

FIFTY-SECOND DAY

St. Paul, Minnesota, Tuesday, May 12, 2009

The Senate met at 12:00 noon 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. Dennis J. Johnson.

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

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

The President declared a quorum present.

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

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12, Senator Berglin moved that the following members be excused for a Conference Committee on H.F. No. 1988 at 12:00 noon:

Senators Berglin, Lourey, Sheran, Rosen and Prettner Solon. The motion prevailed.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12, Senator Prettner Solon moved that the following members be excused for a Conference Committee on S.F. No. 550 at 12:00 noon:

Senators Prettner Solon, Sparks, Doll, Dibble and Senjem. The motion prevailed.

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. 764: A bill for an act relating to state government; allowing state agencies to conduct meetings by telephone or by electronic means; proposing coding for new law in Minnesota Statutes, chapter 13D.

Senate File No. 764 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2009

CONCURRENCE AND REPASSAGE

Senator Moua moved that the Senate concur in the amendments by the House to S.F. No. 764 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 764 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 49 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Fischbach	Kubly	Olson, G.	Senjem
Betzold	Fobbe	Langseth	Olson, M.	Sieben
Bonoff	Foley	Latz	Ortman	Skoe
Carlson	Frederickson	Limmer	Pogemiller	Skogen
Chaudhary	Gimse	Lynch	Rest	Sparks
Clark	Hann	Marty	Robling	Tomassoni
Cohen	Higgins	Metzen	Rummel	Torres Ray
Dahle	Johnson	Moua	Saltzman	Vickerman
Day	Jungbauer	Murphy	Saxhaug	Wiger
Erickson Ropes	Koering	Olseen	Scheid	

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

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

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

requested:

S.F. No. 1033: A bill for an act relating to housing; modifying municipality rent control provisions; amending Minnesota Statutes 2008, section 471.9996, subdivision 1.

Senate File No. 1033 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 8, 2009

CONCURRENCE AND REPASSAGE

Senator Marty moved that the Senate concur in the amendments by the House to S.F. No. 1033 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1033 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 47 and nays 5, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Kubly	Olson, M.	Skoe
Bakk	Erickson Ropes	Langseth	Pogemiller	Skogen
Betzold	Fischbach	Latz	Rest	Sparks
Bonoff	Fobbe	Lynch	Robling	Tomassoni
Carlson	Foley	Marty	Rummel	Torres Ray
Chaudhary	Frederickson	Metzen	Saltzman	Vickerman
Clark	Gimse	Moua	Saxhaug	Wiger
Cohen	Higgins	Murphy	Scheid	
Dahle	Ingebrigtsen	Olseen	Senjem	
Day	Koering	Olson, G.	Sieben	

Those who voted in the negative were:

Hann	Johnson	Jungbauer	Limmer	Ortman
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So the bill, as amended, was repassed and its title was agreed to.

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

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

S.F. No. 99: A bill for an act relating to traffic regulations; requiring restraint of child under age eight and shorter than four feet nine inches while passenger in motor vehicle and modifying seat belt requirements accordingly; amending Minnesota Statutes 2008, sections 169.685, subdivision 5; 169.686, subdivision 1.

Senate File No. 99 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 11, 2009

CONCURRENCE AND REPASSAGE

Senator Carlson moved that the Senate concur in the amendments by the House to S.F. No. 99 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 99 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 39 and nays 13, as follows:

Those who voted in the affirmative were:

Anderson	Dahle	Kubly	Olseen	Sieben
Bakk	Dibble	Langseth	Olson, M.	Skoe
Betzold	Erickson Ropes	Latz	Pogemiller	Skogen
Bonoff	Foley	Lynch	Rest	Tomassoni
Carlson	Frederickson	Marty	Rummel	Torres Ray
Chaudhary	Higgins	Metzen	Saltzman	Vickerman
Clark	Jungbauer	Moua	Saxhaug	Wiger
Cohen	Kelash	Murphy	Scheid	

Those who voted in the negative were:

Day	Hann	Koering	Ortman	Sparks
Fischbach	Ingebrigtsen	Limmer	Robling	
Gimse	Johnson	Olson, G.	Senjem	

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

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

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

S.F. No. 1477: A bill for an act relating to construction codes; providing a limited exemption.

Senate File No. 1477 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 11, 2009

Senator Frederickson moved that the Senate do not concur in the amendments by the House to

S.F. No. 1477, and that a Conference Committee of 3 members be appointed by the Subcommittee on Conference Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 1849.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 11, 2009

FIRST READING OF HOUSE BILLS

The following bill was read the first time.

H.F. No. 1849: A bill for an act relating to local government; removing, extending, or modifying certain mandates upon local governmental units; changing appropriations for certain costs of Office of Administrative Hearings; amending Minnesota Statutes 2008, sections 16C.28, subdivision 1a; 306.243, by adding a subdivision; 326B.145; 344.18; 365.28; 375.055, subdivision 1; 375.12, subdivision 2; 382.265; 383B.021; 384.151, subdivision 1a; 385.373, subdivision 1a; 386.015, subdivision 2; 387.20, subdivisions 1, 2; 415.11, by adding a subdivision; 429.041, subdivisions 1, 2; 469.015; 473.862; 641.12, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 14; repealing Minnesota Statutes 2008, sections 373.42; 384.151, subdivisions 1, 3; 385.373, subdivisions 1, 3; 386.015, subdivisions 1, 4; 387.20, subdivision 4.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1544, now on General Orders.

REPORTS OF COMMITTEES

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 340: A bill for an act relating to real property; mortgages; requiring notice and mandatory mediation prior to commencement of mortgage foreclosure proceedings on homestead property; creating a homestead-lender mediation account; modifying the right of reinstatement and other provisions relating to mortgage foreclosures; amending Minnesota Statutes 2008, sections 357.18, subdivision 1; 508.82, subdivision 1; 508A.82, subdivision 1; 580.021; 580.022, subdivision 1; 580.041, subdivision 2; 580.12; 580.225; 580.23, by adding a subdivision; 580.26; 580.27; 580.30, subdivision 1; 582.03, subdivision 1; 582.30, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 582; 583.

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

Page 1, delete article 1 and insert:

"ARTICLE 1**HOMESTEAD-LENDER MEDIATION**

Section 1. Minnesota Statutes 2008, section 580.021, is amended to read:

580.021 FORECLOSURE PREVENTION COUNSELING; MEDIATION REFERRAL.

Subdivision 1. **Applicability.** This section applies to foreclosure of mortgages under this chapter or chapter 581 on property consisting of one to four family dwelling units, one of which the owner occupies as the owner's principal place of residency on the date of service of the notice of sale of the owner.

Subd. 2. **Requirement to provide notice of opportunity for counseling and mediation.** When the written notice required under section 47.20, subdivision 8, is provided and before the notice of pendency under section 580.032, subdivision 3, is filed, a party foreclosing on a mortgage must provide to the mortgagor information contained in a form prescribed in section 580.022, subdivision 1, that:

(1) foreclosure prevention counseling services provided by an authorized foreclosure prevention counseling agency are available; ~~and~~

(2) notice that the party will transmit the homeowner's name, address, and telephone number to an approved foreclosure prevention agency and the Office of the Attorney General; and

(3) notice that if the mortgagor receives counseling services but is unable to resolve the default, the mortgagor may have the mortgage debt reviewed in a mediation proceeding with a mediator approved by the attorney general.

Clause (3) expires on July 1, 2012.

Nothing in this subdivision prohibits the notices required by this subdivision from being provided concurrently with the written notice required under section 47.20, subdivision 8.

For the purposes of this section, an "authorized foreclosure prevention counseling agency" or "counseling agency" is a government agency or a nonprofit agency approved funded, all or in part for foreclosure prevention services, by the Minnesota Housing Finance Agency or the United States Department of Housing and Urban Development, or otherwise approved by the United States Department of Housing and Urban Development to provide foreclosure prevention counseling services.

Subd. 3. **Notification to authorized counseling agency.** The party entitled to foreclose shall, within one week of sending the notice prescribed in section 580.022, provide to the appropriate authorized foreclosure prevention counseling agency and the Office of the Attorney General the mortgagor's name, address, and most recent known telephone number.

Subd. 4. **Notice of provision of counseling; request for contact information.** (a) An authorized foreclosure prevention counseling agency that contacts or is contacted by a mortgagor or the mortgagor's authorized representative and agrees to provide foreclosure prevention assistance services to the mortgagor or representative must provide the form prescribed in section 580.022, subdivision 2, to the mortgagee. The form serves as notice to the mortgagee that the mortgagor is receiving foreclosure prevention counseling assistance. Upon receipt of the form, the mortgagee

must not commence or continue a foreclosure proceeding past the day prior to the time when the initial published notice contained in section 580.03 must be given, except when allowed under sections 583.40 to 583.48.

(b) The mortgagee must return the form to the ~~authorized foreclosure prevention~~ counseling agency within 15 days of receipt of the form with the name and telephone number of the mortgagee's agent. The agent must be a person authorized by the mortgagee to:

(1) discuss with the ~~authorized foreclosure prevention~~ counseling agency or the mortgagor the terms of the mortgage; and

(2) negotiate any resolution to the mortgagor's default.

(c) Nothing in this subdivision requires a mortgagee to reach a resolution relating to the mortgagor's default.

Subd. 5. Mediation referral. (a) If an authorized foreclosure prevention counseling agency provides counseling services to a mortgagor, the counseling agency must discuss repayment options and alternatives for resolving the default with the mortgagor and mortgagee. If the mortgagor and mortgagee are unable to negotiate a resolution of the mortgagor's default within 60 days of receipt of the form submitted by the mortgagee under subdivision 4, paragraph (b), the counseling agency must give the mortgagor a mediation request affidavit in the form prescribed in section 583.46, subdivision 2, unless the mortgagor is not eligible for mediation under section 583.41. The counseling agency also must inform the mortgagor that if the mortgagor wishes to pursue mediation, the form must be sent by certified mail to the attorney general within seven days of receipt of the form. The counseling agency must forward the mortgagor's name to the attorney general along with a copy of the form submitted by the mortgagee under subdivision 4, paragraph (b), to verify the mortgagor's eligibility to participate in mediation.

(b) This subdivision expires on July 1, 2012.

Sec. 2. Minnesota Statutes 2008, section 580.022, subdivision 1, is amended to read:

Subdivision 1. **Counseling form.** The notice required under section 580.021, subdivision 2, ~~clause (2)~~, must be printed on colored paper that is other than the color of any other document provided with it and must appear substantially as follows:

"PREFORECLOSURE NOTICE

Foreclosure Prevention Counseling and Mediation

Why You Are Getting This Notice

YOU HAVE DEFAULTED ON A MORTGAGE OF THE HOMESTEAD PROPERTY DESCRIBED AS [Legal Description and Property Address]. THE HOLDER OF THE MORTGAGE, [Name of Holder of Mortgage] INTENDS TO FORECLOSE ON THIS PROPERTY. YOU HAVE THE RIGHT TO PARTICIPATE IN A MEDIATION PROCESS TO SEE IF A RESOLUTION CAN BE REACHED WITH [Name of Holder of Mortgage]. TO LEARN MORE ABOUT MEDIATION, CONTACT THE OFFICE OF THE ATTORNEY GENERAL AT (651) 296-3353 OR 1-800-657-3787, OR ONLINE AT WWW.AG.STATE.MN.US. IF YOU WANT TO PARTICIPATE IN MEDIATION, YOU MUST FIRST PARTICIPATE IN FORECLOSURE

PREVENTION COUNSELING WITH THE AGENCY LISTED BELOW.

We do not want you to lose your home and your equity. Government-approved nonprofit agencies are available to, if possible, help you prevent foreclosure.

We have given your contact information to an authorized foreclosure prevention counseling agency to contact you to help you prevent foreclosure.

Who Are These Foreclosure Prevention Counseling Agencies

They are nonprofit agencies who are experts in housing and foreclosure prevention counseling and assistance. They are experienced in dealing with lenders and homeowners who are behind on mortgage payments and can help you understand your options and work with you to address your delinquency. They are approved by either the Minnesota Housing Finance Agency or the United States Department of Housing and Urban Development. They are not connected with us in any way.

Which Agency Will Contact You

[insert name, address, and telephone number of agency]

You can also contact them directly."

Sec. 3. Minnesota Statutes 2008, section 580.23, is amended by adding a subdivision to read:

Subd. 1a. **Five-month redemption period.** (a) Notwithstanding subdivision 1, if, before the sale of lands in conformity with the preceding sections of this chapter, the mortgagor or the mortgagor's personal representatives or assigns participated in mediation proceedings under sections 583.40 to 583.49, the period of time for redemption as provided under subdivision 1 is five months instead of six months.

(b) This subdivision expires on July 1, 2012.

Sec. 4. Minnesota Statutes 2008, section 582.30, subdivision 2, is amended to read:

Subd. 2. ~~Not if six month or five week redemption period~~ **No deficiency judgment.** A deficiency judgment is not allowed if a mortgage is foreclosed by advertisement under chapter 580, and has a redemption period of six months under section 580.23, subdivision 1, five months under section 580.23, subdivision 1a, or five weeks under section 582.032.

Sec. 5. **[583.40] DEFINITIONS.**

Subdivision 1. **Applicability.** The definitions in this section apply to sections 583.40 to 583.48.

Subd. 2. **Commence a foreclosure proceeding.** "Commence a foreclosure proceeding" means to file a notice of pendency under section 580.032 or commence a foreclosure action under chapter 581.

Subd. 3. **Send.** "Send" means to deliver by certified mail or another method acknowledging receipt.

Subd. 4. **Serve.** "Serve" means personal service under the Minnesota Rules of Civil Procedure.

Sec. 6. **[583.41] APPLICABILITY.**

Subdivision 1. **Creditors.** (a) Sections 583.40 to 583.48 apply to a person who is the holder of a mortgage to which section 580.021 applies.

(b) Sections 583.40 to 583.48 do not apply to property if the holder of the mortgage, before selling the property to the owner, occupied the property as the holder's principal place of residency.

Subd. 2. **Debtors.** Sections 583.40 to 583.48 apply to a debtor who has received foreclosure prevention counseling under section 580.021 and who has been verified as eligible for mediation by an authorized foreclosure prevention counseling agency, or who files a mediation request under section 583.42, subdivision 1, paragraph (b), indicating that the debtor did not receive the required preforeclosure prevention counseling and mediation notice. Sections 583.40 to 583.48 do not apply to a debtor who qualifies as a debtor under the Farmer-Lender Mediation Act.

Subd. 3. **Applicability.** Sections 583.40 to 583.48 do not apply to mortgages refinanced or modified under the Home Affordable Refinance or Home Affordable Modification Programs established by the United States Treasury Department in 2009.

Sec. 7. **[583.42] MANDATORY MEDIATION PROCEEDINGS.**

Subdivision 1. **Mediation request.** (a) A debtor who wishes to participate in mediation must send a mediation request affidavit in the form prescribed in section 583.46, subdivision 2, to the attorney general within seven days after receiving the mediation request affidavit from the counseling agency under section 580.021, subdivision 5. The debtor must disclose all known creditors with debts secured by the property. A debtor who fails to send a timely mediation request waives the right to mediation under sections 583.40 to 583.48 for that specific mortgage foreclosure. Upon receipt of a mediation request affidavit, the attorney general must send a copy of the affidavit to the holder of the mortgage. The holder of the mortgage must not commence a foreclosure proceeding against the property or proceed with a proceeding to which paragraph (b) applies until the stay of the foreclosure is lifted or as otherwise authorized under sections 583.40 to 583.48.

(b) If a debtor did not receive the preforeclosure prevention counseling and mediation notice required under section 580.021 and a mortgage foreclosure proceeding has been commenced against the debtor's property, the debtor may send the mediation request affidavit to the attorney general at any time before the sheriff's sale. The mediation request affidavit must indicate that the debtor has not received the required notice.

(c) The attorney general must combine all mediation requests for the same debtor that are received before the initial mediation meeting into one mediation proceeding.

(d) The debtor shall only be entitled to a single mediation proceeding for that specific mortgage foreclosure. In the event a mortgage is modified through the mediation process contained in sections 583.40 to 583.48, that mortgage shall not be eligible for mediation if the modified mortgage becomes the subject of subsequent foreclosure proceeding.

Subd. 2. **Mediation proceeding notice.** (a) Within ten days after receiving a mediation request, the attorney general must send:

(1) a mediation proceeding notice to the debtor; and

(2) a mediation proceeding notice to all creditors with a lien on the property listed by the debtor

in the mediation request.

(b) The mediation proceeding notice must disclose:

(1) the name and address of the debtor;

(2) that the debtor has requested mediation under sections 583.40 to 583.48;

(3) the time and place for the initial mediation meeting;

(4) that in lieu of having a mediator assigned by the attorney general, the debtor and any one or more of the creditors may agree to select and pay for a professional mediator who must be approved by the attorney general;

(5) that sections 583.40 to 583.48 do not prohibit the creditor from continuing the foreclosure proceeding up through, but not including, the time when the initial published notice contained in section 580.03 must be given but the creditor must not publish the initial notice, except as otherwise allowed under sections 583.40 to 583.48; and

(6) by the initial mediation meeting, the creditor must provide the debtor with a copy of the mortgage and note, a statement of interest rates on the debt, delinquent payments, unpaid principal and interest balances, the creditor's estimate of value of the property, and a general description of the debt restructuring programs available from the creditor.

(c) An initial mediation meeting must be held within 20 days of the mediation proceeding notice. The initial mediation meeting may be held by telephone or video conference. At the discretion of the mediator, mediation meetings may be held by interactive telephonic or other electronic means by which the mediator and all parties can hear each other and participate in all discussions during the meeting. The mediator shall reserve the right to require the parties, or their representatives, to appear in person for the mediation.

