by or against a debtor;

(iv) an assignment of or an order for payment of wages or other compensation for services;

(v) a provision in which the client agrees not to assert any claim or defense otherwise available;

(vi) a waiver of any provision of this section or a release of any obligation required to be performed on the part of the tax preparer; or

(vii) a waiver of the right to injunctive, declaratory, or other equitable relief or relief on a class basis; or

(19) if making, providing, or facilitating a refund anticipation loan, fail to provide all disclosures required by the federal Truth in Lending Act, United States Code, title 15, in a form that may be retained by the client.

Subd. 3a. Written agreements required; refund anticipation loans and checks. (a) All agreements to make, provide, or facilitate a refund anticipation loan or refund anticipation check must be in writing. No agreement may include a provision that directly or indirectly arranges for payment of or deduction from any portion of the refund anticipation loan or refund anticipation check for check cashing, credit insurance, attorney fees, or the collection of any debt owed to any party for any other good or service other than a debt owed to the facilitator for the repayment of a refund anticipation loan and tax preparation fees.

(b) If a written agreement contains a mandatory arbitration clause, the tax preparer must provide a separate written notice to the client that:

(1) arbitration is the exclusive means of dispute resolution for any dispute about the written

agreement;

(2) the client has the right to affirmatively opt out of the arbitration clause within 30 days of entering into the agreement; and

(3) the client is not bound to arbitration if the claim or dispute involves a violation of this section or the client invokes the remedies provided in subdivision 7.

The tax preparer must advise the client, both orally and in writing, of the process by which the client may exercise the right to opt out of the mandatory arbitration clause.

Subd. 4. **Required disclosures; refund anticipation loans and checks.** ~~(a) If Before or at the same time a tax preparer offers to make or facilitate a refund anticipation loan to the client, the preparer must make the disclosures in this subdivision. The disclosures must be made before or at the same time the preparer offers the refund anticipation loan to the client.~~

~~(b) The tax preparer must provide to a client a written notice on a single sheet of paper, separate from any other document or writing, containing:~~

~~(1) a legend, centered at the top on the single sheet of paper, in bold, capital letters, and in 28 point type stating "NOTICE";~~

~~(2) the following verbatim statements:~~

~~(i) "This is a loan. The annual percentage rate (APR), based on the estimated payment period, is (fill in the estimated APR)."~~

~~(ii) "Your refund will be used to repay the loan. As a result, the amount of your refund will be reduced by (fill in appropriate dollar amount) for fees, interest, and other charges."~~

~~(iii)~~

~~"You can get your refund in about two weeks if you file your return electronically and have the Internal Revenue Service send your refund to your own bank account." and~~

~~(3) if the client is subject to additional interest when a refund is delayed, the following verbatim statement must also be included in the notice: "If you choose to take this loan and your refund is delayed, you may have to pay additional interest."~~

~~(c) All required statements must be in capital and small font type fonts, in a minimum of 14 point type, with at least a double space between each line in the statement and four spaces between each statement.~~

~~(d) The notice must be signed and dated by the tax preparer and the client subdivision 4a. Before or at the same time a tax preparer offers or facilitates a refund anticipation check or refund transfer, the tax preparer must make the disclosures in subdivision 4b.~~

(b) The disclosures must be provided to the client in a written notice on a single sheet of paper, separate from any other document or writing.

(c) The notice must be signed and dated by the tax preparer and the client.

(d) All required disclosures, notices, and statements must be provided in the client's primary

language, if the tax preparer advertises in that language.

Subd. 4a. **Refund anticipation loan disclosures.** The disclosure required under subdivision 4 for a refund anticipation loan must contain:

(1) a legend, centered at the top on the single sheet of paper, in bold, capital letters, and in 28-point type stating "NOTICE";

(2) the following verbatim statements:

(i) "This is a loan. This is not your refund. The annual percentage rate (APR), based on the estimated payment period, is (fill in the estimated APR).";

(ii) "Your refund will be used to repay the loan. As a result, the amount of your refund will be reduced by (fill in appropriate dollar amount) for fees, interest, and other charges.";

(iii) "You have the right to cancel this transaction by returning the loan check or the amount of the loan in cash within one business day after you get the loan."; and

(iv) "You can get your refund in about two weeks if you file your return electronically and have the Internal Revenue Service send your refund to your own bank account."; and

(3) if the client is subject to additional interest when a refund is delayed, the following verbatim statement must also be included in the notice: "If you choose to take this loan and your refund check is delayed, you may have to pay."

