

## FORTY-THIRD DAY

St. Paul, Minnesota, Wednesday, April 24, 2013

The Senate met at 11:00 a.m. and was called to order by the President.

## CALL OF THE SENATE

Senator Bakk 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. Phil Shaw.

The members of the Senate gave the pledge of allegiance to the flag of the United States of America.

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

Anderson	Dziedzic	Ingebrigtsen	Nienow	Schmit
Bakk	Eaton	Jensen	Ortman	Senjem
Benson	Eken	Johnson	Osmek	Sheran
Bonoff	Fischbach	Kent	Pappas	Skoe
Brown	Franzen	Kiffmeyer	Pederson, J.	Sparks
Carlson	Gazelka	Koenen	Petersen, B.	Stumpf
Chamberlain	Goodwin	Limmer	Pratt	Thompson
Champion	Hall	Lourey	Reinert	Tomassoni
Clausen	Hann	Marty	Rest	Torres Ray
Cohen	Hawj	Metzen	Rosen	Weber
Dahle	Hayden	Miller	Ruud	Westrom
Dahms	Hoffman	Nelson	Saxhaug	Wiger
Dibble	Housley	Newman	Scalze	Wiklund

The President declared a quorum present.

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

## MESSAGES FROM THE HOUSE

Madam 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. 359:** A bill for an act relating to state government; designating the month of April as Genocide Awareness and Prevention Month; proposing coding for new law in Minnesota Statutes, chapter 10.

Senate File No. 359 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned April 23, 2013

### CONCURRENCE AND REPASSAGE

Senator Pappas moved that the Senate concur in the amendments by the House to S.F. No. 359 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 359 was read the third time, as amended by the House, and placed on its repassage.

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

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

Those who voted in the affirmative were:

Anderson	Dziedzic	Ingebrigtsen	Nienow	Sheran
Bakk	Eaton	Jensen	Ortman	Skoe
Benson	Eken	Johnson	Osmek	Sparks
Bonoff	Fischbach	Kent	Pappas	Stumpf
Carlson	Franzen	Kiffmeyer	Pederson, J.	Thompson
Chamberlain	Gazelka	Koenen	Pratt	Tomassoni
Champion	Goodwin	Limmer	Reinert	Torres Ray
Clausen	Hann	Lourey	Rest	Weber
Cohen	Hawj	Marty	Ruud	Westrom
Dahle	Hayden	Metzen	Saxhaug	Wiger
Dahms	Hoffman	Miller	Scalze	Wiklund
Dibble	Housley	Newman	Senjem	

Those who voted in the negative were:

Brown                      Hall

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

### MESSAGES FROM THE HOUSE - CONTINUED

Madam President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 791 and 1304.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted April 23, 2013

### FIRST READING OF HOUSE BILLS

The following bills were read the first time.

**H.F. No. 791:** A bill for an act relating to insurance; regulating annuity products; enacting and modifying a model regulation adopted by the National Association of Insurance Commissioners relating to suitability in annuity transactions; proposing coding for new law in Minnesota Statutes, chapter 72A.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 574, now on General Orders.

**H.F. No. 1304:** A bill for an act relating to transportation; amending regulations governing school bus use for special events; amending Minnesota Statutes 2012, sections 168.013, subdivision 18; 169.011, by adding a subdivision; 169.441, subdivision 3; 169.443, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 169.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1133, now on General Orders.

### REPORTS OF COMMITTEES

Senator Bakk 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. 723:** A bill for an act relating to higher education; providing for the treatment of undocumented immigrants with respect to financial aid and tuition at public postsecondary institutions; amending Minnesota Statutes 2012, section 136A.101, subdivision 8; proposing coding for new law in Minnesota Statutes, chapter 135A; repealing Minnesota Rules, part 4830.0100, subpart 5, item F.

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

Page 1, line 16, delete everything after "status" and insert "": (i) documentation that the student has complied with selective service registration requirements; and (ii) if a federal process exists for the student to obtain lawful immigration status the student must present the higher education institution with documentation from federal immigration authorities that the student has filed an application to obtain lawful immigration status."