(d) In lieu of the attorney general assigning a mediator, the debtor and creditor may agree to select and pay for a professional mediator for the mediation proceeding. The attorney general must approve the professional mediator before the professional mediator may be assigned to the mediation proceeding. The professional mediator may not be approved unless the professional mediator prepares and signs an affidavit:

(1) disclosing any biases, relationships, or previous associations with the debtor or creditor subject to the mediation proceedings;

(2) stating certifications, training, or qualifications as a professional mediator;

(3) disclosing fees to be charged or a rate schedule of fees for the mediation proceeding; and

(4) affirming to uphold sections 583.40 to 583.48.

Subd. 3. Effect of mediation proceeding notice. (a) Sections 583.40 to 583.48 do not prevent a creditor from continuing the foreclosure proceeding up through, but not including, the time when the initial published notice contained in section 580.03 must be given. A creditor must not publish the initial notice, except as otherwise allowed under sections 583.40 to 583.48.

(b) Notwithstanding paragraph (a), a creditor receiving a mediation proceeding notice may

commence or continue a mortgage foreclosure proceeding against the property if:

(1) the creditor receives a mediator's affidavit of the debtor's lack of good faith under section 583.43;

(2) ten days have expired since the debtor and creditor signed an unrevoked agreement under subdivision 7 allowing the creditor to commence mortgage foreclosure proceedings against the property; or

(3) the creditor receives a termination statement under subdivision 8.

(c) A creditor receiving a mediation proceeding notice must provide the debtor by the initial mediation meeting with a copy of the mortgage and note, a statement of interest rates on the debt, delinquent payments, unpaid principal and interest balances, the creditor's estimate of the value of the property, and a general description of the debt restructuring programs available from the creditor.

(d) The provisions of this subdivision are subject to section 583.43, relating to extensions or reductions in the period before a creditor may commence or continue a mortgage foreclosure proceeding.

Subd. 4. **Eligibility and duties of mediator.** (a) The attorney general may appoint and arrange for the compensation of mediators who are qualified persons experienced in finance or negotiation. To the extent practicable, the attorney general shall appoint mediators who agree to provide mediation services on a voluntary basis or for a reduced fee.

(b) A person is not eligible to be a mediator if the person has a conflict of interest that does not allow the person to be impartial.

(c) At all mediation meetings, the mediator shall:

(1) attempt to mediate between the debtor and the creditors;

(2) advise the debtor and creditors of assistance programs that are available;

(3) attempt to arrive at an agreement to fairly adjust, refinance, or pay the mortgage debt; and

(4) advise, counsel, and assist the debtor and creditor in attempting to arrive at an agreement for the future conduct of financial relations between them.

(d) The mediator shall have the discretion to determine the format of the mediation meetings, including whether or not to keep the parties separate.

Subd. 5. **Mediator liability and immunity.** A mediator and the attorney general and their employees are immune from civil liability for actions within the scope of their positions under this chapter. A mediator and the attorney general and their employees do not have a duty to advise a creditor or debtor about the law or to encourage or assist a debtor or creditor regarding their legal rights. This subdivision is in addition to and not a limitation of immunity that otherwise exists under law.

Subd. 6. **Mediation period.** The mediator may call mediation meetings during the mediation period, which may be up to 60 days after the debtor sends a mediation request to the attorney general.

Subd. 7. **Mediation agreement.** (a) If an agreement is reached among the debtor and creditors,

the mediator must witness and sign a written mediation agreement, have it signed by the debtor and creditors, and if applicable, submit the agreement to (1) the attorney general, and (2) any court that has jurisdiction over mortgage foreclosure or redemption proceedings regarding the property.

(b) The debtor and creditors who are parties to the approved mediation agreement and creditors who have filed claim forms and have not objected to the mediation agreement:

(1) are bound by the terms of the agreement; and

(2) may enforce the mediation agreement as a legal contract.

(c) A debtor may agree to allow a creditor to commence a mortgage foreclosure proceeding against property that is subject to mediation before the proceeding is otherwise allowed under subdivision 3, provided that the debtor or creditor may rescind the agreement within five business days after that debtor and creditor both sign the agreement.

Subd. 8. **Termination of mediation.** (a) The mediator must sign and serve on the parties and the attorney general an affidavit by the end of the mediation period.

(b) The mediator must prepare an affidavit acknowledging that mediation has ended and that:

(1) describes or references agreements reached between a creditor and the debtor, if any, and agreements reached among creditors, if any; or

(2) states that no agreement was reached between the parties, despite a good faith effort by the parties.

(c) Mediation agreements may be included as part of the affidavit.

(d) Within three business days after the end of mediation, the mediator must forward the affidavit under paragraph (b) for recording with the county recorder or registrar of titles of the county where the property is located. The filed affidavit is prima facie evidence of the facts stated in the affidavit.

Sec. 8. [583.43] GOOD FAITH REQUIRED.

Subdivision 1. **Obligation of good faith.** The parties must engage in mediation in good faith. Not participating in good faith includes:

(a) failure to attend and participate in mediation sessions without cause;

(b) failure to provide full information regarding the financial obligations of the parties and other creditors including the obligation of a creditor to provide information under section 583.42, subdivision 3, paragraph (c);

(c) failure of the creditor to designate a representative to participate in the mediation with authority to make binding commitments;

(d) lack of a written statement of debt restructuring alternatives and a statement of reasons why alternatives are unacceptable to one of the parties; and

(e) other similar behavior that evidences lack of good faith by a party. A failure to agree to reduce, restructure, refinance, or forgive debt is not, in itself, evidence of lack of good faith by the creditor. Nothing in sections 583.40 to 583.49 shall require a creditor to modify the debt that is the

subject of the foreclosure proceeding.

Subd. 2. **Party's bad faith; mediator's affidavit.** If the mediator determines that either party is not participating in good faith as defined in subdivision 1, the mediator must file an affidavit indicating the reasons for the finding with the attorney general and with parties to the mediation.

Subd. 3. **Creditor's bad faith.** If the mediator finds that the creditor has not participated in the mediation in good faith, and the creditor continues with the foreclosure proceeding, then the debtor shall be allowed a six-month redemption period.

Subd. 4. **Debtor's lack of good faith.** If the mediator finds that the debtor has not participated in the mediation in good faith, and the creditor continues with the foreclosure proceeding, then the debtor shall execute a deed in lieu of foreclosure no later than 90 days after the filing of the mediator's affidavit containing the finding of bad faith.

Sec. 9. [583.44] CREDITOR NOT ATTENDING MEDIATION MEETING.

Subdivision 1. **Filing and effect of claim form.** A creditor that is notified of the initial mediation meeting is subject to and bound by a mediation agreement if the creditor does not attend mediation meetings, unless the creditor files a claim form. In lieu of attending a mediation meeting, a creditor may file a claim form with the mediator before the scheduled meeting. By filing a claim form the creditor agrees to be bound by a mediation agreement reached at the mediation meeting unless an objection is filed within the time specified in subdivision 2. The mediator must notify the creditors who have filed claim forms of the terms of any agreement.

Subd. 2. **Objections to agreements.** A creditor who has filed a claim form may serve a written objection to the terms of the mediation agreement on the mediator and the debtor within ten days after receiving notice of the mediation agreement. If a creditor files an objection to the terms of a mediation agreement, the mediator must meet again with debtors and creditors within ten days after receiving the objection. Notwithstanding the mediation period under section 583.43, subdivision 7, if an objection is filed, the mediator must call mediation meetings during the ten-day period following receipt of the objection.

Sec. 10. [583.45] DATA PRACTICES.

Data regarding the finances of individual debtors and creditors created, collected, and maintained by the attorney general or mediators under sections 583.40 to 583.48 are private data on individuals or nonpublic data as defined in section 13.02, subdivision 9 or 12.

Sec. 11. [583.46] FORMS AND COMPENSATION.

Subdivision 1. **Compensation.** The attorney general must set the compensation of mediators.

Subd. 2. **Mediation request affidavit form.** The affidavit for requesting mediation under section 583.42 must be in substantially the following form:

MEDIATION REQUEST AFFIDAVIT

Re: Homestead-Lender Mediation Act Applicability.

State of Minnesota _____)

) SS.

County of _____)

_____, being first duly sworn, deposes and says:

I wish to participate in a mediation process to resolve a dispute with the holder of a mortgage on property in which I have an ownership interest, located at:

Street Address

City, State, Zip Code

CHECK THE APPLICABLE STATEMENT

This property consists of one to four family dwelling units, one of which I occupied as my principal place of residency on the date that I received a Preforeclosure Notice relating to the dispute.

I did not receive a Preforeclosure Notice but this property consists of one to four family dwelling units, one of which I occupied as my principal place of residency on the date of this Mediation Request Affidavit.

Subscribed and sworn to before me this

_____ day of _____, _____.

Notary Public, _____ County _____

My Commission expires: _____

Sec. 12. [583.47] ENFORCEMENT.

A mediation agreement may be enforced by a state district court.

Sec. 13. [583.48] INCONSISTENT LAWS.

Sections 583.40 to 583.47 have precedence over any inconsistent or conflicting laws, including chapters 580 and 581.

Sec. 14. [583.49] EXPIRATION.

Sections 583.40 to 583.48 expire July 1, 2012.

Sec. 15. EFFECTIVE DATE.

This article is effective July 1, 2009, and applies to foreclosures commenced on or after that date."

Pages 17 to 22, delete sections 1 to 3 and insert:

"Section 1. Minnesota Statutes 2008, section 357.18, subdivision 1, is amended to read:

Subdivision 1. **County recorder fees.** (a) The fees to be charged by the county recorder shall be and not exceed the following:

(1) subject to paragraph (b), for indexing and recording any deed or other instrument a fee of \$46; \$10.50 shall be paid to the state treasury and credited to the general fund; \$10 shall be deposited in the technology fund pursuant to subdivision 3; and \$25.50 shall be deposited in the county general fund;

(2) for documents containing multiple assignments, partial releases or satisfactions a fee of \$46; if the document cites more than four recorded instruments, an additional fee of \$10 for each additional instrument cited over the first four citations;

(3) for certified copies of any records or papers, \$10;

(4) for a noncertified copy of any instrument or writing on file or recorded in the office of the county recorder, or any specified page or part of it, an amount as determined by the county board for each page or fraction of a page specified. If computer or microfilm printers are used to reproduce the instrument or writing, a like amount per image;

(5) for an abstract of title, the fees shall be determined by resolution of the county board duly adopted upon the recommendation of the county recorder, and the fees shall not exceed \$10 for every entry, \$100 for abstract certificate, \$1 per page for each exhibit included within an abstract as a part of an abstract entry, and \$5 per name for each required name search certification;

(6) for a copy of an official plat filed pursuant to section 505.08, the fee shall be \$10 and an additional \$5 shall be charged for the certification of each plat;

(7) for filing an amended floor plan in accordance with chapter 515, an amended condominium plat in accordance with chapter 515A, or a common interest community plat or amendment complying with section 515B.2-110, subsection (c), the fee shall be 50 cents per apartment or unit with a minimum fee of \$56;

(8) for a copy of a floor plan filed pursuant to chapter 515, a copy of a condominium plat filed in accordance with chapter 515A, or a copy of a common interest community plat complying with section 515B.2-110, subsection (c), the fee shall be \$1 for each page of the floor plan, condominium plat or common interest community plat with a minimum fee of \$10;

(9) for recording any plat, a fee of \$56, of which \$10.50 must be paid to the state treasury and credited to the general fund, \$10 must be deposited in the technology fund pursuant to subdivision 3, and \$35.50 must be deposited in the county general fund; and

(10) for a noncertified copy of any document submitted for recording, if the original document is accompanied by a copy or duplicate original, \$2. Upon receipt of the copy or duplicate original and payment of the fee, a county recorder shall return it marked "copy" or "duplicate," showing the recording date and, if available, the document number assigned to the original.

(b) During the period from the effective date of sections 583.40 to 583.49 through December 31, 2012, the fee under paragraph (a), clause (1), for recording a notice of pendency of a foreclosure

by advertisement under section 580.032 or a notice of lis pendens for a foreclosure by action under section 557.02 is increased by \$125; this amount is to be paid to the state treasury and credited to the Homestead-Lender Mediation Act account in the special revenue fund.

Sec. 2. Minnesota Statutes 2008, section 508.82, subdivision 1, is amended to read:

Subdivision 1. **Standard documents.** (a) The fees to be charged by the registrar of titles shall be and not exceed the following:

(1) of the fees provided herein, \$1.50 of the fees collected under clauses (2), (3), (4), (11), (13), (15), (17), and (18) for filing or memorializing shall be paid to the state treasury pursuant to section 508.75 and credited to the general fund;

(2) for registering a first certificate of title, including issuing a copy of it, \$46. Pursuant to clause (1), distribution of this fee is as follows:

(i) \$10.50 shall be paid to the state treasury and credited to the general fund;

(ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and

(iii) \$25.50 shall be deposited in the county general fund;

(3) for registering each instrument transferring the fee simple title for which a new certificate of title is issued and for the registration of the new certificate of title, including a copy of it, \$46. Pursuant to clause (1), distribution of this fee is as follows:

(i) \$12 shall be paid to the state treasury and credited to the general fund;

(ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and

(iii) \$24 shall be deposited in the county general fund;

(4) subject to paragraph (b), for the entry of each memorial on a certificate, \$46. For multiple certificate entries, \$20 thereafter. Pursuant to clause (1), distribution of this fee is as follows:

(i) \$12 shall be paid to the state treasury and credited to the general fund;

(ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3;

(iii) \$24 shall be deposited in the county general fund; and

(iv) \$20 shall be deposited in the county general fund for each multiple entry used;

(5) for issuing each residue certificate and each additional new certificate, \$40;

(6) for exchange certificates, \$20 for each certificate canceled and \$20 for each new certificate issued;

(7) for each certificate showing condition of the register, \$50;

(8) for any certified copy of any instrument or writing on file or recorded in the registrar of titles' office, \$10;

(9) for a noncertified copy of any certificate of title, other than the copies issued under clauses (2) and (3), any instrument or writing on file or recorded in the office of the registrar of titles, or any

specified page or part of it, an amount as determined by the county board for each page or fraction of a page specified. If computer or microfilm printers are used to reproduce the instrument or writing, a like amount per image;

(10) for a noncertified copy of any document submitted for recording, if the original document is accompanied by a copy or duplicate original, \$2. Upon receipt of the copy or duplicate original and payment of the fee, a registrar of titles shall return it marked "copy" or "duplicate," showing the recording date and, if available, the document number assigned to the original;

(11) for filing two copies of any plat, other than a CIC plat complying with section 515B.2-110, paragraph (c), in the office of the registrar, \$56. Pursuant to clause (1), distribution of this fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and
- (iii) \$34 shall be deposited in the county general fund;

(12) for any other service under this chapter, such fee as the court shall determine;

(13) for filing any document affecting two or more units in a condominium governed by chapter 515, \$46 for the first certificate upon which the document is registered, and for multiple certificate entries, \$20 for each additional certificate upon which the document is registered. For purposes of this paragraph, an amendment to the declaration of a condominium governed by chapter 515 and a related amendment to the condominium floor plans shall be considered a single document, and the filing fee shall be \$56 for the first certificate upon which the document is registered, and for multiple certificate entries, \$20 for each additional certificate upon which the document is registered. Pursuant to clause (1), distribution of this fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3;
- (iii) \$24 shall be deposited in the county general fund for amendment to a declaration;
- (iv) \$20 shall be deposited in the county general fund for each multiple entry used; and
- (v) \$34 shall be deposited in the county general fund for an amended floor plan;

(14) for issuance of a CECT pursuant to section 508.351, \$40;

(15) for filing a common interest community declaration and a CIC plat complying with section 515B.2-110, paragraph (c); an amendment to a common interest community declaration and a related amendment to a CIC plat complying with section 515B.2-110, paragraph (c); or a supplemental declaration and a related supplemental CIC plat complying with section 515B.2-110, paragraph (c), each of which related documents shall be considered a single document, the filing fee shall be \$56 for the first certificate upon which the document is registered, and for multiple certificate entries, \$20 for each additional certificate upon which the document is registered. For filing any other document affecting two or more units in a common interest community, the filing fee shall be \$46 for the first certificate upon which the document is registered, and for multiple certificate entries, \$20 for each additional certificate upon which the document is registered. The same fees shall apply to filing any

document affecting two or more units or other parcels subject to a master declaration. Pursuant to clause (1), distribution of this fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3;
- (iii) \$24 shall be deposited in the county general fund for the filing of an amendment complying with section 515B.2-110, subsection (c);
- (iv) \$20 shall be deposited in the county general fund for each multiple entry used; and
- (v) \$34 shall be deposited in the county general fund for the filing of a condominium or CIC plat or amendment;

(16) for a copy of a condominium floor plan filed in accordance with chapter 515, or a copy of a common interest community plat complying with section 515B.2-110, subsection (c), the fee shall be \$1 for each page of the floor plan or common interest community plat with a minimum fee of \$10;

(17) for the filing of a certified copy of a plat of the survey pursuant to section 508.23 or 508.671, \$46. Pursuant to clause (1), distribution of this fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and
- (iii) \$24 shall be deposited in the county general fund;

(18) for filing a registered land survey in triplicate in accordance with section 508.47, subdivision 4, \$56. Pursuant to clause (1), distribution of this fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and
- (iii) \$34 shall be deposited in the county general fund; and

(19) for furnishing a certified copy of a registered land survey in accordance with section 508.47, subdivision 4, \$15.

(b) During the period from the effective date of sections 583.40 to 583.49 through December 31, 2012, the fee under paragraph (a), clause (4), for entry of a memorial of a notice of pendency of a foreclosure by advertisement under section 580.032 or a notice of lis pendens for a foreclosure by action under section 557.02 is increased by \$125; this amount is to be paid to the state treasury and credited to the Homestead-Lender Mediation Act account in the special revenue fund.