Subd. 4b. **Refund anticipation check disclosures.** (a) The disclosure required under subdivision 4 for a refund anticipation check must contain:

(1) a legend, centered at the top on the single sheet of paper, in bold, capital letters, and in 28-point type stating "NOTICE"; and

(2) the following verbatim statements:

(i) "You do not have to purchase a refund anticipation check (RAC) to get your tax refund.";

(ii) "Generally, the IRS can direct deposit your income tax refund to your personal bank account within eight to 15 days after the IRS accepts your tax return for processing.";

(iii) "If you choose to purchase a RAC, your tax return funds will generally be made available to you within eight to 15 days.";

(iv) "A RAC is not a loan.";

(v) "The cost of the RAC is (fill in dollar amount).";

(vi) "You can either pay for your RAC now or you can have it withheld from your refund."; and

(vii) "The cost of your tax return is not any more or any less if you purchase a RAC."

(b) A tax preparer offering a refund anticipation check that uses a different product name, including but not limited to refund transfer, must substitute the product name for "RAC" in all the statements required under this subdivision.

Subd. 5. **Itemized bill required.** A tax preparer must provide an itemized statement of the charges for services, at least separately stating the charges for:

- (1) return preparation; ~~and~~
- (2) providing or facilitating a refund anticipation loan; and
- (3) each fee associated with the provision of a refund anticipation check.

Subd. 5a. **Nongame wildlife checkoff.** A tax preparer must give written notice of the option to contribute to the nongame wildlife management account in section 290.431 to corporate clients that file an income tax return and to individual clients who file an income tax return or property tax refund claim form. This notification must be included with information sent to the client at the same time as the preliminary worksheets or other documents used in preparing the client's return and must include a line for displaying contributions.

Subd. 5b. **Right to rescind refund anticipation loan.** (a) A client may rescind a refund anticipation loan on or before the close of business on the next day of business following execution of the loan agreement or receipt of the proceeds of the loan by:

- (1) providing written notification to the tax preparer of the rescission; and
- (2) returning the original check issued for the loan; or
- (3) tendering the amount of the loan in cash to the tax preparer.

(b) The tax preparer may charge a fee for rescinding a refund anticipation loan only if an account has been established at a financial institution to electronically receive the refund and the financial institution has charged a fee to establish the account. The allowable fee the tax preparer may charge the client rescinding the refund anticipation loan may not exceed the fee charged to the tax preparer by the financial institution to establish the account.

Subd. 6. **Enforcement; penalties.** The commissioner may impose an administrative penalty of not more than \$1,000 per violation of subdivision 3, 3a, 4, ~~or~~ 5, or 5b, provided that a penalty may not be imposed for any conduct that is also subject to the tax return preparer penalties in section 289A.60, subdivision 13. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this subdivision is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax. Penalties imposed under this subdivision are public data.

Subd. 6a. **Exchange of data; State Board of Accountancy.** The State Board of Accountancy shall refer to the commissioner complaints it receives about tax preparers who are not subject to the jurisdiction of the State Board of Accountancy and who are alleged to have violated the provisions of subdivisions 3 to 5 and 5b.

Subd. 6b. **Exchange of data; Lawyers Board of Professional Responsibility.** The Lawyers Board of Professional Responsibility may refer to the commissioner complaints it receives about tax preparers who are not subject to its jurisdiction and who are alleged to have violated the provisions of subdivisions 3 to 5 and 5b.

Subd. 6c. **Exchange of data; commissioner.** The commissioner shall refer complaints about tax

preparers who are alleged to have violated the provisions of subdivisions 3 to 5 and 5b to:

- (1) the State Board of Accountancy, if the tax preparer is under its jurisdiction; and
- (2) the Lawyers Board of Professional Responsibility, if the tax preparer is under its jurisdiction.

Subd. 6d. **Data private.** Information exchanged on individuals under subdivisions 6a to 6c are private data under section 13.02, subdivision 12, until such time as a penalty is imposed as provided in section 326A.08 or by the Lawyers Board of Professional Responsibility.

Subd. 7. **Enforcement; civil actions.** (a) Any violation of this section is an unfair, deceptive, and unlawful trade practice within the meaning of section 8.31. An action taken under section 8.31 is in the public interest.