Page 1, delete lines 17 to 19

Page 3, after line 2, insert:

"Sec. 4. **APPROPRIATION.**

\$100,000 in fiscal year 2014 is appropriated from the general fund to the Office of Higher Education for the information technology costs associated with the implementation of this act. This is a onetime appropriation."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 4, after the semicolon, insert "appropriating money;"

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

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

**S.F. No. 767:** A bill for an act relating to education finance; removing obsolete language from the calculation of referendum equalization revenue; amending Minnesota Statutes 2012, section 126C.17, subdivision 5.

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

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

**S.F. No. 978:** A bill for an act relating to education; modifying policies for early childhood through grade 12 education, including general education, education excellence, special programs, libraries, and early childhood education; amending Minnesota Statutes 2012, sections 15.059, subdivision 5b; 120A.22, subdivisions 5, 8, 11; 120A.24, subdivision 1; 120A.41; 120B.02; 120B.021, subdivision 1; 120B.023; 120B.024; 120B.125; 120B.128; 120B.15; 120B.30, subdivisions 1, 1a; 120B.31, subdivision 1; 120B.36, subdivision 1; 122A.09, subdivision 4; 123B.88, subdivision 22; 123B.92, subdivision 1; 124D.10; 124D.111, subdivision 1; 124D.122; 124D.52, by adding a subdivision; 124D.79, subdivision 1, by adding a subdivision; 125A.27, subdivisions 8, 11, 14; 125A.28; 125A.29; 125A.30; 125A.32; 125A.33; 125A.35, subdivision 1; 125A.36; 125A.43; 126C.01, by adding a subdivision; 126C.05, subdivision 8; 126C.10, subdivisions 1, 14, by adding a subdivision; 126C.15, subdivisions 1, 2; 126C.44; 260A.02, subdivision 3; 260A.03; 260A.05, subdivision 1; 260A.07, subdivision 1; 260C.007, subdivision 19; Laws 2011, First Special Session chapter 11, article 7, section 2, subdivision 8, as amended; proposing coding for new law in Minnesota Statutes, chapters 120B; 124D; repealing Minnesota Statutes 2012, section 125A.35, subdivisions 4, 5; Minnesota Rules, parts 3501.0010; 3501.0020; 3501.0030, subparts 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16; 3501.0040; 3501.0050; 3501.0060; 3501.0090; 3501.0100; 3501.0110; 3501.0120; 3501.0130; 3501.0140; 3501.0150; 3501.0160; 3501.0170; 3501.0180; 3501.0200; 3501.0210; 3501.0220; 3501.0230; 3501.0240; 3501.0250; 3501.0270; 3501.0280, subparts 1, 2; 3501.0290; 3501.0505; 3501.0510; 3501.0515; 3501.0520; 3501.0525; 3501.0530; 3501.0535; 3501.0540; 3501.0545; 3501.0550; 3501.1000; 3501.1020; 3501.1030; 3501.1040; 3501.1050; 3501.1110; 3501.1120; 3501.1130; 3501.1140; 3501.1150; 3501.1160; 3501.1170; 3501.1180; 3501.1190.

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

Delete everything after the enacting clause and insert:

**"ARTICLE 1**

**GENERAL EDUCATION**

Section 1. Minnesota Statutes 2012, section 120A.41, is amended to read:

**120A.41 LENGTH OF SCHOOL YEAR; HOURS OF INSTRUCTION.**

A school board's annual school calendar must include at least 425 hours of instruction for a kindergarten student without a disability, 935 hours of instruction for a student in grades 1 through 6, and 1,020 hours of instruction for a student in grades 7 through 12, not including summer school. ~~Nothing in this section permits a school district to adopt~~ A school board's annual calendar must include at least 165 days of instruction for a student in grades 1 through 11 unless a four-day week schedule unless ~~unless~~ has been approved by the commissioner under section 124D.126.