Sec. 3. Minnesota Statutes 2008, section 508A.82, subdivision 1, is amended to read:

Subdivision 1. **Standard documents.** (a) The fees to be charged by the registrar of titles shall be and not exceed the following:

(1) of the fees provided herein, \$1.50 of the fees collected under clauses (2), (3), (5), (12), (14), (16), and (19) for filing or memorializing shall be paid to the state treasury pursuant to section 508.75

and credited to the general fund;

(2) for registering a first CPT, including issuing a copy of it, \$46. Pursuant to clause (1), distribution of the fee is as follows:

- (i) \$10.50 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and
- (iii) \$25.50 shall be deposited in the county general fund;

(3) for registering each instrument transferring the fee simple title for which a new CPT is issued and for the registration of the new CPT, including a copy of it, \$46. Pursuant to clause (1), distribution of the fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and
- (iii) \$24 shall be deposited in the county general fund;

(4) for issuance of a CECT pursuant to section 508A.351, \$40;

(5) subject to paragraph (b), for the entry of each memorial on a CPT, \$46; for multiple certificate entries, \$20 thereafter. Pursuant to clause (1), distribution of the fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3;
- (iii) \$24 shall be deposited in the county general fund; and

(iv) \$20 shall be deposited in the county general fund for each multiple entry used;

(6) for issuing each residue CPT, \$40;

(7) for exchange CPTs or combined certificates of title, \$20 for each CPT and certificate of title canceled and \$20 for each new CPT or combined certificate of title issued;

(8) for each CPT showing condition of the register, \$50;

(9) for any certified copy of any instrument or writing on file or recorded in the registrar of titles' office, \$10;

(10) for a noncertified copy of any CPT, other than the copies issued under clauses (2) and (3), any instrument or writing on file or recorded in the office of the registrar of titles, or any specified page or part of it, an amount as determined by the county board for each page or fraction of a page specified. If computer or microfilm printers are used to reproduce the instrument or writing, a like amount per image;

(11) for a noncertified copy of any document submitted for recording, if the original document is accompanied by a copy or duplicate original, \$2. Upon receipt of the copy or duplicate original and payment of the fee, a registrar of titles shall return it marked "copy" or "duplicate," showing the recording date and, if available, the document number assigned to the original;

(12) for filing two copies of any plat in the office of the registrar, \$56. Pursuant to clause (1), distribution of the fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and
- (iii) \$34 shall be deposited in the county general fund;

(13) for any other service under sections 508A.01 to 508A.85, the fee the court shall determine;

(14) for filing an amendment to a declaration in accordance with chapter 515, \$46 for each certificate upon which the document is registered and for multiple certificate entries, \$20 thereafter; \$56 for an amended floor plan filed in accordance with chapter 515. Pursuant to clause (1), distribution of the fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3;
- (iii) \$24 shall be deposited in the county general fund for amendment to a declaration;
- (iv) \$20 shall be deposited in the county general fund for each multiple entry used; and
- (v) \$34 shall be deposited in the county general fund for an amended floor plan;

(15) for issuance of a CECT pursuant to section 508.351, \$40;

(16) for filing an amendment to a common interest community declaration, including a supplemental declaration, and plat or amendment complying with section 515B.2-110, subsection (c), and issuing a CECT if required, \$46 for each certificate upon which the document is registered and for multiple certificate entries, \$20 thereafter; \$56 for the filing of the condominium or common interest community plat or amendment. See section 515B.1-116 for special requirement relating to a common interest community. Pursuant to clause (1), distribution of the fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3;
- (iii) \$24 shall be deposited in the county general fund for the filing of an amendment complying with section 515B.2-110, subsection (c);
- (iv) \$20 shall be deposited in the county general fund for each multiple entry used; and
- (v) \$34 shall be deposited in the county general fund for the filing of a condominium or CIC plat or amendment;

(17) for a copy of a condominium floor plan filed in accordance with chapter 515, or a copy of a common interest community plat complying with section 515B.2-110, subsection (c), the fee shall be \$1 for each page of the floor plan, or common interest community plat with a minimum fee of \$10;

(18) in counties in which the compensation of the examiner of titles is paid in the same manner as the compensation of other county employees, for each parcel of land contained in the application

for a CPT, as the number of parcels is determined by the examiner, a fee which is reasonable and which reflects the actual cost to the county, established by the board of county commissioners of the county in which the land is located;

(19) for filing a registered land survey in triplicate in accordance with section 508A.47, subdivision 4, \$56. Pursuant to clause (1), distribution of the fee is as follows:

- (i) \$12 shall be paid to the state treasury and credited to the general fund;
- (ii) \$10 shall be deposited in the technology fund pursuant to section 357.18, subdivision 3; and
- (iii) \$34 shall be deposited in the county general fund; and

(20) for furnishing a certified copy of a registered land survey in accordance with section 508A.47, subdivision 4, \$15.

(b) During the period from the effective date of sections 583.40 to 583.49 through December 31, 2012, the fee under paragraph (a), clause (5), for entry of a memorial of a notice of pendency of a foreclosure by advertisement under section 580.032 or a notice of lis pendens for a foreclosure by action under section 557.02 is increased by \$125; this amount is to be paid to the state treasury and credited to the Homestead-Lender Mediation Act account in the special revenue fund."

Page 26, line 2, delete everything after "established" and insert "in the state treasury."

Page 26, line 3, delete "is created in the"

Page 26, line 4, delete "state treasury and" and delete "attorney general" and insert "Minnesota Housing Finance Authority"

Page 26, line 5, delete "fund" and insert "account"

Page 26, line 11, delete "by the attorney general"

Page 26, line 12, after "costs" insert "incurred by the attorney general"

Page 26, line 13, delete "by the attorney general" and delete "by the attorney"

Page 26, line 14, delete "general"

Page 26, line 15, delete "deposits from" and delete "sources designated under subdivision 4" and insert "to the account"

Page 26, line 17, delete "attorney general" and insert "Minnesota Housing Finance Authority"

Page 26, delete subdivision 4

Page 26, line 22, delete "5" and insert "4" and delete "(a) The amount of fees imposed"

Page 26, delete lines 23 and 24

Page 26, line 25, delete "(b)" and insert "(a)"

Page 26, line 28, delete "(c)" and insert "(b)"

Amend the title numbers accordingly

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 407: A bill for an act relating to finance; requiring a map of money used to support children; proposing coding for new law in Minnesota Statutes, chapter 16A.

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

Delete everything after the enacting clause and insert:

"Section 1. [16A.89] MAP OF MONEY USED TO SUPPORT CHILDREN.

Subdivision 1. **Resource map.** (a) After soliciting public input as required by paragraph (b), the commissioner shall use existing resources available to the department to design and oversee a pilot project to map all state expenditures, regardless of source, that serve the primary function of supporting the health, safety, stability, growth, development, and education of children in this state. For purposes of this section, "children" includes individuals under 21 years of age.

(b) The commissioner shall solicit public input regarding the resource mapping required by this section by providing public notice of the mapping project and subsequent revisions on the Department of Finance Web site. The commissioner shall provide an opportunity for members of the public to provide suggestions for the design and development of the project. In particular, the commissioner shall seek suggestions and comments from individuals who have conducted relevant research at higher education institutions and from individuals with relevant experience at nonprofit institutions and foundations.

(c) The resource mapping must include, but is not limited to:

(1) an inventory of all federal and state funding sources that support children in this state, including prenatal services for pregnant women, grouped in a manner that would assist the legislature in determining whether there are overlapping programs that lead to duplication within the state, gaps in service delivery, and any administrative inefficiencies generally; and

(2) a description of the manner in which the money is being used within the agencies or organizations, the performance measures in place to assess the use of the money, and the intended outcomes of the programs and services, to the extent this information is available.

Subd. 2. **Updates.** As part of the report required under subdivision 4, the commissioner shall provide a description of the experience gained from the pilot project, including any necessary draft legislation regarding possible updates and enhancements to the map of the money used to support children in the state, and an opinion regarding the potential for expanding resource mapping to other areas of the state budget.

Subd. 3. **Agency assistance.** Upon request, each state department or agency shall provide assistance to the commissioner for the purposes of this section.

Subd. 4. **Report.** By January 15, 2010, the commissioner shall report to the legislative committees and budget divisions with jurisdiction over children, family security, education, health, human services, housing, public safety, corrections, and the judiciary by providing an electronic version of the executive summary included in the report required by this subdivision. The report

must be available online.

EFFECTIVE DATE. This section is effective July 1, 2009."

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 1208: A bill for an act relating to human services; modifying provisions governing medical assistance claims and liens; amending Minnesota Statutes 2008, section 256B.15, subdivisions 1a, 5.

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

Page 2, line 23, after "(b)" insert "Upon approval of a hardship waiver,"

Page 2, line 26, delete "dwelling place" and insert "residence"

Page 2, line 27, after "as" insert "the individual's"

Page 2, line 28, delete "claim" and insert "adjustment or recovery"

Page 2, line 29, delete everything after the period

Page 2, delete lines 30 and 31

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 1509: A bill for an act relating to human services; amending child care programs, program integrity, adult supports including general assistance medical care and group residential housing, and Minnesota family investment program; amending Minnesota Statutes 2008, sections 119B.011, subdivision 3; 119B.08, subdivision 2; 119B.09, subdivision 1; 119B.12, subdivision 1; 119B.13, subdivision 6; 119B.15; 119B.231, subdivision 3; 256.014, subdivision 1; 256.0471, subdivision 1, by adding a subdivision; 256D.01, subdivision 1b; 256D.44, subdivision 3; 256I.04, subdivisions 2a, 3; 256I.05, subdivision 1k; 256J.24, subdivision 5; 256J.425, subdivisions 2, 3; 256J.521, subdivision 2; 256J.545; 256J.561, subdivision 2; 256J.575, subdivision 3; 256J.626, subdivision 7; 256J.95, subdivisions 11, 13.

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

Page 2, line 11, strike "or equal to"

Page 2, line 16, delete the new language

Page 11, delete article 4

Amend the title as follows:

Page 1, line 4, delete ", and Minnesota family investment program"

Renumber the sections in sequence

Amend the title numbers accordingly

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 704: A bill for an act relating to health; developing technology standards and tools to exchange information electronically between groups.

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

Page 1, line 6, delete "(a)"

Page 1, line 7, delete ", the commissioner of commerce,"

Page 1, lines 8 and 11, after "feasibility" insert "of"

Page 1, line 23, delete "recommendation" and insert "recommendations"

Page 2, delete lines 4 to 6

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 347: A bill for an act relating to employment; providing health coverage to certain unemployed workers; assessing a workforce support fee; appropriating money.

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

Page 2, line 16, delete "to determine" and insert "and determine if the applicant is eligible for" and delete "eligibility"

Page 2, line 18, delete everything after "must"

Page 2, line 19, delete everything before "notify"

Page 2, line 20, delete "accordingly. The commissioner of human services must" and insert "of eligibility or non-eligibility and"

Page 3, line 35, delete "health" and insert "human services"

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 963: A bill for an act relating to public safety; modifying duties and responsibilities of Forensic Laboratory Advisory Board; requiring the board to appoint an executive secretary; establishing immunity from liability for board members; clarifying availability of investigation reports to the public; requiring the Department of Administration to provide office space and services to the board; defining forensic laboratory; providing for a study and report; appropriating money; amending Minnesota Statutes 2008, section 299C.156, subdivisions 1, 2, 3, 4, 5, 7, 9, 11, by adding a subdivision.

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

Page 2, line 8, delete "shall" and insert "may"

Page 4, delete section 8

Page 5, delete lines 10 to 14 and insert:

"The Forensic Laboratory Advisory Board shall seek money from nonstate sources that do not have a conflict of interest to study and prepare a report on the systematic expansion of"

Page 5, after line 25, insert:

"Any money received is appropriated to the board for the purposes of this section."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 5, delete "requiring the Department"

Page 1, line 6, delete everything before "defining"

Amend the title numbers accordingly

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 1235: A bill for an act relating to public health; addressing youth violence as a public health problem; coordinating and aligning prevention and intervention programs addressing risk factors of youth violence.

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

Page 1, line 6, before "YOUTH" insert "[145.958]"

Page 2, line 24, delete everything after "support"

Page 2, line 25, delete "department resources,"

Page 2, after line 30, insert:

"(d) The commissioner of health shall apply for private, state, or federal funding to support the activities described in this subdivision. This subdivision is effective upon the availability of funding to support these activities."

Amend the title accordingly

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

Senator Cohen from the Committee on Finance, to which was re-referred

S.F. No. 1512: A bill for an act relating to health; changing the fee for testing; requiring support services to families with children who are deaf or have hearing loss; amending Minnesota Statutes

2008, sections 144.125, subdivision 1; 144.966, by adding a subdivision.

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

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2008, section 144.125, subdivision 1, is amended to read:

Subdivision 1. **Duty to perform testing.** It is the duty of (1) the administrative officer or other person in charge of each institution caring for infants 28 days or less of age, (2) the person required in pursuance of the provisions of section 144.215, to register the birth of a child, or (3) the nurse midwife or midwife in attendance at the birth, to arrange to have administered to every infant or child in its care tests for heritable and congenital disorders according to subdivision 2 and rules prescribed by the state commissioner of health. Testing and the recording and reporting of test results shall be performed at the times and in the manner prescribed by the commissioner of health. The commissioner shall charge a fee so that the total of fees collected will approximate the costs of conducting the tests and implementing and maintaining a system to follow-up infants with heritable or congenital disorders, including hearing loss detected through the early hearing detection and intervention program under section 144.966. The fee is \$101 per specimen. Effective July 1, 2010, the fee shall be increased to \$106 per specimen. The increased fee amount shall be deposited in the general fund. Costs associated with capital expenditures and the development of new procedures may be prorated over a three-year period when calculating the amount of the fees.

Sec. 2. Minnesota Statutes 2008, section 144.966, is amended by adding a subdivision to read:

Subd. 3a. **Support services to families.** The commissioner shall contract with a nonprofit organization to provide support and assistance to families with children who are deaf or have a hearing loss. The family support provided must include direct parent-to-parent assistance and information on communication, educational, and medical options. The commissioner shall give preference to a nonprofit organization that has the ability to provide these services throughout the state.

Sec. 3. Minnesota Statutes 2008, section 256.969, is amended by adding a subdivision to read:

Subd. 28. **Payment for early hearing detection and intervention program.** For admissions occurring on or after July 1, 2010, payment rates shall be adjusted to include the increase to the fee that is effective on July 1, 2010, for the early hearing detection and intervention program recipients under section 144.125, subdivision 1, that is paid by the hospital for public program recipients. This payment increase shall be limited under subdivision 3a and shall be in effect until the increase is fully recognized in the base year cost under subdivision 2b. This payment shall be included in payments to contracted managed care organizations.

Sec. 4. **APPROPRIATIONS.**

(a) \$16,000 is appropriated in fiscal year 2010 to the commissioner of health for the purposes of implementing the fee increase in Minnesota Statutes, section 144.125, subdivision 1. \$260,000 is appropriated in fiscal year 2011 from the general fund to the commissioner of health for the purposes of providing support services to families as required under Minnesota Statutes, section 144.966, subdivision 3a. Of the fiscal year 2011 appropriation, \$37,000 may be used by the commissioner for administrative costs associated with contract administration and program oversight. Beginning in fiscal year 2012, the general fund base shall be \$276,000, of which the commissioner may allocate

\$35,000 for administrative purposes of the grant.

(b) \$34,000 is appropriated in fiscal year 2011 from the general fund to the commissioner of human services for the hospital reimbursement increase described under Minnesota Statutes, section 256.969, subdivision 28."

Amend the title accordingly

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. 1505 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.
1505	1514				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 1505 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1505, the third engrossment; and insert the language after the enacting clause of S.F. No. 1514, the second engrossment; further, delete the title of H.F. No. 1505, the third engrossment; and insert the title of S.F. No. 1514, the second engrossment.

And when so amended H.F. No. 1505 will be identical to S.F. No. 1514, and further recommends that H.F. No. 1505 be given its second reading and substituted for S.F. No. 1514, 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. 239 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.
				239	6

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 239 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 239, the second engrossment; and

insert the language after the enacting clause of S.F. No. 6, the first engrossment; further, delete the title of H.F. No. 239, the second engrossment; and insert the title of S.F. No. 6, the first engrossment.

And when so amended H.F. No. 239 will be identical to S.F. No. 6, and further recommends that H.F. No. 239 be given its second reading and substituted for S.F. No. 6, 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. 362 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.
362	362				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 362 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 362, the first engrossment; and insert the language after the enacting clause of S.F. No. 362, the first engrossment; further, delete the title of H.F. No. 362, the first engrossment; and insert the title of S.F. No. 362, the first engrossment.

And when so amended H.F. No. 362 will be identical to S.F. No. 362, and further recommends that H.F. No. 362 be given its second reading and substituted for S.F. No. 362, 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. 330 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
330	264				

and that the above Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on

behalf of the Committee on Rules and Administration. Report adopted.

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

H.F. No. 420 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
				420	776

and that the above Senate File be indefinitely postponed.

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

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

H.F. No. 412 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.
				412	470

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 412 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 412, the second engrossment; and insert the language after the enacting clause of S.F. No. 470, the first engrossment; further, delete the title of H.F. No. 412, the second engrossment; and insert the title of S.F. No. 470, the first engrossment.

And when so amended H.F. No. 412 will be identical to S.F. No. 470, and further recommends that H.F. No. 412 be given its second reading and substituted for S.F. No. 470, 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. 925 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.
925	1368				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 925 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 925, the second engrossment; and insert the language after the enacting clause of S.F. No. 1368, the first engrossment; further, delete the title of H.F. No. 925, the second engrossment; and insert the title of S.F. No. 1368, the first engrossment.