(b) A client may bring a civil action seeking redress for a violation of this section in the conciliation or the district court of the county in which unlawful action is alleged to have been committed or where the respondent resides or has a principal place of business.

(c) A ~~district~~ court finding for the plaintiff must award:

- (1) actual damages, including;
- (2) incidental and consequential damages;
- (3) statutory damages of twice the sum of: (i) the tax preparation fees; and (ii) if the plaintiff violated subdivision 3a, 4, or 5b, all interest and fees for a refund anticipation loan;
- (4) reasonable attorney fees;
- (5) court costs; and
- (6) any other equitable relief as the court considers appropriate.

Subd. 8. **Limited exemptions; enforcement provisions.** The provisions of this section, except for ~~subdivision~~ subdivisions 3a, 4, and 5b, do not apply to:

- (1) an attorney admitted to practice under section 481.01;
- (2) a certified public accountant or other person who is subject to the jurisdiction of the State Board of Accountancy;
- (3) an enrolled agent who has passed the special enrollment examination administered by the Internal Revenue Service; or
- (4) ~~any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, the testator, trustor, grantor, or beneficiaries of them;~~
- (5) ~~a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;~~
- (6) ~~tax preparation services to a spouse, parent, grandparent, child, or sibling of the tax preparer;~~ and
- (7) ~~the preparation by an employee of the tax return of the employee's employer~~

(4) anyone who provides, or assists in providing, tax preparation services within the scope of duties as an employee or supervisor of a person who is exempt under this subdivision.

Sec. 3. Minnesota Statutes 2008, section 270C.56, subdivision 3, is amended to read:

Subd. 3. **Procedure for assessment; claims for refunds.** (a) The commissioner may assess liability for the taxes described in subdivision 1 against a person liable under this section. The assessment may be based upon information available to the commissioner. It must be made within the prescribed period of limitations for assessing the underlying tax, or within one year after the date of an order assessing underlying tax, whichever period expires later. An order assessing personal liability under this section is reviewable under section 270C.35 and is appealable to Tax Court.

(b) If the time for appealing the order has expired and a payment is made by or collected from the person assessed on the order in excess of the amount lawfully due from that person of any portion of the liability shown on the order, a claim for refund may be made by that person within 120 days after any payment of the liability if the payment is within three and one-half years after the date the order was issued. Claims for refund under this paragraph are limited to the amount paid during the 120-day period. Any amounts collected under paragraph (c) after a claim for refund is filed in order to satisfy the unpaid balance of the assessment that is the subject of the claim will be returned if the claim is allowed. There is no claim for refund available under this paragraph if the assessment has previously been the subject of an administrative or Tax Court appeal, or a denied claim for refund. The taxpayer may contest denial of the refund as provided in the procedures governing claims for refunds under section 289A.50, subdivision 7.

(c) If a person has been assessed under this section for an amount for a given period and the time for appeal has expired, regardless of whether an action contesting denial of a claim for refund has been filed under paragraph (b), or there has been a final determination that the person is liable, collection action is not stayed pursuant to section 270C.33, subdivision 5, for that assessment or for subsequent assessments of additional amounts for the same person for the same period and tax type.

EFFECTIVE DATE. This section is effective for orders issued after the date of final enactment.

Sec. 4. Minnesota Statutes 2008, section 287.08, is amended to read:

287.08 TAX, HOW PAYABLE; RECEIPTS.

(a) The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of any county in this state in which the real property or some part is located at or before the time of filing the mortgage for record. The treasurer shall endorse receipt on the mortgage and the receipt is conclusive proof that the tax has been paid in the amount stated and authorizes any county recorder or registrar of titles to record the mortgage. Its form, in substance, shall be "registration tax hereon of dollars paid." If the mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from registration tax." In either case the receipt must be signed by the treasurer. In case the treasurer is unable to determine whether a claim of exemption should be allowed, the tax must be paid as in the case of a taxable mortgage. For documents submitted electronically, the endorsements and tax amount shall be affixed electronically and no signature by the treasurer will be required. The actual payment method must be arranged in advance between the submitter and the receiving county.

(b) The county treasurer may refund in whole or in part any mortgage registry tax overpayment if a written application by the taxpayer is submitted to the county treasurer within 3-1/2 years from

the date of the overpayment. If the county has not issued a denial of the application, the taxpayer may bring an action in Tax Court in the county in which the tax was paid at any time after the expiration of six months from the time that the application was submitted. A denial of refund may be appealed within 60 days from the date of the denial by bringing an action in Tax Court in the county in which the tax was paid. The action is commenced by the serving of a petition for relief on the county treasurer, and by filing a copy with the court. The county attorney shall defend the action. The county treasurer shall notify the treasurer of each county that has or would receive a portion of the tax as paid.