Sec. 2. Minnesota Statutes 2012, section 123B.88, subdivision 22, is amended to read:

Subd. 22. **Postsecondary enrollment options pupils.** Districts may provide bus transportation along school bus routes when space is available, for pupils attending programs at a postsecondary institution under the postsecondary enrollment options program. ~~The transportation is permitted only if it does not increase the district's expenditures for transportation.~~ Fees collected for this service under section 123B.36, subdivision 1, paragraph (13), shall be subtracted from the authorized cost for nonregular transportation for the purpose of section 123B.92. A school district may provide transportation for a pupil participating in an articulated program operated under an agreement between the school district and the postsecondary institution.

Sec. 3. Minnesota Statutes 2012, section 123B.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section and section 125A.76, the terms defined in this subdivision have the meanings given to them.

(a) "Actual expenditure per pupil transported in the regular and excess transportation categories" means the quotient obtained by dividing:

(1) the sum of:

(i) all expenditures for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2), plus

(ii) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 15 percent per year for districts operating a program under section 124D.128 for grades 1 to 12 for all students in the district and 12-1/2 percent per year for other districts of the cost of the fleet, plus

(iii) an amount equal to one year's depreciation on the district's type III vehicles, as defined in section 169.011, subdivision 71, which must be used a majority of the time for pupil transportation purposes, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses by:

(2) the number of pupils eligible for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2).

(b) "Transportation category" means a category of transportation service provided to pupils as follows:

(1) Regular transportation is:

(i) transportation to and from school during the regular school year for resident elementary pupils residing one mile or more from the public or nonpublic school they attend, and resident secondary pupils residing two miles or more from the public or nonpublic school they attend, excluding desegregation transportation and noon kindergarten transportation; but with respect to transportation of pupils to and from nonpublic schools, only to the extent permitted by sections 123B.84 to 123B.87;

(ii) transportation of resident pupils to and from language immersion programs;

(iii) transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school;

(iv) transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school; and

(v) transportation to and from school during the regular school year required under subdivision 3 for nonresident elementary pupils when the distance from the attendance area border to the public school is one mile or more, and for nonresident secondary pupils when the distance from the attendance area border to the public school is two miles or more, excluding desegregation transportation and noon kindergarten transportation.

For the purposes of this paragraph, a district may designate a licensed day care facility, school day care facility, respite care facility, the residence of a relative, or the residence of a person or other location chosen by the pupil's parent or guardian, or an after-school program for children operated by a political subdivision of the state, as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian, and if that facility, residence, or program is within the attendance area of the school the pupil attends.

(2) Excess transportation is:

(i) transportation to and from school during the regular school year for resident secondary pupils residing at least one mile but less than two miles from the public or nonpublic school they attend, and transportation to and from school for resident pupils residing less than one mile from school who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards; and

(ii) transportation to and from school during the regular school year required under subdivision 3 for nonresident secondary pupils when the distance from the attendance area border to the school is at least one mile but less than two miles from the public school they attend, and for nonresident pupils when the distance from the attendance area border to the school is less than one mile from the school and who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards.

(3) Desegregation transportation is transportation within and outside of the district during the regular school year of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the commissioner or under court order.

(4) "Transportation services for pupils with disabilities" is:

(i) transportation of pupils with disabilities who cannot be transported on a regular school bus between home or a respite care facility and school;

(ii) necessary transportation of pupils with disabilities from home or from school to other buildings, including centers such as developmental achievement centers, hospitals, and treatment centers where special instruction or services required by sections 125A.03 to 125A.24, 125A.26 to 125A.48, and 125A.65 are provided, within or outside the district where services are provided;

(iii) necessary transportation for resident pupils with disabilities required by sections 125A.12, and 125A.26 to 125A.48;

(iv) board and lodging for pupils with disabilities in a district maintaining special classes;

(v) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, and necessary transportation required by sections 125A.18, and 125A.26 to 125A.48, for resident pupils with disabilities who are provided special instruction and services on a shared-time basis or if resident pupils are not transported, the costs of necessary travel between public and private schools or neutral instructional sites by essential personnel employed by the district's program for children with a disability;

(vi) transportation for resident pupils with disabilities to and from board and lodging facilities when the pupil is boarded and lodged for educational purposes;

(vii) transportation of pupils for a curricular field trip activity on a school bus equipped with a power lift when the power lift is required by a student's disability or section 504 plan; and

(viii) services described in clauses (i) to (vii), when provided for pupils with disabilities in conjunction with a summer instructional program that relates to the pupil's individualized education program or in conjunction with a learning year program established under section 124D.128.