And when so amended H.F. No. 925 will be identical to S.F. No. 1368, and further recommends that H.F. No. 925 be given its second reading and substituted for S.F. No. 1368, 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. 211 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.
211	170				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 211 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 211, the first engrossment; and insert the language after the enacting clause of S.F. No. 170; further, delete the title of H.F. No. 211, the first engrossment; and insert the title of S.F. No. 170.

And when so amended H.F. No. 211 will be identical to S.F. No. 170, and further recommends that H.F. No. 211 be given its second reading and substituted for S.F. No. 170, and that the Senate File be indefinitely postponed.

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

SECOND READING OF SENATE BILLS

S.F. Nos. 340, 407, 1208, 1509, 704, 347, 963, 1235 and 1512 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 1505, 239, 362, 330, 420, 412, 925 and 211 were read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bill was read the first time.

Senator Olseen introduced–

S.F. No. 2142: A bill for an act relating to state government; requiring lights in state buildings to be off during certain times; proposing coding for new law in Minnesota Statutes, chapter 16B.

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

MOTIONS AND RESOLUTIONS**Senators Moua, Sheran, Fobbe and Erickson Ropes introduced –**

Senate Resolution No. 95: A Senate resolution recognizing May 12, 2009, as Deep Vein Thrombosis Awareness Day.

Referred to the Committee on Rules and Administration.

Senator Sheran introduced –

Senate Resolution No. 96: A Senate resolution honoring the Minnesota State University, Mankato women's basketball team for winning the 2009 NCAA Division II championship.

Referred to the Committee on Rules and Administration.

Senator Torres Ray moved that S.F. No. 1797, No. 114 on General Orders, be stricken and re-referred to the Committee on Finance. The motion prevailed.

SUSPENSION OF RULES

Senator Pogemiller moved that Rule 22.3 be suspended as to the lie-over requirement on S.F. No. 82 on General Orders. The motion prevailed.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of General Orders.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Senator Metzen in the chair.

After some time spent therein, the committee arose, and Senator Metzen reported that the committee had considered the following:

S.F. No. 107, which the committee recommends to pass.

S.F. No. 82, which the committee recommends to pass with the following amendments offered by Senators Latz, Betzold and Moua:

Senator Latz moved to amend S.F. No. 82 as follows:

Page 8, line 15, delete "solely" and insert "in substantial part"

The motion prevailed. So the amendment was adopted.

Senator Betzold moved to amend S.F. No. 82 as follows:

Page 3, line 26, after "mere" insert "negligence," and after "inadvertence" insert a comma

Page 3, after line 30, insert:

"(f) Except in cases where proof of specific intent to defraud the state or a political subdivision is found, a person is not liable under this section unless:

(1) the person has been informed by the original source that single or multiple false or fraudulent claims have been made against the state or a political subdivision; and

(2) the person fails to take reasonable steps to repay the amount of actual damages to the state or the political subdivision within 45 days after being so informed. If the person has a compliance office, an original source is not considered to have informed the person of a false or fraudulent claim unless the original source reported it to the person's compliance office."

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 41 and nays 16, as follows:

Those who voted in the affirmative were:

Betzold	Gimse	Limmer	Pogemiller	Stumpf
Bonoff	Hann	Lynch	Robling	Torres Ray
Clark	Higgins	Metzen	Saltzman	Vandever
Day	Ingebrigtsen	Michel	Saxhaug	Vickerman
Dille	Johnson	Moua	Scheid	Wiger
Doll	Jungbauer	Murphy	Senjem	
Erickson Ropes	Koering	Olseen	Skoe	
Fischbach	Kubly	Olson, G.	Skogen	
Frederickson	Langseth	Ortman	Sparks	

Those who voted in the negative were:

Anderson	Dahle	Kelash	Rest
Carlson	Dibble	Latz	Rummel
Chaudhary	Fobbe	Marty	Sieben
Cohen	Foley	Olson, M.	Tomassoni

The motion prevailed. So the amendment was adopted.

Senator Betzold moved to amend S.F. No. 82 as follows:

Page 9, line 28, after the period, insert "The commissioner of finance may enter into interagency agreements to deposit up to \$2,055,000 for litigation and related expenses under this act." and after "account" insert "deposited through interagency agreement or under subdivision 1"

Page 9, after line 29, insert:

"EFFECTIVE DATE. Subdivision 2 is effective the day following final enactment."

Page 9, delete section 16

Page 10, line 2, before "This" insert "Except as otherwise provided,"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Moua moved to amend S.F. No. 82 as follows:

Page 4, delete subdivision 2 and insert:

"Subd. 2. **Attorney general investigatory powers.** In connection with an investigation under this section, the attorney general has the powers listed in section 8.31, subdivisions 2 and 3."

The motion prevailed. So the amendment was adopted.

S.F. No. 82 was then recommended to pass.

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 Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 802, and repassed said bill in accordance with the report of the Committee, so adopted.

S.F. No. 802: A bill for an act relating to public safety; appropriating money for public safety, corrections, and other criminal justice agencies; requiring annual appropriation of money in Bureau of Criminal Apprehension account to commissioner of public safety; repealing the mandatory minimum sentences for predatory offender registration offenses and subsequent controlled substances offenses; providing a 90-day cap on incarceration for certain first-time supervised release violations; eliminating the requirement that judges impose a minimum sentence

on felony DWI offenders; requesting the Sentencing Guidelines Commission to rerank the felony DWI offense; providing for supervised release of offenders; expanding the challenge incarceration program; requiring the Sentencing Guidelines Commission and the Departments of Corrections and Public Safety to review its reports; requiring Department of Corrections to annually report on felony DWI offenders; requiring that reports to the legislature by criminal justice agencies be submitted electronically; modifying and expanding the conditional release program for nonviolent drug offenders; including an advisory board for consultation with the commissioner of corrections for the conditional release program; repealing the conditional release program's sunset; authorizing correctional facilities to forward surcharges from offender wages to court or other entity collecting the surcharge; repealing reports on out-of-state juvenile placement; implementing the legislative auditor's recommendations relating to MINNCOR; requiring the licensure of firefighters; expanding the stay of adjudication provision for low-level controlled substance offenders; imposing criminal penalties; appropriating money; amending Minnesota Statutes 2008, sections 3.195, subdivision 1, by adding a subdivision; 152.021, subdivision 3; 152.022, subdivision 3; 152.023, subdivision 3; 152.024, subdivision 3; 152.025, subdivision 3; 152.18, subdivision 1; 169A.275, subdivisions 3, 4, 5; 169A.276, subdivisions 1, 2; 171.29, subdivision 2; 241.27, subdivision 1a, by adding subdivisions; 243.166, subdivision 5; 244.055, subdivisions 2, 3, 5, 7, by adding subdivisions; 244.17; 244.172, subdivision 1; 299N.02, subdivision 3; 357.021, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 244; 299N; repealing Minnesota Statutes 2008, sections 152.026; 244.055, subdivisions 6, 11; 260B.199, subdivision 2; 260B.201, subdivision 3; 325E.22.

Senate File No. 802 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 12, 2009

RECESS

Senator Pogemiller moved that the Senate do now recess until 5:00 p.m. The motion prevailed.

The hour of 5:00 p.m. having arrived, the President called the Senate to order.

RECESS

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

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

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

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of General Orders.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Senator Metzen in the chair.

After some time spent therein, the committee arose, and Senator Metzen reported that the committee had considered the following:

S.F. Nos. 1284, 805, 1369 and H.F. Nos. 534 and 1275, which the committee recommends to pass.

H.F. No. 417, which the committee recommends to pass with the following amendments offered by Senators Bakk and Scheid:

Senator Bakk moved to amend H.F. No. 417, as amended pursuant to Rule 45, adopted by the Senate April 20, 2009, as follows:

(The text of the amended House File is identical to S.F. No. 528.)

Page 2, line 7, after the period, insert "In no event may the total of all attorney fees recovered under this section exceed \$500,000."

The motion prevailed. So the amendment was adopted.

Senator Scheid moved to amend H.F. No. 417, as amended pursuant to Rule 45, adopted by the Senate April 20, 2009, as follows:

(The text of the amended House File is identical to S.F. No. 528.)

Page 1, line 7, delete "AND ATTORNEY FEES"

Page 2, line 1, delete "; fees"

Page 2, line 3, delete ":(1)"

Page 2, line 5, delete everything after "insurer" and insert a period

Page 2, delete lines 6 and 7

Page 2, delete subdivision 3

Page 2, line 16, delete "4" and insert "3"

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 32 and nays 31, as follows:

Those who voted in the affirmative were:

Bonoff	Frederickson	Koch	Murphy	Senjem
Clark	Gerlach	Koering	Olson, G.	Sheran
Day	Gimse	Kubly	Pogemiller	Vandev eer
Dille	Hann	Limmer	Robling	Wiger
Doll	Ingebrigtsen	Lourey	Rosen	
Fischbach	Johnson	Michel	Saltzman	
Fobbe	Jungbauer	Moua	Scheid	

Those who voted in the negative were:

Anderson	Dibble	Lynch	Rummel	Tomassoni
Bakk	Erickson Ropes	Marty	Saxhaug	Torres Ray
Betzold	Foley	Metzen	Sieben	Vickerman
Carlson	Higgins	Olseen	Skoe	
Chaudhary	Kelash	Olson, M.	Skogen	
Cohen	Langseth	Pappas	Sparks	
Dahle	Latz	Prettner Solon	Stumpf	

The motion prevailed. So the amendment was adopted.

H.F. No. 417 was then recommended to pass.

SF. No. 763, which the committee recommends to pass with the following amendment offered by Senator Moua:

Page 1, line 16, delete "and application"

Page 1, line 17, delete "shall" and insert "may also" and delete "an adequate" and insert "a"

Page 1, line 18, delete "for this purpose" and insert "to accompany the notice"

Page 1, line 19, delete "and a voter"

Page 1, line 20, delete "registration application"

Page 1, line 22, after "and" insert "may provide a voter registration"

Page 2, line 3, after "and" insert "may provide a voter registration"

The motion prevailed. So the amendment was adopted.

S.F. No. 79, which the committee recommends to pass with the following amendment offered by Senator Tomassoni:

Page 1, after line 4, insert:

"Section 1. Laws 2006, chapter 258, section 21, subdivision 4, is amended to read:

Subd. 4. ~~Central Iron Range Sanitary Sewer~~
~~District~~ Hibbing Wastewater Treatment Facilities

2,500,000

To the Public Facilities Authority for a grant to the ~~Central Iron Range Sanitary~~

~~Sewer District to design, construct, and equip an expansion of wastewater treatment at Hibbing's South Wastewater Treatment Plant, city of Hibbing for mercury treatment facilities at the south wastewater treatment plant, and sanitary sewer lines to connect Hibbing, Chisholm, and Buhl to use the upgrades at the plant and wastewater infrastructure improvements. This appropriation is not available until the authority determines that at least an equal amount is committed to the project from nonstate sources.~~

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

Page 3, line 3, delete "Hibbing,"

Page 3, line 20, delete "four members for the city of Hibbing,"

Page 18, line 10, delete "this act is" and insert "sections 2 to 20 are"

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

Senator Pogemiller moved that H.F. No. 1298 be taken from the table. The motion prevailed.

H.F. No. 1298: A bill for an act relating to public finance; providing terms and conditions relating to issuance of obligations and financing of public improvements; modifying restrictions on mail elections; providing tax credit and interest subsidy bonds; providing emergency debt certificates; authorizing the issuance of local bonds; authorizing the cities of Chisago City and Lindstrom to establish a joint venture, issue debt for use outside of the jurisdiction, and share revenues; providing for the additional financing of metropolitan area transit and paratransit capital expenditures; authorizing the issuance of certain obligations; authorizing counties to make joint purchases of energy and energy generation projects; authorizing Mountain Iron economic development and Winona County economic authorities to form limited liability companies; eliminating the maximum limit on state agricultural society's bonded debt and the sunset on the authority to issue bonds and modifying its authorized investments of debt service funds; extending sunset for special service and housing improvement districts; modifying authority of municipalities to issue bonds for certain postemployment benefits; appropriating money; amending Minnesota Statutes 2008, sections 37.31, subdivisions 1, 7; 37.33, subdivision 3; 37.34; 126C.55, subdivision 4; 204B.46; 275.065, subdivision 6; 360.036, subdivision 2; 366.095, subdivision 1; 373.01,

subdivision 3; 373.40, subdivision 1; 373.47, subdivision 1; 373.48, subdivision 1, by adding a subdivision; 383B.117, subdivision 2; 410.32; 412.301; 428A.03, subdivision 1; 428A.08; 428A.09; 428A.10; 428A.101; 428A.21; 446A.086, by adding a subdivision; 469.005, subdivision 1; 469.034, subdivision 2; 469.153, subdivision 2; 471.191, subdivision 1; 473.1293, by adding a subdivision; 473.39, by adding a subdivision; 474A.02, subdivisions 2, 14; 475.51, subdivision 4; 475.52, subdivision 6; 475.58, subdivision 1; 475.67, subdivision 8; Laws 1971, chapter 773, sections 1, subdivision 2, as amended; 4, as amended; Laws 2008, chapter 366, article 6, section 46, subdivisions 1, 2; proposing coding for new law in Minnesota Statutes, chapters 16A; 475; repealing Minnesota Statutes 2008, section 37.31, subdivision 8; Laws 1998, chapter 407, article 8, section 12, subdivision 4.

SUSPENSION OF RULES

Senator Pogemiller moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 1298 and that the rules of the Senate be so far suspended as to give H.F. No. 1298 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 1298 was read the second time.

Senator Bakk moves to amend H.F. No. 1298 as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

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 the day following final enactment. In enacting this section and other provisions of this article, the legislature intends net income to include and tax to apply to interest paid on any Build America Bond, as defined under section 54AA of the Internal Revenue Code of 1986, notwithstanding the provisions of section 1531 of Division B, Title I of the American Recovery and Reinvestment Act of 2009, Public Law 111-5.

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;

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

(17) the amount of unemployment compensation exempt from tax under section 85(c) 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)~~ 303(b) 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 beginning after December 31, 2007, except that clause (25) 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)~~ 303(b) 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 beginning after December 31, 2007, except that clause (20) 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), (16), and (17)~~, 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), (16), and (17)~~, 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 290.067, subdivision 2a, as amended by Laws 2009, chapter 12, article 1, section 8, is amended to read:

Subd. 2a. **Income.** (a) For purposes of this section, "income" means the sum of the following:

(1) federal adjusted gross income as defined in section 62 of the Internal Revenue Code; and

(2) the sum of the following amounts to the extent not included in clause (1):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant

or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount of tuition expenses required to be added to income under section 290.01, subdivision 19a, clause (12); ~~and~~

(xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code; and

(xvii) unemployment compensation.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" means federal adjusted gross income reflected in the fiscal year ending in the next calendar year. Federal adjusted gross income may not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(b) "Income" does not include:

(1) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(2) amounts of any pension or annuity that were exclusively funded by the claimant or spouse if the funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(3) surplus food or other relief in kind supplied by a governmental agency;

(4) relief granted under chapter 290A;

(5) child support payments received under a temporary or final decree of dissolution or legal

separation; and

(6) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

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

Sec. 10. 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), (16), and (17);

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. 11. Minnesota Statutes 2008, section 290A.03, subdivision 3, as amended by Laws 2009, chapter 12, article 1, section 9, is amended to read:

Subd. 3. **Income.** (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

(iii) an amount equal to the total of any discharge of qualified farm indebtedness of a solvent individual excluded from gross income under section 108(g) of the Internal Revenue Code;

(iv) cash public assistance and relief;

(v) any pension or annuity (including railroad retirement benefits, all payments received under the federal Social Security Act, Supplemental Security Income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vi) interest received from the federal or a state government or any instrumentality or political subdivision thereof;

(vii) workers' compensation;

(viii) nontaxable strike benefits;

(ix) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise;

(x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1995;

(xi) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred arrangement plan under section 401(k) of the Internal Revenue Code; or deferred compensation plan under section 457 of the Internal Revenue Code;

(xii) nontaxable scholarship or fellowship grants;

(xiii) the amount of deduction allowed under section 199 of the Internal Revenue Code;

(xiv) the amount of deduction allowed under section 220 or 223 of the Internal Revenue Code;

(xv) the amount of tuition expenses required to be added to income under section 290.01, subdivision 19a, clause (12); ~~and~~

(xvi) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code; and

(xvii) unemployment compensation.

In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback or carryforward or a capital loss carryback or carryforward allowed for the year.

(2) "Income" does not include:

(a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

(c) surplus food or other relief in kind supplied by a governmental agency;

(d) relief granted under this chapter;

(e) child support payments received under a temporary or final decree of dissolution or legal separation; or

(f) restitution payments received by eligible individuals and excludable interest as defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107-16.

(3) The sum of the following amounts may be subtracted from income:

- (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;
- (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;
- (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;
- (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;
- (e) for the claimant's fifth dependent, the exemption amount; and
- (f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported.

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

Sec. 12. 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. 13. 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 2

PROPERTY TAXES

Section 1. 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. 2. 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.