(c) If the county treasurer determines a refund should be paid, or if a refund is ordered by the court, the county treasurer of each county that actually received a portion of the tax shall immediately pay a proportionate share of three percent of the refund using any available county funds. The county treasurer of each county that received, or would have received, a portion of the tax shall also pay their county's proportionate share of the remaining 97 percent of the court-ordered refund on or before the 20th day of the following month using solely the mortgage registry tax funds that would be paid to the commissioner of revenue on that date under section 287.12. If the funds on hand under this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the county treasurer of the county in which the action was brought shall file a claim with the commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of the refund, and shall pay over the remaining portion upon receipt of a warrant from the state issued pursuant to the claim.

(d) When any mortgage covers real property located in more than one county in this state the total tax must be paid to the treasurer of the county where the mortgage is first presented for recording, and the payment must be receipted as provided in paragraph (a). If the principal debt or obligation secured by such a multiple county mortgage exceeds ~~\$1,000,000~~ \$10,000,000, the nonstate portion of the tax must be divided and paid over by the county treasurer receiving it, on or before the 20th day of each month after receipt, to the county or counties entitled in the ratio that the market value of the real property covered by the mortgage in each county bears to the market value of all the real property in this state described in the mortgage. In making the division and payment the county treasurer shall send a statement giving the description of the real property described in the mortgage and the market value of the part located in each county. For this purpose, the treasurer of any county may require the treasurer of any other county to certify to the former the market valuation of any tract of real property in any mortgage.

(e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor, the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the amount of the tax collected for that purpose and the mortgagor is relieved of any further obligation to pay the tax as to the amount collected by the mortgagee for this purpose.

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

Sec. 5. Minnesota Statutes 2008, section 291.005, subdivision 1, is amended to read:

Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions

of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota, and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death. For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through February 13, 2008.

(9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

(10) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust.

EFFECTIVE DATE. This section is effective for estates of decedents dying after December 31, 2008.

Sec. 6. Minnesota Statutes 2008, section 295.52, subdivision 1, is amended to read:

Subdivision 1. **Hospital tax.** A tax is imposed on each hospital equal to ~~two~~ ... percent of its gross revenues.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2008, except the rate imposed for revenues received during calendar year 2009 is

Sec. 7. Minnesota Statutes 2008, section 295.52, subdivision 1a, is amended to read:

Subd. 1a. **Surgical center tax.** A tax is imposed on each surgical center equal to ~~two~~ ... percent of its gross revenues.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2008, except the rate imposed for revenues received during calendar year 2009 is

Sec. 8. Minnesota Statutes 2008, section 297E.06, subdivision 4, is amended to read:

Subd. 4. **Annual audit, certified inventory, and cash count.** (a) An organization licensed under chapter 349 with gross receipts from lawful gambling of more than ~~\$300,000~~ \$500,000 in any year must have an annual financial audit of its lawful gambling activities and funds for that year. ~~An organization licensed under chapter 349 with gross receipts from lawful gambling of more than \$150,000 but not more than \$300,000 in any year must have an annual financial review of its lawful gambling activities and funds for that year.~~

(b) The commissioner may require a financial audit of the lawful gambling activities and funds of an organization licensed under chapter 349, with gross receipts less than \$500,000 annually, when an organization has:

- (1) failed to timely file required gambling tax returns;
- (2) failed to timely pay the gambling tax or regulatory fee;
- (3) filed fraudulent gambling tax returns;
- (4) failed to take corrective actions required by the commissioner; or
- (5) failed to otherwise comply with chapter 297E.

(c) Audits and financial reviews under this subdivision must be performed by an independent accountant licensed by the state of Minnesota.

(d) An organization licensed under chapter 349 must perform an annual certified inventory and cash count at the end of its fiscal year and submit the report to the commissioner within 30 days after the end of its fiscal year. The report shall be on a form prescribed by the commissioner.