For purposes of computing special education initial aid under section 125A.76, subdivision 2, the cost of providing transportation for children with disabilities includes (A) the additional cost of transporting a homeless student from a temporary nonshelter home in another district to the school of origin, or a formerly homeless student from a permanent home in another district to the school of origin but only through the end of the academic year; and (B) depreciation on district-owned school buses purchased after July 1, 2005, and used primarily for transportation of pupils with disabilities, calculated according to paragraph (a), clauses (ii) and (iii). Depreciation costs included in the disabled transportation category must be excluded in calculating the actual expenditure per pupil transported in the regular and excess transportation categories according to paragraph (a). For purposes of subitem (A), a school district may transport a child who does not have a school of origin to the same school attended by that child's sibling, if the siblings are homeless.

(5) "Nonpublic nonregular transportation" is:

(i) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, excluding transportation for nonpublic pupils with disabilities under clause (4);

(ii) transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123B.44; and

(iii) late transportation home from school or between schools within a district for nonpublic school pupils involved in after-school activities.

(c) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123B.41, subdivision 13.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 126C.10, subdivision 14, is amended to read:

Subd. 14. **Uses of total operating capital revenue.** Total operating capital revenue may be used only for the following purposes:

- (1) to acquire land for school purposes;
- (2) to acquire or construct buildings for school purposes;
- (3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;
- (4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures, including library media centers;
- (5) for a surplus school building that is used substantially for a public nonschool purpose;
- (6) to eliminate barriers or increase access to school buildings by individuals with a disability;
- (7) to bring school buildings into compliance with the State Fire Code adopted according to chapter 299F;
- (8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;
- (9) to clean up and dispose of polychlorinated biphenyls found in school buildings;
- (10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;
- (11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;
- (12) to improve buildings that are leased according to section 123B.51, subdivision 4;
- (13) to pay special assessments levied against school property but not to pay assessments for service charges;
- (14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust Fund Act according to sections 298.292 to 298.298;
- (15) to purchase or lease interactive telecommunications equipment;
- (16) by board resolution, to transfer money into the debt redemption fund to: (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;
- (17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;
- (18) to purchase or lease computers and related ~~materials~~ hardware, initial purchase of related software, but not annual licensing fees, copying machines, telecommunications equipment, and other noninstructional equipment;



- (19) to purchase or lease assistive technology or equipment for instructional programs;
- (20) to purchase textbooks as defined in section 123B.41, subdivision 2;
- (21) to purchase new and replacement library media resources or technology;
- (22) to lease or purchase vehicles;
- (23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:
  - (i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;
  - (ii) managing student assessment, services, and achievement information required for students with individualized education programs; and
  - (iii) other classroom information management needs;
- (24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software; and
- (25) to pay the costs directly associated with closing a school facility, including moving and storage costs.

Sec. 5. Minnesota Statutes 2012, section 126C.15, subdivision 2, is amended to read:

Subd. 2. **Building allocation.** (a) A district or cooperative must allocate its compensatory revenue to each school building in the district or cooperative where the children who have generated the revenue are served unless the school district or cooperative has received permission under Laws 2005, First Special Session chapter 5, article 1, section 50, to allocate compensatory revenue according to student performance measures developed by the school board.

(b) Notwithstanding paragraph (a), a district or cooperative may allocate up to five percent of the amount of compensatory revenue that the district receives to school sites according to a plan adopted by the school board, and a district or cooperative may allocate up to an additional five percent of its compensatory revenue for activities under subdivision 1, clause (10), according to a plan adopted by the school board. The money reallocated under this paragraph must be spent for the purposes listed in subdivision 1, but may be spent on students in any grade, including students attending school readiness or other prekindergarten programs.