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

Sec. 3. 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. 4. 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) whether the income received, including material gifts and donations, produces a profit to the charitable institution that 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 not 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 reasonable justification for failing to meet the factors in clause (2), (3), or (5), and the organization provides to the assessor the factual basis for that justification. If there is reasonable justification 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. 5. Minnesota Statutes 2008, section 272.02, subdivision 55, is amended to read:

Subd. 55. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must (i) be eligible to be designated as an innovative energy project ~~as defined in~~ under section 216B.1694, except that, notwithstanding anything to the contrary in section 216B.1694, a project may include gas-fired generating facilities that are adaptable for subsequent incorporation into a facility that uses coal as a primary fuel, provided that this exception applies only to the eligibility for exemption under this section, (ii) be within a tax relief area as defined in section 273.134, (iii) have access to existing railroad infrastructure within less than three miles, (iv) have received by resolution approval from the governing body of the county and township or city in which the proposed facility is to be located for the exemption of personal property under this subdivision, and (v) be designed to host at least 500 megawatts of electrical generation.

Construction of the first ~~500~~ 100 megawatts of the facility must be commenced after January 1, 2006, and before January 1, 2012. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, 2015. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility. To qualify for an exemption under this subdivision, the owner of the electric generation facility must have an agreement with the host county, township or city, and school district, for payment in lieu of personal property taxes to the host county, township or city, and school district.

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

Sec. 6. 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. Use of the property for advanced skills training of incumbent workers does not disqualify the property for the exemption under this subdivision. This exemption does not include includes up to five acres 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. 7. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 90. **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. 8. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 91. **Railroad wye connections.** Any real or personal property 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. 9. Minnesota Statutes 2008, section 272.02, is amended by adding a subdivision to read:

Subd. 92. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that 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 start of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) be owned by an entity other than a public utility as defined in section 216B.02, subdivision 4;

(3) be located within five miles of two or more interstate natural gas pipelines;

(4) be located within one mile of an existing electrical transmission substation with operating alternating current voltages of 115 kV, 345 kV, and 500 kV;

(5) be designed to provide electrical capacity, energy, and ancillary services;

(6) have satisfied all of the requirements under section 216B.243;

(7) 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 facility is located, and does not provide for any other new routes or corridors for future electric transmission lines in the county where the facility is located;

(8) be located in a county with an essential services and transmission services ordinance;

(9) have signed a development agreement with the county board in the county in which the facility is located. The development agreement must be adopted by a two-thirds vote of the county board, and must contain provisions ensuring:

(i) the facility is designed to use effluent from a wastewater treatment facility as its preferred water source if it includes any combined-cycle units, and will not seek an exemption from legislative approval under section 103G.265, subdivision 3, paragraph (b); and

(ii) all processed wastewater discharge will be colocated with the outfall of a wastewater treatment facility;

(10) have signed a development agreement with the township board in the township in which the facility is located containing provisions ensuring that noise and visual impacts of the facility are mitigated. The development agreement must be adopted by a two-thirds vote of the township board; and

(11) have an agreement with the host county, township, and school district for payment in lieu of personal property taxes to the host county, township, and school district for a total amount not to exceed \$600,000 per year for the operating life of the facility. Any amount distributed to the school district is not subject to the deductions under section 126C.21.

(b) Construction of the facility must begin 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 facility.

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

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

Subd. 93. **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;

(4) satisfy a resource deficiency identified in an approved integrated resource plan filed under

section 216B.2422; and

(5) have an agreement with the host county, township, and school district for payment in lieu of personal property taxes to the host county, township, and school district for the operating life of the facility. Any amount distributed to the school district is not subject to the deductions under section 126C.21.

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.

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

Subd. 94. **Elderly living facility.** (a) The first \$5,000,000 in market value of 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.

(b) 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.

(c) 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 beginning with taxes payable in 2010.

Sec. 12. Minnesota Statutes 2008, section 272.029, subdivision 6, is amended to read:

Subd. 6. **Distribution of revenues.** Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to local taxing jurisdictions in which the wind energy conversion system is located as follows: beginning with distributions in ~~2006~~ 2010, 80 percent to counties; and 20 percent to cities and townships; and for distributions occurring in 2006 to 2009, 80 percent to counties; 14 percent to cities and townships; and six percent to school districts; ~~and for distributions occurring in 2004 and 2005 in the same proportion that each of the local taxing jurisdiction's current year's net tax capacity based tax rate is to the current year's total local net tax capacity based rate.~~

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

Sec. 13. 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 \$1,140,000. 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. 14. 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 current assessment year divided by the total taxable market value of all property in the county for assessment year 2008 assessor shall not consider the presence of commercial, industrial, residential, or seasonal recreational land use influences in determining the value for ad valorem tax purposes provided that in no case shall the value exceed the value prescribed by the commissioner of revenue for class 2a tillable property in that county.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter.

Sec. 15. Minnesota Statutes 2008, section 273.111, is amended by adding a subdivision to read:

Subd. 9a. **Cross-compliance with agricultural chemical and water laws.** (a) A parcel of property enrolled under this section whose owner is subject to two or more final enforcement actions for violations of chapter 18B, 18C, 18D, 103E, 103F, 103G, or 103H, or any rule adopted under these chapters including but not limited to the agricultural shoreland use standards in Minnesota Rules, chapter 6120, occurring on the parcel, shall be subject to a property tax penalty as defined in this subdivision.

(b) For the purposes of this subdivision, "final enforcement action" means any administrative, civil, or criminal penalty other than a verbal or written warning. An enforcement action is not final until any time period for corrective action has expired, and until the completion or expiration of any applicable review or appeal procedure or period provided by law.

(c) The first time a final enforcement action is taken based on a violation occurring on a parcel enrolled under this section, the owner must be notified that if a second final enforcement action is issued, the property is subject to a property tax penalty, as defined in this subdivision.

(d) When a second final enforcement action is taken based on a violation occurring on a parcel enrolled under this section within three years from the first violation, the law enforcement officer or other person enforcing the law or rule must notify the county auditor. The auditor must then determine the property tax penalty, equal to the deferred taxes on the parcel for the current year and the two previous years, but not to exceed the current owner's time of ownership, and extend the penalty against the property on the tax list for the current year, provided that no interest or penalties shall be levied on the penalty if timely paid. The penalty levied under this subdivision is in addition to any additional taxes levied under subdivision 9 at the time a property is withdrawn from the program.

EFFECTIVE DATE. This section is effective for final enforcement actions issued after January 1, 2010, and before December 31, 2013.

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 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. 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. 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 six 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. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public. No more than 800 feet of lakeshore may be included in this classification. 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.

Sec. 19. Minnesota Statutes 2008, section 275.07, is amended by adding a subdivision to read:

Subd. 6. **Recertification due to unallotment.** If a local government's December aid or credit payments under sections 477A.011 to 477A.014 and section 273.1384 are reduced due to unallotment under section 16A.152, the local government may recertify its levy under subdivision 1, by January 15 of the year in which the levy will be paid. The local government must report the recertified amount to the county auditor within two business days of January 15 or the levy will remain at the amount certified under subdivision 1. Notwithstanding subdivision 4, the county auditor shall report to the commissioner of revenue any recertified levies under this subdivision by January 30 of the year in which the levy will be paid.

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

Sec. 20. Minnesota Statutes 2008, section 275.70, subdivision 5, is amended to read:

Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota State Armory Building Commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the Emergency Services Division of the state Department of Public Safety, as allowed by the commissioner of revenue under section 275.74, subdivision 2;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353, or locally administered pension plans, that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (f), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the Department of Corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the Department of Corrections. If the county utilizes this special levy, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;

(15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

(16) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per

capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

(18) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

(19) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

(20) for a city, for the unreimbursed costs of redeployed traffic control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;

(21) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year; ~~and~~

(22) an amount equal to any reductions in the certified aids or credits payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152. The amount of the levy allowed under this clause is equal to the amount unallotted in the calendar year in which the tax is levied unless the unallotment amount is not known by September 1 of the levy year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case the unallotment amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; and

(25) for the estimated amount of reduction to credits under section 273.1384 for credits payable in the year in which the levy is payable.

EFFECTIVE DATE. This section is effective for levies certified in calendar year 2009 and thereafter, payable in 2010 and thereafter.

Sec. 21. [275.77] TEMPORARY SUSPENSION OF NEW OR INCREASED MAINTENANCE OF EFFORT AND MATCHING FUND REQUIREMENTS.

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

(1) "maintenance of effort" means a requirement imposed on a political subdivision by state law to continue providing funding of a service or program at a given or increasing level based on its funding of the service and program in prior years;

(2) "matching fund requirement" means a requirement imposed on a political subdivision by state law to fund a portion of a program or service but does not mean required nonstate contributions to state capital funded projects or other nonstate contributions required in order to receive a grant or loan the political subdivision has requested or applied for; and

(3) "political subdivision" means a county, town, or statutory or home rule charter city.

Subd. 2. **Temporary suspension.** (a) Notwithstanding any other provision of law to the contrary, any new maintenance of effort or matching fund requirement enacted after January 1, 2009, that will require spending by a political subdivision shall not be effective until July 1, 2011.

(b) Notwithstanding any other provision of law to the contrary, any changes to existing maintenance of effort or matching fund requirement enacted after January 1, 2009, that will require new spending by a political subdivision shall not be effective until July 1, 2011.

(c) The suspension of changes to existing maintenance of effort and matching fund requirements under paragraph (b) does not apply if the spending is required by federal law and there would be a cost to the state budget without the change.

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

Sec. 22. Minnesota Statutes 2008, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount

of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, before credits;
- (4) for homestead residential and agricultural properties, the credits under section 273.1384;
- (5) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (6) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

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

Sec. 23. 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. 24. 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~~ the original publication of the corrected information, but shall receive no further compensation ~~therefor~~ 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. 25. Minnesota Statutes 2008, section 282.08, is amended to read:

282.08 APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of products from the forfeited land, must be apportioned by the county auditor to the taxing districts interested in the land, as follows:

(1) the portion required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of the parcel to the state, but not exceeding the amount certified by the appropriate governmental authority must be apportioned to the governmental subdivision entitled to it;

(2) the portion required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of the parcel to the state, but not exceeding the amount of expenses certified by the Pollution Control Agency or the commissioner of agriculture, must be apportioned to the agency or the commissioner of agriculture and deposited in the fund from which the expenses were paid;

(3) the portion of the remainder required to discharge any special assessment chargeable against the parcel for drainage or other purpose whether due or deferred at the time of forfeiture, must be apportioned to the governmental subdivision entitled to it; and

(4) any balance must be apportioned as follows:

(i)(A) Except as provided in subitem (B), the county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for forest development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It must be expended only on projects improving the health and management of the forest resource.

(B) For a county that received an aid payment in calendar year 2009 under section 477A.0124, subdivision 5, paragraph (b), the county board is authorized to use some of the money set aside under subitem (A) to replace all or a portion of the amount of aid or credit reimbursement that the county was to receive under sections 273.1384 and 477A.0124, but did not receive due to aid cuts or unallotment from the state. Within six months of the actual aid or credit reimbursement loss, the county board may adopt a resolution transferring money from this fund to the county's general fund, not to exceed the amount of aid or credit reimbursement loss to the county. This subitem expires December 31, 2010.

(ii) The county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.

(iii) Any balance remaining must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, provided, however, that in unorganized territory that portion which would have accrued to the township must be administered by the county board of commissioners.

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

Sec. 26. Minnesota Statutes 2008, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. **Program qualifications.** The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, ~~both~~ at least one of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status, and the other spouse must be at least 62 years of age;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed \$60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 15 years prior to the year the initial application is filed;

(4) there are no state or federal tax liens or judgment liens on the homesteaded property;

(5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (6); and

(6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed 75 percent of the assessor's estimated market value for the year.

EFFECTIVE DATE. This section is effective July 1, 2009, and thereafter.

Sec. 27. 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. 28. 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) determine whether the association or the implementing entity will contract for the housing improvements, and ensure that any contracts made by the implementing entity are subject to section 471.345.

Sec. 29. 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 more fair and reasonable. 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. 30. 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. 31. 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 in the case of construction, reconstruction, or improvement of 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. 32. 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. 33. 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 9 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 9 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. 34. 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. 35. [469.1816] **ABATEMENTS FOR BUSINESSES WITH DISRUPTED ACCESS.**

The governing body of a home rule charter or statutory city may abate the property taxes it has imposed, in whole or in part, on the property of a business with an estimated market value of \$250,000 or less, if access to the property has been impeded for a period of more than three consecutive months, resulting in loss of revenue to the business, due to a public transportation project in the vicinity of the business. If an abatement is granted, the property taxes shall be levied on the property and shall be due and payable to the county at the times provided under section 279.01. The city granting the abatement will pay the property owner or lessee the amount of abatement as determined by the city.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 through 2014.

Sec. 36. 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 of a municipality or postemployment benefit liabilities of a school district 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);

(10) to fund postemployment benefit liabilities pursuant to section 475.52, subdivision 6, of a municipality, other than a school district, if the liabilities are limited to:

(i) satisfying the requirements of section 471.61, subdivision 2b; and

(ii) other postemployment benefits, which the municipality no longer provides to employees hired after a date before the obligations are issued; and

(11) under section 475.755.

EFFECTIVE DATE. This section is effective the day following final enactment, except that the changes made to clause (7) are effective for obligations sold after August 1, 2009.

Sec. 37. [475.755] EMERGENCY DEBT CERTIFICATES.

(a) If at any time during a fiscal year 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) To the extent that a local government issues certificates under this section to fund an unallotment or other reduction in its state aid, the local government may not use a special levy

for the aid reduction under section 275.70, subdivision 5, clause (22), or a similar or successor provision. This provision does not affect the status of the levy under section 475.61 to pay the certificates as a levy that is not subject to levy limits.

(e) 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. 38. 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 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total

geographic area included within the city boundaries in 2000.

(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) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment under that paragraph in December 2008 was canceled due to the governor's unallotment. The payment under this paragraph is not subject to any aid reductions under section 477A.0133 or any future unallotment of the city aid under section 16A.152.

(z) The city aid base and the maximum total aid the city may receive under section 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2010 only if:

(1) the city is a first class city in the seven-county metropolitan area with a population below 300,000; and

(2) the city has made an equivalent grant to its local growers' association to reimburse up to \$1,000 each for membership fees and retail leases for members of the association who farm in and around Dakota County and who incurred crop damage as a result of the hail storm in that area on July 10, 2008.

The payment under this paragraph is not subject to any aid reductions under section 477A.0133 or any future unallotment of the city aid under section 16A.152.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2010 and thereafter.

Sec. 39. 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. 40. 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. 41. 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. 42. 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. 43. 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 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. 44. **COUNTY AID PAYMENT.**

The county program aid payable to Beltrami County under Minnesota Statutes, section 477A.0124, must be increased in calendar year 2009 only by \$500,000, to be distributed by the county to the governing body of the Red Lake Band of Chippewa Indians. The money must be used by the band for the cost of implementing the Fostering Connections to Success and Increasing Adoptions Act of 2008, Public Law 110-351. \$500,000 is appropriated from the general fund to the commissioner of revenue for the purpose of this section, and this amount is not subject to unallotment under Minnesota Statutes, section 16A.152.

EFFECTIVE DATE. This section is effective for aids payable in 2009.

Sec. 45. **MINNEAPOLIS CONVENTION CENTER; LEASE; PROPERTY TAX EXEMPTION.**

Notwithstanding Minnesota Statutes, section 272.01, subdivision 2, or 273.19, real or personal

property subject to a lease or use agreement between the city of Minneapolis and a private entity for purposes of providing food and beverage services within the Minneapolis Convention Center is exempt from property taxation.

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

Sec. 46. 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. 47. 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. The commissioner must resolve the appeal by issuance of a written order accompanied by a statement of the commissioner's reasons for the order, on or before December 31, 2009. When 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. 48. PROPOSAL FOR REFORM OF LOCAL GOVERNMENT FUNDING OF HUMAN SERVICES.

(a) The commissioner of human services, in consultation with county representatives designated by the Association of Minnesota Counties, the Minnesota Inter-County Association, and the Minnesota Association of County Social Service Administrators; representatives from organizations that represent people who receive these services; and the commissioner of the department of revenue shall develop a proposal for establishing and transitioning from current maintenance of effort and matching fund requirements to a new consolidated local county property tax contribution across all mandated health and human services and report it to the governor and the chairs and ranking minority members of the house or representative and senate committees with jurisdiction over the policy areas of property taxes and health and human services funding by February 1, 2010. The report shall be made electronically, with paper copies available upon request. The following criteria shall be considered in designing the new system:

(1) providing a funding mechanism that is relatively simple to predict and administer at both the state and local levels;

(2) providing application across programs;

(3) maintaining current services, adjusted for fluctuations in demand for services;

(4) clarifying property tax impacts of funding decisions;

(5) ensuring that all eligible citizens have equal access to mandated services; and

(6) enabling the service system to maximally focus county staff time on service delivery.

(b) Efforts to control state and county costs and service utilization rates shall focus on eligibility, level of difficulty, and other programmatic priorities.

(c) The new system must be designed and implemented in a way that:

(1) ensures that counties have the resources available to continue to serve clients at the current level;

(2) ensure the ability to earn federal match funds;

(3) provide for as much stability as possible in overall property tax demands after full implementation;

(4) provide that increased county contributions shall be in a form that clearly indicates the impact on local property taxes at both the state and county level; and

(5) provide for mechanisms that mitigate property tax increases in a county in any given year.

(d) Any group formed as a result of this section expires February 15, 2010.

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

Sec. 49. TAX ABATEMENT; NEWLY CONSTRUCTED RESIDENTIAL STRUCTURES IN FLOOD-DAMAGED CITIES.