(e) The commissioner of revenue shall prescribe standards for the audits and financial review, certified inventory, and cash count reports required under this subdivision. The standards may vary based on the gross receipts of the organization. The standards must incorporate and be consistent with standards prescribed by the American Institute of Certified Public Accountants. A complete,

true, and correct copy of the ~~audit~~ audits, certified inventory, and cash count report must be filed as prescribed by the commissioner.

Sec. 9. Minnesota Statutes 2008, section 297H.06, subdivision 1, is amended to read:

Subdivision 1. **Certain surcharges or fees.** The amount of a surcharge, fee, or charge established pursuant to section 115A.919, 115A.921, 115A.923, 400.08, 473.811, ~~or 473.843~~, or a service charge by a home rule charter city that owns and operates a solid waste-to-energy resource recovery facility, is exempt from the solid waste management tax. The exemption does not apply to the tax imposed on market price under section 297H.02, subdivision 1, paragraphs (b) and (c), or section 297H.03, subdivision 1, paragraphs (b) and (c).

EFFECTIVE DATE. This section is effective for taxes imposed after March 31, 2007.

Sec. 10. Minnesota Statutes 2008, section 309.53, subdivision 3, is amended to read:

Subd. 3. **Financial statement requirements.** The financial statement shall include a balance sheet, statement of income and expense, and statement of functional expenses, shall be consistent with forms furnished by the attorney general, and shall be prepared in accordance with generally accepted accounting principles so as to make a full disclosure of the following, including necessary allocations between each item and the basis of such allocations:

- (a) total receipts and total income from all sources;
- (b) cost of management and general;
- (c) program services;
- (d) cost of fund-raising;
- (e) cost of public education;
- (f) funds or properties transferred out of state, with explanation as to recipient and purpose;
- (g) total net amount disbursed or dedicated within this state, broken down into total amounts disbursed or dedicated for each major purpose, charitable or otherwise;
- (h) names of professional fund-raisers used during the accounting year and the financial compensation and profit resulting to each professional fund-raiser; and
- (i) a list of the five highest paid directors, officers, and employees of the organization and its related organizations, as that term is defined by section 317A.011, subdivision 18, that receive total compensation of more than \$50,000, together with the total compensation paid to each. Total compensation shall include salaries, fees, bonuses, fringe benefits, severance payments, and deferred compensation paid by the charitable organization and all related organizations as that term is defined by section 317A.011, subdivision 18.

Unless otherwise required by this subdivision, the financial statement need not be certified.

A financial statement of a charitable organization which has received total revenue in excess of ~~\$350,000~~ \$750,000 for the 12 months of operation covered by the statement shall be accompanied by an audited financial statement prepared in accordance with generally accepted accounting principles that has been examined by an independent certified public accountant for the purpose of expressing

an opinion. In preparing the audit the certified public accountant shall take into consideration capital, endowment or other reserve funds, if any, controlled by the charitable organization. For purposes of calculating the ~~\$350,000~~ \$750,000 total revenue threshold provided by this subdivision, the value of donated food to a nonprofit food shelf may not be included if the food is donated for subsequent distribution at no charge, and not for resale.

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

Sec. 11. Minnesota Statutes 2008, section 349.1641, is amended to read:

349.1641 LICENSES; SUMMARY SUSPENSION.

The board may (1) summarily suspend the license of an organization that is more than ~~three months~~ 45 days late in filing a tax return or in paying a tax required under chapter 297E and may keep the suspension in effect until all required returns are filed and required taxes are paid; (2) summarily suspend for not more than 90 days any license issued by the board or director for what the board determines are actions detrimental to the integrity of lawful gambling in Minnesota; and (3) summarily suspend the license of a gambling manager who has failed to receive the training required under section 349.167, subdivision 4, clause (2), and may keep the suspension in effect until the gambling manager passes an examination prepared and administered by the board. The examination does not qualify as continuing education credit for the next calendar year. The board must notify the licensee at least 14 days before suspending the license under this section. If a license is summarily suspended under this section, a contested case hearing on the merits must be held within 20 days of the issuance of the order of suspension, unless the parties agree to a later hearing date. The administrative law judge's report must be issued within 20 days after the close of the hearing record. In all cases involving summary suspension, the board must issue its final decision within 30 days after receipt of the report of the administrative law judge and subsequent exceptions and argument under section 14.61. When an organization's license is suspended under this section, the board shall within three days notify all municipalities in which the organization's gambling premises are located and all licensed distributors in the state.