(c) For the purposes of this section and section 126C.05, subdivision 3, "building" means education site as defined in section 123B.04, subdivision 1.

(d) Notwithstanding section 123A.26, subdivision 1, compensatory revenue generated by students served at a cooperative unit shall be paid to the cooperative unit.

(e) A district or cooperative with school building openings, school building closings, changes in attendance area boundaries, or other changes in programs or student demographics between the prior year and the current year may reallocate compensatory revenue among sites to reflect these changes. A district or cooperative must report to the department any adjustments it makes according to this paragraph and the department must use the adjusted compensatory revenue allocations in preparing the report required under section 123B.76, subdivision 3, paragraph (c).

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

## ARTICLE 2

### STUDENT ACCOUNTABILITY

#### Section 1. [120B.018] DEFINITIONS.

Subdivision 1. **Scope.** The definitions in this section apply to this chapter.

Subd. 2. **Academic standard.** "Academic standard" means a summary description of student learning in a required content area under section 120B.021 or elective content area under section 120B.022.

Subd. 3. **Benchmark.** "Benchmark" means specific knowledge or skill that a student must master to complete part of an academic standard by the end of the grade level or grade band.

Subd. 4. **Credit.** "Credit" means the determination by the local school district that a student has successfully completed an academic year of study or mastered the applicable subject matter.

Subd. 5. **Elective standard.** "Elective standard" means a locally adopted expectation for student learning in career and technical education and world languages.

Subd. 6. **Required standard.** "Required standard" means (1) a statewide adopted expectation for student learning in the content areas of language arts, mathematics, science, social studies, physical education, (2) a locally adopted expectation for student learning in health, and (3) a statewide or locally adopted expectation for student learning in the arts.

Subd. 7. **School site.** "School site" means a separate facility, or a separate program within a facility that a local school board recognizes as a school site for funding purposes.

Sec. 2. Minnesota Statutes 2012, section 120B.021, subdivision 1, is amended to read:

Subdivision 1. **Required academic standards.** (a) The following subject areas are required for statewide accountability:

- (1) language arts;
- (2) mathematics;
- (3) science;
- (4) social studies, including history, geography, economics, and government and citizenship;
- (5) physical education;
- (6) health, for which locally developed academic standards apply; and

(7) the arts, for which statewide or locally developed academic standards apply, as determined by the school district. Public elementary and middle schools must offer at least three and require at least two of the following four arts areas: dance; music; theater; and visual arts. Public high schools must offer at least three and require at least one of the following five arts areas: media arts; dance; music; theater; and visual arts.

~~The commissioner must submit proposed standards in science and social studies to the legislature by February 1, 2004.~~

(b) For purposes of applicable federal law, the academic standards for language arts, mathematics, and science apply to all public school students, except the very few students with extreme cognitive or physical impairments for whom an individualized education program team has determined that the required academic standards are inappropriate. An individualized education program team that makes this determination must establish alternative standards.

~~A school district, no later than the 2007-2008 school year, must adopt graduation requirements that meet or exceed state graduation requirements established in law or rule. A school district that incorporates these state graduation requirements before the 2007-2008 school year must provide students who enter the 9th grade in or before the 2003-2004 school year the opportunity to earn a diploma based on existing locally established graduation requirements in effect when the students entered the 9th grade.~~ (c) District efforts to develop, implement, or improve instruction or curriculum as a result of the provisions of this section must be consistent with sections 120B.10, 120B.11, and 120B.20.