Subdivision 1. **Eligibility.** A residential structure qualifies for a tax abatement under this section if:

(1) the structure is located in a city that is eligible to designate a development zone under Minnesota Statutes, section 469.1731;

(2) the structure is located in a county designated as an emergency area under presidential declaration FEMA-3304-EM;

(3) the structure is located on property classified as class 1a, 1b, 2a, 4a, 4b, 4bb, or 4d under Minnesota Statutes, section 273.13;

(4) no part of the structure was in existence prior to January 1, 2009, unless (i) the structure is located on property classified as 1a, 1b, 2a, 4b, or 4bb; (ii) a building permit was issued and construction commenced in 2008; and (iii) as of March 26, 2009, the property was owned by the original builder, was not subject to any form of purchase contract or agreement, and had never been occupied; and

(5) construction of the structure is commenced prior to December 31, 2010. For the purposes of this clause, construction is deemed to have been commenced if a proper building permit has been issued and the mandatory footing or foundation inspection has been completed.

Subd. 2. **Application.** Application for the abatement authorized under this section must be filed by January 2 of the year following the year in which construction began, except that those qualifying structures for which construction commenced in 2008 must file an application no later than January 2, 2010, for assessment years 2010 and 2011. The application must be filed with the assessor of the county or city in which the property is located on a form prescribed by the commissioner of revenue.

Subd. 3. **Tax abated.** (a) For a property qualifying under subdivision 1 and classified as either 1a, 1b, 2a, 4b, or 4bb, the tax attributable to (1) \$200,000 of market value, or (2) the entire market value of the structure, whichever is less, shall be abated. For a property qualifying under subdivision 1 and classified as class 4a or 4d, the tax attributable to (1) \$20,000 of market value per residential unit, or (2) the entire market value of the structure, whichever is less, shall be abated.

(b) The abatement under paragraph (a) shall be in effect for two taxes payable years, corresponding to the two assessment years after construction has begun. The abatement shall not apply to any special assessments that have been levied against the property.

Subd. 4. **Reimbursement.** By May 1 of each taxes payable year in which an abatement has been authorized under this section, the auditor shall report the amount of taxes abated for each jurisdiction within the county to the commissioner of revenue, on a form prescribed by the commissioner. On or before September 1 of each taxes payable year in which an abatement has been authorized under this section, the commissioner of revenue shall reimburse each local jurisdiction for the amount of taxes abated for the year under this section.

Subd. 5. **Appropriation.** The amount necessary to make the reimbursements required under this section is annually appropriated to the commissioner of revenue from the general fund.

EFFECTIVE DATE. This section is effective for assessment years 2010 to 2012, for taxes payable in 2011 to 2013.

Sec. 50. **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 study the feasibility of basing fiscal disparities calculations on current year tax rates rather than previous year tax rates, and report the results of the study to the chairs and ranking minority members of the house of representatives and senate tax committees by February 1, 2011. The study shall specifically address any complications that arise from the inclusion of the referendum market value levy in the fiscal disparities calculations. The report should include any recommendations for amendments to Minnesota Statutes, chapter 473F, that would be necessary to implement the change.

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

Sec. 51. **STUDY OF RIPARIAN BUFFER AREAS.**

The drainage working group, facilitated by the Board of Water and Soil Resources, must study the condition of riparian buffer areas across the state, and report on the extent to which the buffer areas are being maintained in a natural state, and the extent to which the buffer areas are being used in a way that risks environmental damage to public waters. The working group must make a report to the chairs and ranking minority members of the house of representatives and senate tax committees by March 1, 2010, on the condition of buffer areas, along with recommendations, if deemed necessary, for policy options such as tax incentives and any other types of incentives that might be necessary to promote the preservation of buffer areas.

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

Sec. 52. **STUDY OF POLLUTION CONTROL EXEMPTION.**

The commissioner of revenue, in consultation with the commissioner of the Pollution Control Agency, must study the process used to determine the eligibility of personal property located at an electric generating facility for the property tax exemption provided under Minnesota Statutes, section 272.02, subdivision 10. The study must include a review of the process used, and must compile information on the location, value, and tax impact of the exemptions provided to date, as well as an assessment of the efficacy of the equipment in reducing pollution. The results of the study must be presented to the chairs and ranking minority members of the committees on taxes of the senate and the house of representatives by January 15, 2010.

Sec. 53. PURPOSE; COMMISSIONER OF REVENUE GUIDANCE.

The purpose of section 4 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 taxation. To carry out this purpose and to promote uniformity in application of the provisions of section 4, the commissioner of revenue shall prepare a bulletin providing guidance to assessors as to the commissioner's interpretation of section 4. The bulletin may include a discussion of court decisions that provide background to and context for the provisions in section 4, as the commissioner deems appropriate. This guidance must include examples of facts or circumstances that satisfy the requirement of "a reasonable justification for failing to meet the factors in clause (2), (3), or (5)" under section 4, paragraph (a). Assessors shall give due consideration to the bulletin in assessing property requesting an exemption as an institution of purely public charity. The commissioner shall distribute the bulletin to all assessors by July 1, 2010.

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

Sec. 54. REPEALER.

Laws 1993, chapter 375, article 5, section 42, as amended by Laws 2002, chapter 377, article 10, section 30, is repealed.

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

ARTICLE 3

TRUTH IN TAXATION

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 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. 3. 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 and the meetings shall not be held before 6:00 p.m. 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) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

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

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

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

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

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

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

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

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts"

means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

- (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;
- (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and
- (3) Metropolitan Mosquito Control Commission under section 473.711.

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

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

- (1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;
- (2) population growth and decline;
- (3) state or federal government action; and
- (4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

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

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

Sec. 4. 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.~~

~~(l) 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;

(8) the levy to pay emergency debt certificates under section 475.755 authorized and issued after the proposed levy was certified; and

(9) the amount of unallotment under section 16A.152 that was recertified under section 275.07, subdivision 6.

~~(b)~~ (b) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

~~(c)~~ (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. 5. 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. 6. 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. 7. 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. 8. 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. 9. 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. 10. **REPEALER.**

Minnesota Statutes 2008, section 275.065, subdivisions 5a, 6b, 6c, 8, 9, and 10, are repealed.

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

ARTICLE 4

SALES AND USE TAXES

Section 1. **[270C.085] NOTIFICATION REQUIREMENTS; SALES AND USE TAXES.**

The commissioner of revenue shall establish a means of electronically notifying persons holding a sales tax permit under section 297A.84 of any statutory change in chapter 297A and any issuance or change in any administrative rule, revenue notice, or sales tax fact sheet or other written information provided by the department explaining the interpretation or administration of the tax imposed under that chapter. The notification must indicate the basic subject of the statute, rule, fact sheet, or other material and provide an electronic link to the material. Any person holding a sales tax permit that provides an electronic address to the department must receive these notifications unless they specifically request electronically, or in writing, to be removed from the notification list. This requirement does not replace traditional means of notifying the general public or persons without access to electronic communications of changes in the sales tax law. The electronic notification must begin no later than December 31, 2009.

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

Sec. 2. Minnesota Statutes 2008, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. **Return required.** (a) Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner in the form and manner the commissioner prescribes. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

(b) Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under chapter 297A and who makes annual purchases, for use in a trade or business, of less than \$18,500, or a person who is not required to hold a sales tax permit and who makes purchases for personal use, that are subject to the use tax imposed by section 297A.63, may file an annual use tax return on a form prescribed by the commissioner. If a person who qualifies for an annual use tax reporting period is required to obtain a sales tax permit or makes use tax purchases, for use in a trade or business, in excess of \$18,500 during the calendar year, the reporting period must be considered ended at the end of the month in which the permit is applied for or the purchase in excess of \$18,500 is made and a return must be filed for the preceding reporting period.

(c) Notwithstanding paragraph (a), a person prohibited by the person's religious beliefs from using electronics shall be allowed to file by mail, without any additional fees. The filer must notify the commissioner of revenue of the intent to file by mail on a form prescribed by the commissioner. A return filed under this paragraph must be postmarked no later than the day the return is due in order to be considered filed on a timely basis.

EFFECTIVE DATE. This section is effective for returns filed after June 30, 2009.

Sec. 3. Minnesota Statutes 2008, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 90 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) \$20,000 or more in the fiscal year ending June 30, 2005; or

(2) \$10,000 or more in the fiscal year ending June 30, 2006, and fiscal years thereafter,

must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

EFFECTIVE DATE. This section is effective for payments remitted after June 30, 2009.

Sec. 4. Minnesota Statutes 2008, section 297A.62, is amended by adding a subdivision to read:

Subd. 1a. **Constitutionally required sales tax increase.** An additional sales tax of 0.375 percent, as required under the Minnesota Constitution, article XI, section 15, is imposed on the gross receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or to a destination in this state by a person who is required to have or voluntarily obtains a permit under section 297A.83, subdivision 1. This additional tax expires July 1, 2034.

Sec. 5. 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. 6. Minnesota Statutes 2008, section 297A.71, is amended by adding a subdivision to read:

Subd. 41. **Construction materials; meat processing facility.** Materials and supplies used

or consumed in, and equipment incorporated into, the construction or improvement of a meat processing facility are exempt. This facility must be constructed to replace a meat processing facility destroyed in a fire in April 2009, that employed more than 200 employees at the time of the destruction. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded after June 30, 2011, in the manner provided in section 297A.75.

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

Sec. 7. 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) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- ~~(8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26;~~
- ~~(9)~~ (8) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- ~~(10)~~ (9) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- ~~(11)~~ (10) 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;
- ~~(12)~~ (11) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41;
- ~~(13)~~ (12) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, clause (11); ~~and~~
- ~~(14)~~ (13) materials, supplies, and equipment for construction or improvement of projects and

facilities under section 297A.71, subdivision 40; and

(14) materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41.

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

Sec. 8. 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), the applicant must be the purchaser;

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

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

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

(5) for subdivision 1, clause ~~(9)~~, (8), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause ~~(10)~~, (9), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses ~~(11)~~, (10) and ~~(12)~~, (11), and (14), the owner of the qualifying business; and

(8) for subdivision 1, clauses ~~(13)~~, (12) and ~~(14)~~, (13), the applicant must be the governmental entity that owns or contracts for the project or facility.

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

Sec. 9. Minnesota Statutes 2008, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account must be reduced by any refunds and by the costs incurred by the Department of Revenue to administer and enforce the assessment and collection of the taxes.

(c) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) For fiscal year 2001, 97 percent; for fiscal years 2002 and 2003, 87 percent; and for fiscal year 2004 and thereafter, 72.43 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory, and the Duluth Zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

(g) The revenues deposited under paragraphs (a) to (f) do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

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

Sec. 10. Minnesota Statutes 2008, section 297B.02, subdivision 1, is amended to read:

Subdivision 1. **Rate.** There is imposed an excise tax ~~at the rate provided in chapter 297A~~ of 6.5 percent on the purchase price of any motor vehicle purchased or acquired, either in or outside of the state of Minnesota, which is required to be registered under the laws of this state.

The excise tax is also imposed on the purchase price of motor vehicles purchased or acquired on Indian reservations when the tribal council has entered into a sales tax on motor vehicles refund agreement with the state of Minnesota.

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

Sec. 11. Laws 1986, chapter 396, section 4, subdivision 3, is amended to read:

Subd. 3. **Use of property.** Revenues received from the tax may only be used:

- (1) to pay costs of collection;
- (2) to pay or secure the payment of any principal of, premium or interest on bonds issued in accordance with this act;
- (3) to pay costs to acquire, design, equip, construct, improve, maintain, operate, administer, or promote the convention center or related facilities, including financing costs related to them;
- (4) to pay reasonable and appropriate costs determined by the city to replace housing removed from the site; ~~and~~
- (5) to maintain reserves for the foregoing purposes deemed reasonable and appropriate by the city; ~~and~~
- (6) to fund projects under subdivision 4.

~~In the event of any amendment to chapter 297A enacted subsequent to the effective date of this act which exempts sales or uses which were taxable under chapter 297A on the effective date of this act, the city may by ordinance extend the tax authorized hereby to any such sales or uses provided that the city council shall have determined that such extension is necessary to provide revenues for the uses to which taxes may be applied under this section and further provided that, in the estimation of the city council, the aggregate annual collections following such extension will not exceed the aggregate annual collections which would have been generated if chapter 297A, as in effect on the effective date of this act, were then in effect. Any revenue bonds issued in accordance with this act may, with the consent of the city council, contain a covenant that the tax will be so extended to the extent necessary to pay principal and interest on the bonds when due.~~

Money for replacement housing shall be made available by the city only for new construction, conversion of nonresidential buildings, and for rehabilitation of vacant residential structures, only if all of the units in the newly constructed building, converted nonresidential building, or rehabilitated

residential structure are to be used for replacement housing.

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

Sec. 12. Laws 1986, chapter 396, section 4, is amended by adding a subdivision to read:

Subd. 4. Minneapolis downtown and neighborhood projects. (a) For revenues collected in calendar years 2009 and 2010, to the extent that revenues from the tax authorized in subdivision 1 exceeds the amount needed to fund the purposes in subdivision 3, the city may use the excess revenue to fund any city services. The total amount used in both years for this purpose may not exceed the total amount of aid and credit reductions under Minnesota Statutes, sections 273.1384 and 477A.011 to 477A.014 in calendar years 2008, 2009, and 2010 due to a governor's unallotment or due to statutory reductions.

(b) Beginning with revenues collected in calendar year 2011, to the extent that revenues from the tax authorized in subdivision 1 exceeds the amount needed to fund the purposes in subdivision 3, the city may use the excess revenue in any year to fund capital projects to further residential, cultural, commercial, and economic development in both downtown Minneapolis and the Minneapolis neighborhoods.

EFFECTIVE DATE. This section is effective upon compliance of the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. 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 with a wine license 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 with a

wine license 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. 14. 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. 15. 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. 16. 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. 17. Laws 1996, chapter 471, article 2, section 30, is amended to read:

Sec. 30. CITY OF LITTLE FALLS; TAX AUTHORIZED.

Subdivision 1. **Sales of food; tax.** The city of Little Falls may by ordinance impose a tax of one-half percent on the gross receipts from the retail sale of food and nonalcoholic beverages sold by the operator of a restaurant or place of refreshment within the city. The tax imposed may be effective at any time after July 1, 1996.

Subd. 1a. Sale of alcoholic beverages. The city of Little Falls may also by ordinance impose the tax in subdivision 1 on the sales of alcoholic beverages sold by the operator of a restaurant or place of refreshment in the city. Notwithstanding subdivision 5, and regardless of when the city imposes

the tax under this subdivision, this tax will expire when the tax in subdivision 1 expires.

Subd. 2. **Definitions.** For purposes of this section:

(1) "restaurant" means every building or other structure or enclosure, or any part thereof and all buildings in connection, kept, used or maintained as, or held out to the public to be an enclosure where meals or lunches are served or prepared for service elsewhere, except schools;

(2) "place of refreshment" means every building, structure, vehicle, sidewalk cart or any part thereof, used as, maintained as, or advertised as, or held out to be a place where confectionery, ice cream, or drinks of various kinds are made, sold, or served at retail, excepting schools and school sponsored events; and

(3) "operator" means the person who is the proprietor of the restaurant, or place of refreshment, whether in the capacity of owner, lessee, subleases, licensee, or an other capacity.

Subd. 3. **Use of proceeds.** The ordinance adopted by the city shall provide for distribution of the proceeds of the tax. The proceeds of the tax must be used for tourism purposes, including operating and maintaining the activities and programs of the tourism and convention bureau.

Subd. 4. **Enforcement, collection, and administration of taxes.** The tax imposed under this section shall be enforced, administered, and collected by the city of Little Falls provided that the city may contract with the commissioner of revenue to perform audits of the tax on behalf of the city. The commissioner shall charge the city an amount that equals the direct and indirect costs incurred by the department that are necessary to audit the tax.

Subd. 5. **Expiration of taxing authority.** ~~The tax imposed under this section shall expire 15~~ subdivision 1 expires 30 years after it first becomes effective.

Subd. 6. **Effective date.** This section is effective the day following compliance by the governing body of the city of Little Falls with Minnesota Statutes, section 645.021, subdivision 3.

EFFECTIVE DATE. This section is effective the day following compliance by the governing body of the city of Little Falls with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 18. 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. 19. 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 the 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, parking, or landscaping; and (2) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of 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 prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping 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. 20. 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 compliance by the governing body of the city of Owatonna with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 21. 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. 22. 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. 23. **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, parking, or landscaping; and (3) for payment

of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of 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 prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping 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 5

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2008, section 373.48, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For the purpose of this section, "project" means a facility that generates electricity from renewable energy sources listed in section 216B.1691, subdivision 1, paragraph (a), ~~clause (1).~~

Sec. 2. Minnesota Statutes 2008, section 373.48, is amended by adding a subdivision to read:

Subd. 3. **Joint purchase of energy and acquisition of generation projects; financing.** (a) A county may enter into agreements under section 471.59 with other counties for joint purchase of energy or joint acquisition of interests in projects. A county that enters into a multiyear agreement for purchase of energy or acquires an interest in a project, including C-BED projects pursuant to section 216B.1612, subdivision 9, may finance the estimated cost of the energy to be purchased during the term of the agreement or the cost to the county of the interest in the project by the issuance of revenue bonds of the county, including clean renewable energy revenue bonds, provided that the annual debt service on all bonds issued under this section, together with the amounts to be paid by the county in any year for the purchase of energy under agreements entered into under this section, must not exceed the estimated revenues of the project.

(b) An agreement entered into under section 471.59 as provided by this section may provide that:

(1) each county issues bonds to pay their respective shares of the cost of the projects;

(2) one of the counties issues bonds to pay the full costs of the project and that the other participating counties pay any available revenues of the project and pledge the revenues to the county that issues the bonds; or

(3) the joint powers board issues revenue bonds to pay the full costs of the project and that the participating counties pay any available revenues of the project under this subdivision and pledge

the revenues to the joint powers entity for payment of the revenue bonds.