Sec. 12. Minnesota Statutes 2008, section 349.19, subdivision 9, is amended to read:

Subd. 9. **Annual financial audit; filing requirement.** An organization licensed under this chapter must have an annual financial audit ~~or financial review~~ when required by section 297E.06, subdivision 4.

Sec. 13. Minnesota Statutes 2008, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:

(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;

(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the

effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and

(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8, for the duration of the required additional contribution.

(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.

(c) Beginning October 1, 2000, and annually thereafter, the commissioner shall allocate the state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;

(2) 34.2 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and

(3) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association.

If there is no unfunded actuarial accrued liability in both the Minneapolis Police Relief Association and the Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that 34.2 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no unfunded actuarial accrued liability in the Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. Upon the final payment to municipalities required by section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), the commissioner shall allocate that 64.5 percent of the aid as follows: 20 percent to the St. Paul Teachers Retirement Fund Association, 20 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation proposed under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Firefighters Relief Association, 20 percent for the city of Duluth to pay for any costs associated with the police and firefighters pensions, and 40 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. The allocation must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3. With respect to the St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment

return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to that retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section 69.021, subdivision 11, paragraph (e).

EFFECTIVE DATE. This section is effective retroactively for aid payable in 2003 and thereafter.

Sec. 14. Minnesota Statutes 2008, section 423A.02, subdivision 3, is amended to read:

Subd. 3. **Reallocation of amortization or supplementary amortization state aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid ~~or~~ and supplemental amortization aid distributed under subdivisions 1 and 1a that is not distributed for any reason to a municipality for use by a local police or salaried fire relief association must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 70 percent of the amounts derived under this paragraph to the Teachers Retirement Association and 30 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments shall be made on or before June 30 each fiscal year. ~~The amount required under this paragraph is appropriated annually from the general fund to the commissioner of revenue.~~ If the St. Paul Teachers Retirement Fund Association becomes fully funded, its eligibility for this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization and supplementary amortization aid under paragraph (a), Independent School District No. 625, St. Paul, must make contributions to the St. Paul Teachers Retirement Fund Association in accordance with the following schedule:

Fiscal Year	Amount
1996	\$ 0
1997	\$ 0
1998	\$ 200,000
1999	\$ 400,000
2000	\$ 600,000
2001 and thereafter	\$ 800,000

(c) Special School District No. 1, Minneapolis, and the city of Minneapolis must each make contributions to the Teachers Retirement Association in accordance with the following schedule:

Fiscal Year	City amount	School district amount
1996	\$ 0	\$ 0

1997	\$	0	\$	0
1998	\$	250,000	\$	250,000
1999	\$	400,000	\$	400,000
2000	\$	550,000	\$	550,000
2001	\$	700,000	\$	700,000
2002	\$	850,000	\$	850,000
2003 and thereafter	\$	1,000,000	\$	1,000,000

(d) Money contributed under paragraph (a) and either paragraph (b) or (c), as applicable, must be credited to a separate account in the applicable teachers retirement fund and may not be used in determining any benefit increases. The separate account terminates for a fund when the aid payments to the fund under paragraph (a) cease.

(e) Thirty percent of the difference between \$5,720,000 and the current year amortization aid ~~or~~ and supplemental amortization aid under subdivisions 1 and 1a that is not distributed for any reason to a municipality for use by a local police or salaried firefighter relief association must be distributed under section 69.021, subdivision 7, paragraph (d), as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations. ~~The amount required under this paragraph is appropriated annually to the commissioner of revenue.~~

EFFECTIVE DATE. This section is effective retroactively for aid payable in 2003 and thereafter.

Sec. 15. Minnesota Statutes 2008, section 423A.02, is amended by adding a subdivision to read:

Subd. 3a. Appropriations for amortization state aid; supplementary amortization state aid; and amortization state aid and supplementary state aid reallocations. \$4,720,000 is annually appropriated from the general fund to the commissioner of revenue for amortization state aid under subdivision 1 and for the reallocation of amortization aid under subdivision 3. \$1,000,000 is annually appropriated from the general fund to the commissioner of revenue for supplementary amortization state aid under subdivision 1a, and for the reallocation of supplementary amortization state aid under subdivision 3.