Sec. 3. 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. 4. 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, for which the authority has entered into an agreement or designated a developer including the names of the parties to the contract or designated developer, the activity governed by the contract agreement or designation, the cost stated in the contract, and the expected date of completion of that activity;~~

(4) identification or description of the type of any other specific development reasonably expected to take place within the project district, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administrative expenses, ~~except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the amount of the cost of the project, including administrative expenses, that~~ and interest as a financing cost, which will be paid or financed with tax increments from the district, but not to exceed the estimated tax increment 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) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district or any subdistrict.

(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. 5. 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) (vi) 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)~~ (d) 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. 6. 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. 7. Minnesota Statutes 2008, section 469.176, subdivision 6, is amended to read:

Subd. 6. **Action required.** (a) If, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems,

has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.

(b) For districts which were certified on or after January 1, 2005, and before April 20, 2009, the four-year period under paragraph (a) is increased to six years.

EFFECTIVE DATE. This section is effective for districts certified on or after January 1, 2005.

Sec. 8. 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. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

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

Sec. 9. 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. 10. Minnesota Statutes 2008, section 469.312, subdivision 5, is amended to read:

Subd. 5. **Duration limit.** (a) The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

(b) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by three calendar years for each parcel of property that meets the following requirements:

(1) the qualified business operates an ethanol plant, as defined in section 41A.09, on the site that includes the parcel; and

(2) the business subsidy agreement was executed after April 30, 2006.

(c) The duration limit under this subdivision and the duration of the zone for purposes of allowance of tax incentives described in section 469.315 is extended by five calendar years for each parcel of property that meets the following requirements:

(1) the parcel is located in a county with an unemployment rate that on the date that the business subsidy agreement is executed (i) equals or exceeds ten percent or (ii) is ten percent higher than the statewide average;

(2) the operations of the qualified business on the site include:

(i) its headquarters;

(ii) facilities for research and development; and

(iii) the manufacturing of products, used by the building, transport, consumer products, and industrial products sectors, that reduce the use of or increase the efficiency of the use of energy resources and that are manufactured using innovative and high technology processes; and

(3) the business subsidy agreement is executed after July 1, 2009, and before July 1, 2011.

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

Sec. 11. 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. 12. 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. 13. 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. 14. 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.

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. 15. CITY OF MINNETONKA; TAX INCREMENT FINANCING DISTRICT EXTENSION.

Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, paragraph (a), clause (1), the governing bodies of the city of Minnetonka and its economic development authority may elect to extend the maximum duration of all or a portion the Glenhaven

Tax Increment Financing District by up to seven years. The city may make the election under this section only if it finds by resolution that when it approved the original tax increment financing plan for the Glenhaven Tax Increment Financing District the area of the district qualified to be certified as a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, or that the portion of the district it is electing to extend so qualified. The city must document this finding in the manner provided under Minnesota Statutes, section 469.175, subdivision 3, paragraph (b), clause (1), for a redevelopment district.

EFFECTIVE DATE. This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 16. CITY OF ARDEN HILLS; SPECIAL TAX INCREMENT FINANCING AUTHORITY.

Subdivision 1. Establishment. The city of Arden Hills may establish within the corporate boundaries of the city a redevelopment tax increment financing district subject to the special rules under subdivision 2. The district must be located within the area described in the TCAAP Boundary Survey dated December 12, 2007, by W. Brown Land Surveying, Inc.

Subd. 2. Special rules. (a) If the city elects to adopt the tax increment financing plan in subdivision 1 for the district, the following rules apply to the district:

(1) the district is deemed to meet all the requirements of Minnesota Statutes, section 469.174, subdivision 10;

(2) the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to a ten-year period; and

(3) the duration limit under Minnesota Statutes, section 469.176, subdivision 1b, paragraph (a), clause (4), is extended to 30 years after receipt of the first increment.

(b) Notwithstanding Minnesota Statutes, section 469.175, subdivision 1, paragraph (b), the city may designate the first year in which it elects to receive an increment, up to six years following the year of approval of the district. The city must make the designation by written notice to the county auditor delivered by June 30 of the year prior to the designated year of first receipt.

Subd. 3. Expiration. The authority to approve a tax increment financing plan to establish a tax increment financing district under this section expires December 31, 2019.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Arden Hills and upon compliance by the city with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 17. SEAWAY PORT AUTHORITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.

(a) If the Seaway Port Authority of Duluth adopts a tax increment financing plan and the governing body of the city of Duluth approves the plan for the tax increment financing district 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; and 010-3300-04650, the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of the tax increment financing district, must be considered to be met if the activities are undertaken within five years after the date all qualifying parcels are delisted from the Federal Superfund list.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, beginning in the sixth year following certification of the district requirement, will begin in the sixth year following the date all qualifying parcels are delisted from the Federal Superfund list.

(c) The action required under Minnesota Statutes, section 469.176 subdivision 6, are satisfied if the action is commenced within four years after the date all qualifying parcels are delisted from the Federal Superfund list and evidence of the action required is submitted to the county auditor by February 1 of the fifth year following the year in which all qualifying parcels are delisted from the Federal Superfund list.

(d) For purposes of this section, "qualifying parcels" means United States Steel parcels listed in paragraph (a) and shown by the Minnesota Pollution Control Agency as part of the USS Site (USEPA OU 02) that are included in the tax increment financing district.

(e) In addition to the reporting requirements of Minnesota Statutes, section 469.175, subdivision 5, the Seaway Port Authority of Duluth shall report the status of all parcels listed in paragraph (a) and shown as part of the USS Site (USEPA OU 02). The status report must show the parcel numbers, the listed or delisted status, and if delisted, the delisting date.

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. 18. 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 for construction of street and roadway improvements under the Sibley Parkway Plan, provided the improvements are located within 500 feet or less of the boundaries of the district.

Subd. 2. **Five-year rule.** The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to an 11-year period for 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. 19. 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 22 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. 20. 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. 21. 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.

ARTICLE 6

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.

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 428A.03, subdivision 1, is amended to read:

Subdivision 1. **Hearing.** Service charges may be imposed by the city within the special service district at a rate or amount sufficient to produce the revenues required to provide special services in the district. To determine the appropriate rate for a service charge based on net tax capacity, taxable property or net tax capacity must be determined without regard to captured or original net tax capacity under section 469.177 or to the distribution or contribution value under section 473F.08. Service charges may not be imposed to finance a special service if the service is ordinarily provided by the city from its general fund revenues unless the service is provided in the district at an increased level. In that case, a service charge may be imposed only in the amount needed to pay for the increased level of service. A service charge may not be imposed on the receipts from the sale of intoxicating liquor, food, or lodging. Before the imposition of service charges in a district, for each calendar year, a hearing must be held under section 428A.02 and notice must be given and must be mailed to any owner, individual, or business organization subject to a service charge. For purposes of this section, the notice shall also include:

(1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed service charge;

(2) the estimated cost of improvements to be paid for in whole or in part by service charges

imposed under this section, the estimated cost of operating and maintaining the improvements during the first year and upon completion of the improvements, the proposed method and source of financing the improvements, and the annual cost of operating and maintaining the improvements;

(3) the proposed rate or amount of the proposed service charge to be imposed in the district during the calendar year and the nature and character of special services to be rendered in the district during the calendar year in which the service charge is to be collected; and

(4) a statement that the petition requirements of section 428A.08 have either been met or do not apply to the proposed service charge.

Within six months of the public hearing, the city may adopt a resolution imposing a service charge within the district not exceeding the amount or rate expressed in the notice issued under this section.

Sec. 9. Minnesota Statutes 2008, section 428A.08, is amended to read:

428A.08 PETITION REQUIRED.

No action may be taken under section 428A.02 or 428A.03, unless owners of 25 percent or more of the land area of property that would be subject to service charges in the proposed special service district and either: (1) owners of 25 percent or more of the net tax capacity of property that would be subject to a proposed service charges in the proposed special service district charge, based on net tax capacity; or (2) owners, individuals, and business organizations subject to 25 percent or more of a proposed service charge based on other than net tax capacity file a petition requesting a public hearing on the proposed action with the city clerk. ~~No action may be taken under section 428A.03 to impose a service charge based on net tax capacity unless owners of 25 percent or more of the land area subject to a proposed service charge and owners of 25 percent or more of the net tax capacity subject to a proposed service charge file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 428A.03 to impose any other type of service charge unless 25 percent or more of the individual or business organizations subject to the proposed service charge file a petition requesting a public hearing on the proposed action with the city clerk.~~ If the boundaries of a proposed district are changed or the land area or net tax capacity subject to a service charge or the individuals or business organizations subject to a service charge are changed after the public hearing, a petition meeting the requirements of this section must be filed with the city clerk before the ordinance establishing the district or resolution imposing the service charge may become effective.

Sec. 10. Minnesota Statutes 2008, section 428A.09, is amended to read:

428A.09 VETO POWER OF OWNERS.

Subdivision 1. **Notice of right to file objections.** Except as provided in section 428A.10, the effective date of any ordinance or resolution adopted under sections 428A.02 and 428A.03 must be at least 45 days after it is adopted. Within five days after adoption of the ordinance or resolution, a summary of the ordinance or resolution must be mailed to the owner of each parcel included in the special service district and any individual or business organization subject to a service charge in the same manner that notice is mailed under section 428A.02. The mailing must include a notice that owners subject to a service charge based on net tax capacity and owners, individuals, and business organizations subject to a service charge imposed on another basis have a right to veto the ordinance

or resolution by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution and that a copy of the ordinance or resolution is on file with the city clerk for public inspection.

Subd. 2. **Requirements for veto.** If owners of 35 percent or more of the land area in the district subject to the service charge based on net tax capacity or owners of, individuals, and business organizations subject to 35 percent or more of the net tax capacity in the district subject to the service charge based on net tax capacity service charges to be imposed in the district, file an objection to the ordinance adopted by the city under section 428A.02 with the city clerk before the effective date of the ordinance, the ordinance does not become effective. If owners of 35 percent or more of the land area subject to the service charge based on net tax capacity or owners of 35 percent or more of the net tax capacity subject to the service charge based on net tax capacity file an objection to the resolution adopted imposing a service charge based on net tax capacity under section 428A.03 with the city clerk before the effective date of the resolution, the resolution does not become effective. If 35 percent or more of owners, individuals, and business organizations subject to a 35 percent or more of the service charge charges to be imposed in the district file an objection to the resolution adopted imposing a service charge on a basis other than net tax capacity under section 428A.03 with the city clerk before the effective date of the resolution, the resolution does not become effective. In the event of a veto, no district shall be established during the current calendar year and until a petition meeting the qualifications set forth in this subdivision for a veto has been filed.

Sec. 11. Minnesota Statutes 2008, section 428A.10, is amended to read:

428A.10 EXCLUSION FROM PETITION REQUIREMENTS AND VETO POWER.

The petition requirements of section 428A.08 and do not apply to second or subsequent years' action to impose service charges under section 428A.03. The right of owners and those subject to a service charge to veto a resolution in section 428A.09 do does not apply to second or subsequent years' applications of a service charge that is authorized to be in effect for more than one year under a resolution that has met the petition requirements of section 428A.08 and which has not been vetoed under section 428A.09 for the first year's application. A resolution imposing a service charge for more than one year must not be adopted unless the notice of public hearing required by section 428A.03 and the notice mailed with the adopted resolution under section 428A.09 include the following information:

(1) in the case of improvements, the maximum service charge to be imposed in any year and the maximum number of years the service ~~charges~~ charge is imposed to pay for the improvement; and

(2) in the case of operating and maintenance services, the maximum service charge to be imposed in any year and the maximum number of years, or a statement that the service charge will be imposed for an indefinite number of years, the service charges will be imposed to pay for operation and maintenance services.

The resolution may provide that the maximum service charge to be imposed in any year will increase or decrease from the maximum amount authorized in the preceding year based on an indicator of increased cost or a percentage amount established by the resolution.

Sec. 12. 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. 13. 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. 14. 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. 15. 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. 16. 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. 17. 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. 18. 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. 19. 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. 20. Minnesota Statutes 2008, section 473.39, is amended by adding a subdivision to read:

Subd. 10. **Obligations.** After July 1, 2009, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$34,200,000 for capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

EFFECTIVE DATE; APPLICATION. This section is effective the day following final enactment and applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 21. 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. The commissioner shall administer 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. 22. 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. 23. 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. 24. 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. 25. 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. 26. **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. 27. **TEMPORARY CARRYFORWARD EXTENSION.**

Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, bonding authority allocated to an entitlement issuer in 2008, except the bonding authority allocated in Laws 2008, chapter 366, article 5, section 38, or 2009, that an entitlement issuer carries forward under federal tax law that is not permanently issued or for which the governing body of the entitlement issuer has not enacted a resolution electing to use the authority for mortgage credit certificates and has not provided a notice of issue to the commissioner of finance before 4:30 p.m. on the last business day in December 2011 must be deducted from the entitlement allocation for that entitlement issuer in 2012.

Sec. 28. **EFFECTIVE DATE.**

Except where provided otherwise, this article is effective the day following final enactment.

ARTICLE 7

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 8**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 9

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 10

DEPARTMENT PROPERTY TAXES AND AIDS

Section 1. 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 deferment 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. 2. 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. 3. 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. 4. 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. 5. 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. 6. 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 may not qualify until 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.

~~(l)~~ (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, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. 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. 7. 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 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), (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. 8. 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. 9. 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. 10. 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. 11. 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. 12. 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. 13. 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. 14. 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. 15. 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. 16. 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. 17. 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. 18. 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. 19. 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. 20. **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 11

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 12

MISCELLANEOUS

Section 1. 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 associated with the refund anticipation loan or refund anticipation check.

(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 an 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. (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. ~~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 a client in a written notice on a single sheet of paper, separate from any other document or writing.

(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 statement.

(d) The notice must be signed and dated by the tax preparer and the client.

(e) All required disclosures, notices, and statements must be provided in the client's primary language, if the tax preparer advertises in that language.

~~(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.~~

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 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";

(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 8 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 8 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) either (i) returning the original check issued for the loan, or (ii) tendering the amount of the loan 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~~, 3a, 4, 4a, 4b, 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~~, 3a, 4, 4a, 4b, 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~~, 3a, 4, 4a, 4b, 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. 2. 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 3-1/2 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 shall 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. 3. 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. 4. Minnesota Statutes 2008, section 290.0678, as added by Laws 2009, chapter 3, section 1, is amended to read:

290.0678 HEALTH INSURANCE PREMIUMS CREDIT.

Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax due under this chapter equal to 20 percent of the health insurance premiums paid from a plan under section 125 of the Internal Revenue Code. The credit is allowed only for premiums paid after the individual has not had coverage under a health care plan for at least one year, and is allowed only for the first 12 months in which an individual participates in the Section 125 Plan.

(b) For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 2. **Limitations.** The credit is allowed only for individuals with household income for the taxable year between:

(1) 275 percent and 300 percent of the federal poverty guidelines for the applicable family size if the individual has dependents; or

(2) 200 percent and 275 percent of the federal poverty guidelines for the applicable family size if the individual has no dependents.

Subd. 3. **Definitions.** For purposes of this section, "household income" means income as defined in section 290.067, subdivision 2a, and "dependent" has the meaning given in section 152 of the

Internal Revenue Code.

Subd. 4. **Statement of premiums paid.** ~~Each~~ Upon receiving a written request from an employee, an employer must provide to each employee a statement that shows the amount of health insurance premiums attributable to that employee paid from the Section 125 Plan for each month of the taxable year. The employer must provide the statement to the employee at the same time as the annual written statement of wages paid as required under section 289A.09, subdivision 2. that is included in the employee's first 12 months of coverage under the Section 125 Plan, provided that the employee making the request did not have coverage under a health care plan offered by the employer for the 12 months preceding the date on which the employee began participating in the Section 125 Plan. An employee may only make one request under this subdivision for each taxable year.

Subd. 5. **Transfer.** Beginning in fiscal year 2010 and in each following fiscal year, the amount necessary to pay the credits under this section is transferred from the health care access fund to the general fund.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2008, for premiums paid in January 2009 and thereafter.

Sec. 5. 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.

(b)-(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. 6. 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 or statutory 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. 7. 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~~ providing for 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.~~

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

Sec. 8. Minnesota Statutes 2008, section 298.28, subdivision 2, is amended to read:

Subd. 2. **City or town where quarried or produced.** (a) 4.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," plus the amount provided in paragraph (c), must be allocated to the city or town in the county in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing ~~40~~ 50 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the Tax Court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(b) Four cents per taxable ton shall be allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that has been actively mined in at least one of the prior three years. If a city or town is located near more than one mine

meeting these criteria, the city or town is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. Of the amounts distributed under this paragraph to each municipality, one-half must be used for infrastructure improvement projects, and one-half must be used for projects in which two or more municipalities cooperate. Each municipality that receives a distribution under this paragraph must report annually to the Iron Range Resources and Rehabilitation Board and the commissioner of Iron Range resources and rehabilitation on the projects involving cooperation with other municipalities.

(c) The amount that would have been computed for the current year under Minnesota Statutes 2008, section 126C.21, subdivision 4, for a school district within which the taconite was mined or quarried or within which the concentrate is produced is added to the amount to be distributed to the cities and towns located within that school district as provided in paragraph (a).

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

Sec. 9. 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), less the amount that would have been computed under Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that district, 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).

(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.

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

Sec. 10. Minnesota Statutes 2008, section 298.75, subdivision 2, is amended to read:

Subd. 2. **Tax imposed.** (a) Except as provided in paragraph (e), a county that imposes the aggregate production tax shall impose upon every operator a production tax of 21.5 cents per cubic yard or 15 cents per ton of aggregate material excavated in the county except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. The tax shall not be imposed on aggregate material excavated in the county until the aggregate material is transported from the extraction site or sold, whichever occurs first. When aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road or street is not used for transporting the aggregate material, the tax shall not be imposed until either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first.