EFFECTIVE DATE. This section is effective retroactively for aid payable in 2003 and thereafter."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; making policy, technical, administrative, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, motor vehicle, estate, gambling, solid waste management, health care provider, cigarette and tobacco products, insurance premiums, aggregate removal, mortgage, deed, occupation, and production taxes, and other taxes and tax-related provisions; requiring withholding; providing and modifying income tax credits; modifying and authorizing sales tax exemptions; modifying and authorizing local government sales taxes; modifying certain levies, property valuation procedures, property tax classes, and tax bases; changing and providing property tax exemptions; modifying truth in taxation procedures; eliminating levy

limits; eliminating the targeting refund; modifying the state general levy; providing for aids to local governments; changing provisions relating to fiscal disparities, education financing, and distributions of production tax proceeds; conforming provisions to certain changes in federal laws; changing and imposing powers, duties, and requirements on certain local governments and authorities and state departments or agencies; providing for issuance of obligations by political subdivisions, and use of the proceeds of the debt; limiting availability of JOBZ benefits; providing rules for operation of certain tax increment financing districts; providing for financing of certain postretirement benefits; authorizing loans and grants for certain businesses; requiring studies and reports; regulating tax preparers; establishing the amount of the budget reserve account; appropriating money; amending Minnesota Statutes 2008, sections 16A.152, subdivision 1b; 37.31, subdivision 8; 123B.10, subdivision 1; 124D.4531, by adding a subdivision; 126C.01, subdivision 3; 126C.41, subdivision 2; 126C.55, subdivision 4; 144F.01, subdivision 3; 204B.46; 270B.14, subdivision 16; 270C.12, by adding a subdivision; 270C.445; 270C.446, subdivisions 2, 5; 270C.56, subdivisions 1, 3; 272.02, subdivisions 7, 10, 86, by adding subdivisions; 272.0213; 273.11, subdivision 23; 273.111, subdivision 4; 273.1115, subdivision 2; 273.113, subdivisions 1, 2; 273.1231, subdivision 8; 273.124, subdivisions 3, 3a, 13, 21; 273.13, subdivisions 23, 24, 25, 33; 273.1384, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2; 274.13, subdivision 2; 274.135, subdivision 3; 274.14; 274.175; 275.025, subdivisions 1, 4; 275.065, subdivisions 1, 3, 5a, 6; 275.16; 275.62, subdivision 1; 279.01, subdivision 1; 279.10; 282.01, subdivisions 1, 1a, 1c, 1d, 2, 3, 4, 7, 7a, by adding a subdivision; 287.04; 287.05, by adding a subdivision; 287.08; 287.22; 287.2205; 287.25; 289A.02, subdivision 7, as amended; 289A.08, subdivision 3; 289A.12, by adding a subdivision; 289A.18, subdivision 1; 289A.19, subdivision 4; 289A.31, subdivision 5; 289A.38, subdivision 7; 289A.41; 290.01, subdivisions 19, as amended, 19a, as amended, 19b, 19c, as amended, 19d, as amended, 31, as amended; 290.014, subdivision 2; 290.06, subdivisions 2c, 2d, by adding a subdivision; 290.0671, subdivision 1; 290.091, subdivisions 1, 2; 290.17, subdivision 2; 290.191, subdivision 2; 290A.03, subdivisions 3, as amended, 15, as amended; 290A.10; 290A.14; 290A.23, subdivision 3; 290C.06; 290C.07; 291.005, subdivision 1; 295.52, subdivisions 1, 1a; 295.56; 295.57, subdivision 5; 296A.21, subdivision 1; 297A.64, subdivision 2; 297A.66, by adding a subdivision; 297A.68, subdivision 5; 297A.70, subdivisions 2, 4; 297A.75, subdivisions 1, 2, 3; 297A.992, subdivision 2; 297A.993, subdivision 1; 297E.02, subdivision 4; 297E.06, subdivision 4, by adding a subdivision; 297E.11, subdivision 1; 297F.09, subdivision 7; 297G.09, subdivision 6; 297H.06, subdivision 1; 297I.30, by adding a subdivision; 297I.35, subdivision 2; 298.17, by adding a subdivision; 298.227; 298.24, subdivision 1; 298.28, subdivisions 4, 11; 298.282, subdivision 1; 309.53, subdivision 3; 349.1641; 349.19, subdivision 9; 360.036, subdivision 2; 360.0425; 366.095, subdivision 1; 373.47, subdivision 1; 375.194, subdivision 5; 383A.75, subdivision 3; 423A.02, subdivisions 1b, 3, by adding a subdivision; 428A.01, subdivision 3; 428A.101; 428A.13, by adding a subdivision; 428A.14, subdivision 1; 428A.21; 429.011, subdivision 2a; 446A.086, subdivision 8, by adding a subdivision; 465.719, subdivision 9; 469.005, subdivision 1; 469.015, subdivisions 1, 2, 3; 469.034, subdivision 2; 469.040, subdivisions 2, 4; 469.053, by adding a subdivision; 469.153, subdivision 2; 469.174, subdivision 22, by adding a subdivision; 469.175, subdivisions 1, 6; 469.176, subdivisions 1b, 3, by adding a subdivision; 469.1763, subdivisions 2, 3; 469.178, subdivision 7; 469.312, by adding a subdivision; 471.191, subdivision 1; 473.121, by adding a subdivision; 473.13, subdivision 1; 473.167, subdivision 3; 473.249, subdivision 1; 473.253, subdivision 1; 473.843, subdivision 3; 473F.08, subdivisions 3, 5; 474A.02, subdivisions 2, 14; 475.58, subdivision 1; 475.67, subdivision 8; 477A.011, subdivisions 34, 36, 42; 477A.0124, by adding a subdivision; 477A.013, subdivision 8, by adding a subdivision; Laws 1971, chapter 773, section 4, as amended; Laws 1976, chapter

162, section 3, as amended; Laws 1986, chapter 400, section 44, as amended; Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended; Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended, by adding a subdivision; Laws 1995, chapter 264, article 5, sections 44, subdivision 4, as amended; 45, subdivision 1, as amended; Laws 1998, chapter 389, article 8, section 37, subdivision 1; Laws 2001, First Special Session chapter 5, article 3, section 8, as amended; Laws 2002, chapter 377, article 3, section 25; Laws 2006, chapter 259, article 3, section 12, subdivision 3; Laws 2008, chapter 366, article 5, sections 28, subdivision 1; 29, subdivisions 1, 2, 4; 34; article 6, sections 9; 10; article 7, sections 16, subdivision 3; 18, subdivisions 2, 3; article 10, section 15; Laws 2009, chapter 12, article 2, section 5, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 16A; 116J; 290; 297I; 414; 475; 477A; repealing Minnesota Statutes 2008, sections 275.025, subdivision 3; 275.065, subdivisions 6b, 6c, 8, 9, 10; 275.70; 275.71; 275.72; 275.73; 275.74; 275.75; 282.01, subdivisions 1b, 9, 10, 11; 287.26; 287.27, subdivision 1; 290.06, subdivision 34; 290A.04, subdivision 2h; 297A.67, subdivision 24; 297A.815, subdivision 3; 298.28, subdivisions 11a, 13; 477A.16; Laws 1996, chapter 464, article 1, section 8, subdivision 3; Laws 2008, chapter 366, article 5, section 30, subdivision 7; Minnesota Rules, parts 8009.3000; 8115.0200; 8115.0300; 8115.0400; 8115.0500; 8115.0600; 8115.1000; 8115.1100; 8115.1200; 8115.1300; 8115.1400; 8115.1500; 8115.1600; 8115.1700; 8115.1800; 8115.1900; 8115.2000; 8115.2100; 8115.2200; 8115.2300; 8115.2400; 8115.2500; 8115.2600; 8115.2700; 8115.2800; 8115.2900; 8115.3000; 8115.4000; 8115.4100; 8115.4200; 8115.4300; 8115.4400; 8115.4500; 8115.4600; 8115.4700; 8115.4800; 8115.4900; 8115.5000; 8115.5100; 8115.5200; 8115.5300; 8115.5400; 8115.5500; 8115.5600; 8115.5700; 8115.5800; 8115.5900; 8115.6000; 8115.6100; 8115.6200; 8115.6300; 8115.6400; 8115.9900."

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

SECOND READING OF SENATE BILLS

S.F. No. 2074 was read the second time.

MEMBERS EXCUSED

Senators Anderson, Bonoff and Gimse were excused from the Session of today. Senator Pappas was excused from the Session of today at 4:30 p.m. Senator Bakk was excused from the Session of today from 4:40 to 5:30 p.m. Senator Erickson Ropes was excused from the Session of today at 6:00 p.m.

ADJOURNMENT

Senator Pogemiller moved that the Senate do now adjourn until 9:30 a.m., Thursday, April 23, 2009. The motion prevailed.

Peter S. Wattson, Secretary of the Senate (Legislative)

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