(b) Except as provided in paragraph (e), a county that imposes the aggregate production tax under paragraph (a) shall impose upon every importer a production tax of 21.5 cents per cubic yard or 15 cents per ton of aggregate material imported into the county. The tax shall be imposed when the aggregate material is imported from the extraction site or sold. When imported aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road, or street is not used for transporting the aggregate material, the tax shall be imposed either when the aggregate material is sold, when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

(c) If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

(d) A county, city, or town that receives revenue under this section is prohibited from imposing any additional host community fees on aggregate production within that county, city, or town.

(e) A county that borders two other states and that is not contiguous to a county that imposes a tax under this section may impose the taxes under paragraphs (a) and (b) at the rate of ten cents per cubic yard or seven cents per ton. This paragraph expires December 31, 2014.

Sec. 11. 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. 12. 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. 13. 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. 14. Minnesota Statutes 2008, section 423A.02, subdivision 1, is amended to read:

Subdivision 1. **Amortization state aid.** (a) A municipality in which is located a local police or salaried firefighters' relief association to which the provisions of section 69.77, apply, that had an unfunded actuarial accrued liability in the most recent relief association actuarial valuation, is entitled, upon application as required by the commissioner of revenue, to receive local police and salaried firefighters' relief association amortization state aid if the municipality and the appropriate relief association both comply with the applicable provisions of sections 69.031, subdivision 5, 69.051, subdivisions 1 and 3, and 69.77. If a municipality loses entitlement for amortization state aid in any year because its local relief association no longer has an unfunded actuarial accrued liability, the municipality is not entitled to amortization state aid in any subsequent year.

(b) The total amount of amortization state aid to all entitled municipalities must not exceed \$5,055,000.

(c) Subject to the adjustment for the city of Minneapolis provided in this paragraph, the amount of amortization state aid to which a municipality is entitled annually is an amount equal to the level annual dollar amount required to amortize, by December 31, 2010, the unfunded actuarial accrued liability of the special fund of the appropriate relief association as reported in the December 31, 1978, actuarial valuation of the relief association prepared under sections 356.215 and 356.216, reduced by the dollar amount required to pay the interest on the unfunded actuarial accrued liability of the special fund of the relief association for calendar year 1981 set at the rate specified in Minnesota Statutes 1978, section 356.215, subdivision 8. For the city of Minneapolis, the amortization state aid amount thus determined must be reduced by \$747,232 on account of the Minneapolis Police Relief Association and by \$772,768 on account of the Minneapolis Fire Department Relief Association. If the amortization state aid amounts determined under this paragraph exceed the amount appropriated for this purpose, the amortization state aid for actual allocation must be reduced pro rata.

(d) Payment of amortization state aid to municipalities must be made directly to the municipalities involved in three equal installments on July 15, September 15, and November 15 annually. Upon receipt of amortization state aid, the municipal treasurer shall transmit the aid amount to the treasurer of the local relief association for immediate deposit in the special fund of the relief association.

(e) The commissioner of revenue shall prescribe and periodically revise the form for and content of the application for the amortization state aid.

(f) The amount required under this section, as provided in subdivision 3a, is appropriated annually from the general fund to the commissioner of revenue.

EFFECTIVE DATE. This section is effective retroactively for fiscal year 2004, for aid payable in 2003 and thereafter.

Sec. 15. 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 fiscal year 2004, for aid payable in 2003 and thereafter.

Sec. 16. 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 fiscal year 2004, for aid payable in 2003 and thereafter.

Sec. 17. 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 fiscal year 2004, for aid payable in 2003 and thereafter.

Sec. 18. Minnesota Statutes 2008, section 645.44, subdivision 19, is amended to read:

Subd. 19. **Fee and tax.** (a) "Tax" means any fee, charge, exaction, or assessment imposed by a governmental entity on an individual, person, entity, transaction, good, service, or other thing. It excludes a price that an individual or entity chooses voluntarily to pay in return for receipt of goods or services provided by the governmental entity. A government good or service does not include access to or the authority to engage in private market transactions with a nongovernmental party, such as licenses to engage in a trade, profession, or business or to improve private property.

(b) For purposes of applying the laws of this state, a "fee," "charge," or other similar term that satisfies the functional requirements of paragraph (a) must be treated as a tax for all purposes, regardless of whether the statute or law names or describes it as a tax. The provisions of this subdivision do not exempt a person, corporation, organization, or entity from payment of a validly imposed fee, charge, exaction, or assessment, nor preempt or supersede limitations under law that apply to fees, charges, or assessments.

(c) This subdivision is not intended to extend or limit article 4, section 18, of the Minnesota Constitution.

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

Sec. 19. Laws 2008, chapter 366, article 6, section 46, subdivision 1, is amended to read:

Subdivision 1. **Authorized.** Notwithstanding the contiguity requirement in Minnesota Statutes, section 447.31, subdivision 2, any two or more of the following cities and towns in St. Louis County may establish by resolution of their respective governing bodies the White Community Hospital District or its successor: the cities of Aurora, Biwabik, and Hoyt Lakes, and the towns of Biwabik, White, and Colvin. The proposed resolution to establish the hospital district must be published and is subject to referendum as provided in section 447.31, subdivision 2.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), for taxes levied in 2009, payable in 2010, and thereafter.

Sec. 20. Laws 2008, chapter 366, article 6, section 46, subdivision 2, is amended to read:

Subd. 2. **Powers; may make grants.** (a) Except as otherwise provided in this section, the White Community Hospital District or its successor shall be organized and have the powers and duties provided in Minnesota Statutes, sections 447.31, except subdivisions 2, 5, and 6; 447.32, subdivisions 5, 7, and 9; 447.345; 447.37; and 447.38.

(b) The hospital district may levy taxes as provided in this section to provide funding to make

grants to the White Community Hospital or its successor and any affiliated health care facility or provider for any purpose authorized for hospital districts in Minnesota Statutes, sections 447.31 to 447.38, except 447.331. A grant must not be made under this section until the governing body of the White Community Hospital, and any of its affiliated health care facilities or providers receiving a grant, have entered into a written agreement with the hospital district board stating that the governing body will comply with and is subject to all provisions of the Minnesota open meeting law in Minnesota Statutes, chapter 13D.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), for taxes levied in 2009, payable in 2010, and thereafter.

Sec. 21. SPECIAL ACCOUNT; TIMING DIFFERENCES.

Notwithstanding the provisions of Minnesota Statutes, section 290.62, the commissioner of revenue shall deposit the additional income tax and corporate franchise tax revenues collected as a result of the combination of: (1) the additions under Minnesota Statutes, section 290.01, subdivision 19a, clauses (7) and (8), and subdivision 19c, clauses (15) and (16); and (2) adopting the provisions of American Recovery and Reinvestment Act of 2009, in a special timing account in the general fund, but not to exceed \$10,149,000. On July 11, 2011, the commissioner of revenue shall transfer the money in the account to the general fund to offset the reduction in revenues resulting from the subtractions under Minnesota Statutes, section 290.01, subdivision 19b, clauses (9) and (14), and subdivision 19d, clauses (18) and (19).

Sec. 22. APPROPRIATION.

\$680,000 in fiscal year 2010 and \$680,000 in fiscal year 2011 are appropriated from the general fund to the commissioner of natural resources to be used to cover the costs associated with issuing mining permits. This is a onetime appropriation and does not become part of the agency's base budget.

Sec. 23. REPEALER.

(a) Laws 1998, chapter 407, article 8, section 12, subdivision 4, is repealed.

(b) Laws 2009, chapter 37, article 1, section 31, subdivision 3, is repealed.

(c) Minnesota Statutes 2008, section 126C.21, subdivision 4, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective May 8, 2009. Paragraph (c) is effective for revenue for fiscal year 2010 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, clarifying, and other changes to income, corporate franchise, estate, property; sales, use, gross receipts, local, solid waste, gambling, mortgage, deed, petroleum, insurance, minerals, production, and other taxes and tax-related provisions; providing terms and conditions relating to issuance of obligations and financing of public improvements; making changes to tax increment financing and local government aid provisions, conforming to certain federal provisions; providing clarification for eligibility for property tax exemption for

institutions of public charity; modifying truth in taxation, tax preparation services, police and firefighter relief association amortization state-aid provisions; making changes to local taxing authorities; providing emergency debt certificates; authorizing the issuance of local bonds; providing temporary suspension of new or increased maintenance of effort requirements; requiring studies; appropriating money; amending Minnesota Statutes 2008, sections 37.31, subdivision 8; 123B.10, subdivision 1; 124D.4531, by adding a subdivision; 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, 55, 86, by adding subdivisions; 272.029, subdivision 6; 273.11, subdivision 23; 273.111, subdivision 4, by adding a subdivision; 273.1115, subdivision 2; 273.113, subdivisions 1, 2; 273.1231, subdivision 8; 273.124, subdivisions 3, 3a, 21; 273.13, subdivisions 23, 25, 33; 273.33, subdivision 2; 273.37, subdivision 2; 274.13, subdivision 2; 274.135, subdivision 3; 274.14; 274.175; 275.065, subdivisions 1, 3, 6; 275.07, by adding a subdivision; 275.70, subdivision 5; 276.04, subdivision 2; 279.01, subdivision 1; 279.10; 282.08; 287.04; 287.05, by adding a subdivision; 287.08; 287.22; 287.25; 289A.02, subdivision 7, as amended; 289A.08, subdivision 3; 289A.11, subdivision 1; 289A.12, by adding a subdivision; 289A.18, subdivision 1; 289A.19, subdivision 4; 289A.20, 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; 290.06, subdivision 2c; 290.067, subdivision 2a, as amended; 290.0671, subdivision 1; 290.0678, as added; 290.091, subdivision 2; 290A.03, subdivisions 3, as amended, 15, as amended; 290A.10; 290A.14; 290B.03, subdivision 1; 290C.06; 290C.07; 291.005, subdivision 1, as amended; 295.56; 295.57, subdivision 5; 296A.21, subdivision 1; 297A.62, by adding a subdivision; 297A.64, subdivision 2; 297A.70, subdivisions 2, 4; 297A.71, by adding a subdivision; 297A.75, subdivisions 1, 2; 297A.94; 297A.992, subdivision 2; 297A.993, subdivision 1; 297B.02, 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; 298.227; 298.28, subdivisions 2, 4, 11; 298.75, subdivision 2; 309.53, subdivision 3; 349.1641; 349.19, subdivision 9; 360.036, subdivision 2; 366.095, subdivision 1; 373.47, subdivision 1; 373.48, subdivision 1, by adding a subdivision; 375.194, subdivision 5; 383A.75, subdivision 3; 423A.02, subdivisions 1, 1b, 3, by adding a subdivision; 428A.03, subdivision 1; 428A.08; 428A.09; 428A.10; 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; 469.175, subdivisions 1, 6; 469.176, subdivisions 3, 6; 469.1763, subdivision 3; 469.178, subdivision 7; 469.312, subdivision 5; 471.191, subdivision 1; 473.13, subdivision 1; 473.39, by adding a subdivision; 473.843, subdivision 3; 474A.02, subdivisions 2, 14; 475.58, subdivision 1; 475.67, subdivision 8; 477A.011, subdivisions 34, 36, 42; 477A.013, subdivision 8; 645.44, subdivision 19; Laws 1971, chapter 773, section 4, as amended; Laws 1976, chapter 162, section 3, as amended; Laws 1986, chapter 396, section 4, subdivision 3; by adding a subdivision; 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 1996, chapter 471, article 2, section 30; 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, section 34; article 6, sections 9; 10; 46, subdivisions 1, 2; article 7, sections

16, subdivision 3; 18, subdivisions 2, 3; Laws 2009, chapter 12, article 2, section 5, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 16A; 270C; 275; 469; 475; repealing Minnesota Statutes 2008, sections 126C.21, subdivision 4; 275.065, subdivisions 5a, 6b, 6c, 8, 9, 10; 287.26; 287.27, subdivision 1; 297A.67, subdivision 24; 298.28, subdivisions 11a, 13; Laws 1993, chapter 375, article 5, section 42, as amended; Laws 1998, chapter 407, article 8, section 12, subdivision 4; Laws 2009, chapter 37, article 1, section 31, subdivision 3; 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."

Pursuant to Rule 4.4, Senator Hann moved that H.F. No. 1298 be referred to the Committee on Finance.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 18 and nays 42, as follows:

Those who voted in the affirmative were:

Day	Gerlach	Jungbauer	Michel	Senjem
Dille	Gimse	Koch	Ortman	Vandevveer
Fischbach	Hann	Koering	Robling	
Frederickson	Ingebrigtsen	Limmer	Rosen	

Those who voted in the negative were:

Anderson	Dibble	Lourey	Prettner Solon	Skogen
Bakk	Doll	Lynch	Rest	Sparks
Betzold	Erickson Ropes	Metzen	Rummel	Stumpf
Bonoff	Fobbe	Moua	Saltzman	Tomassoni
Carlson	Foley	Murphy	Saxhaug	Vickerman
Chaudhary	Higgins	Olseen	Scheid	Wiger
Clark	Kelash	Olson, M.	Sheran	
Cohen	Kubly	Pappas	Sieben	
Dahle	Latz	Pogemiller	Skoe	

The motion did not prevail.

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

Senator Koering moved to amend the Bakk amendment to H.F. No. 1298, adopted by the Senate May 12, 2009, as follows:

Page 61, after line 12, insert:

"Sec. 45. **PUMPKIN GROWERS GRANT.**

\$5,000 is appropriated from the general fund to the commissioner of natural resources to be used to provide grants to pumpkin farmers actively engaged in farming in the area of the state south of highway 371 and north of Crow Wing County Road 2, whose crops were destroyed in 2008."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

CALL OF THE SENATE

Senator Bakk imposed a call of the Senate for the balance of the proceedings on H.F. No. 1298. The Sergeant at Arms was instructed to bring in the absent members.

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

The roll was called, and there were yeas 22 and nays 38, as follows:

Those who voted in the affirmative were:

Day	Hann	Koering	Ortman	Stumpf
Dille	Ingebrigtsen	Limmer	Robling	Vandever
Fischbach	Johnson	Metzen	Rosen	
Gerlach	Jungbauer	Michel	Senjem	
Gimse	Koch	Olson, M.	Skogen	

Those who voted in the negative were:

Bakk	Dibble	Kubly	Pogemiller	Skoe
Betzold	Doll	Langseth	Prettner Solon	Sparks
Bonoff	Erickson Ropes	Latz	Rest	Tomassoni
Carlson	Fobbe	Lourey	Rummel	Torres Ray
Chaudhary	Foley	Lynch	Saltzman	Vickerman
Clark	Frederickson	Moua	Saxhaug	Wiger
Cohen	Higgins	Olseen	Scheid	
Dahle	Kelash	Pappas	Sheran	

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

Senator Robling moved to amend the Bakk amendment to H.F. No. 1298, adopted by the Senate May 12, 2009, as follows:

Page 59, delete lines 19 to 28

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

Senator Vandever moved to amend the Bakk amendment to H.F. No. 1298, adopted by the Senate May 12, 2009, as follows:

Page 32, after line 24, insert:

"Sec. 18. Minnesota Statutes 2008, section 273.13, subdivision 23, as amended by Laws 2009, chapter 12, article 2, section 6, 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 must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold 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 rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. 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.

(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.

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) 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.

(l) 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.

Property that is correctly classified as agricultural property under this subdivision for taxes payable in 2009 shall not be disqualified from the agricultural classification as a result of the presence on the land of horses used for equestrian purposes.

(m) 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.

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

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

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

Senator Koch moved to amend the Bakk amendment to H.F. No. 1298, adopted by the Senate May 12, 2009, as follows:

Page 63, after line 16, insert:

"Subd. 3. **Moratorium on reclassifications.** Property used for breeding or boarding horses that was classified as agricultural for property taxes payable in 2009 may not be reclassified if its use does not significantly change, until the legislature modifies the provision of law under which this

type of property is classified."

Amend the title accordingly

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

H.F. No. 1298 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 54 and nays 12, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Anderson	Jungbauer	Limmer	Pappas
Gerlach	Koch	Michel	Robling
Hann	Koering	Ortman	Vandevveer

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

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12, Senator Stumpf moved that the following members be excused for a Conference Committee on H.F. No. 2 from 6:40 to 8:10 p.m.:

Senators Stumpf; Olson, G.; Saltzman; Wiger and Dahle. The motion prevailed.

CONFERENCE COMMITTEE EXCUSED

Pursuant to Rule 12, Senator Lynch moved that the following members be excused for a Conference Committee on S.F. No. 2083 from 6:40 to 7:45 pm.:

Senators Pappas, Robling, Lynch, Latz and Erickson Ropes. The motion prevailed.

MEMBERS EXCUSED

Senator Pariseau was excused from the Session of today. Senator Dibble was excused from the Session of today from 12:00 noon to 12:25 p.m. Senator Kelash was excused from the Session of today from 12:00 noon to 12:30 p.m. Senator Stumpf was excused from the Session of today from 12:00 noon to 1:15 p.m. Senators Gerlach and Koch were excused from the Session of today from

12:00 noon to 1:30 p.m. Senator Fobbe was excused from the Session of today from 12:30 to 12:35 p.m. Senator Bonoff was excused from the Session of today from 6:40 to 8:10 p.m. Senator Berglin was excused from the Session of today from 6:40 to 8:35 p.m. Senator Ortman was excused from the Session of today from 6:50 to 7:25 p.m. Senator Rest was excused from the Session of today from 7:00 to 8:00 p.m. Senator Murphy was excused from the Session of today from 8:10 to 8:40 p.m.

ADJOURNMENT

Senator Pogemiller moved that the Senate do now adjourn until 10:00 a.m, Wednesday, May 13, 2009. The motion prevailed.

Peter S. Wattson, Secretary of the Senate (Legislative)

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