~~The commissioner must include the contributions of Minnesota American Indian tribes and communities as they relate to the academic standards during the review and revision of the required academic standards.~~

Sec. 3. Minnesota Statutes 2012, section 120B.023, is amended to read:

#### **120B.023 BENCHMARKS.**

Subdivision 1. **Benchmarks implement, supplement statewide academic standards.** (a) The commissioner must supplement required state academic standards with grade-level benchmarks. High school benchmarks may cover more than one grade. ~~The benchmarks must implement statewide academic standards by specifying the academic knowledge and skills that Schools must offer and students must achieve all benchmarks for an academic standard to satisfactorily complete a that state standard. The commissioner must publish benchmarks to inform and guide parents, teachers, school districts, and other interested persons and to use in developing tests consistent with the benchmarks.~~

(b) The commissioner shall publish benchmarks in the State Register to inform and guide parents, teachers, school districts, and other interested persons and transmit the benchmarks in any other manner that makes them accessible to the general public. The commissioner must use benchmarks in developing tests under section 120B.30. The commissioner may charge a reasonable fee for publications.

(c) Once established, the commissioner may change the benchmarks only with specific legislative authorization and after completing a review under subdivision 2.

~~(d) The commissioner must develop and implement a system for reviewing each of the required academic standards and related benchmarks and elective standards on a periodic cycle, consistent with subdivision 2.~~

~~(e)~~ (d) The benchmarks are not subject to chapter 14 and section 14.386 does not apply.

Subd. 2. **Revisions and reviews required.** (a) The commissioner of education must revise and appropriately embed technology and information literacy standards consistent with recommendations from school media specialists into the state's academic standards and graduation requirements and implement a review cycle for state academic standards and related benchmarks,

consistent with this subdivision. During each review cycle, the commissioner also must examine the alignment of each required academic standard and related benchmark with the knowledge and skills students need for college readiness and advanced work in the particular subject area. The commissioner must include the contributions of Minnesota American Indian tribes and communities as they relate to the academic standards during the review and revision of the required academic standards.

~~(b) The commissioner in the 2006-2007 school year must revise and align the state's academic standards and high school graduation requirements in mathematics to require that students satisfactorily complete the revised mathematics standards, beginning in the 2010-2011 school year. Under the revised standards:~~

~~(1) students must satisfactorily complete an algebra I credit by the end of eighth grade; and~~

~~(2) students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete an algebra II credit or its equivalent.~~

(b) The commissioner also must ensure that the statewide mathematics assessments administered to students in grades 3 through 8 and 11 are aligned with the state academic standards in mathematics, consistent with section 120B.30, subdivision 1, paragraph (b). The commissioner must implement a review of the academic standards and related benchmarks in mathematics beginning in the 2015-2016 school year.

~~(c) The commissioner in the 2007-2008 school year must revise and align the state's academic standards and high school graduation requirements in the arts to require that students satisfactorily complete the revised arts standards beginning in the 2010-2011 school year. The commissioner must implement a review of the academic standards and related benchmarks in arts beginning in the 2016-2017 school year.~~

~~(d) The commissioner in the 2008-2009 school year must revise and align the state's academic standards and high school graduation requirements in science to require that students satisfactorily complete the revised science standards, beginning in the 2011-2012 school year. Under the revised standards, students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete a chemistry or physics credit or a career and technical education credit that meets standards underlying the chemistry, physics, or biology credit or a combination of those standards approved by the district. The commissioner must implement a review of the academic standards and related benchmarks in science beginning in the 2017-2018 school year.~~

~~(e) The commissioner in the 2009-2010 school year must revise and align the state's academic standards and high school graduation requirements in language arts to require that students satisfactorily complete the revised language arts standards beginning in the 2012-2013 school year. The commissioner must implement a review of the academic standards and related benchmarks in language arts beginning in the 2018-2019 school year.~~

~~(f) The commissioner in the 2010-2011 school year must revise and align the state's academic standards and high school graduation requirements in social studies to require that students satisfactorily complete the revised social studies standards beginning in the 2013-2014 school year. The commissioner must implement a review of the academic standards and related benchmarks in social studies beginning in the 2019-2020 school year.~~

(g) School districts and charter schools must revise and align local academic standards and high school graduation requirements in health, world languages, and career and technical education to require students to complete the revised standards beginning in a school year determined by the school district or charter school. School districts and charter schools must formally establish a periodic review cycle for the academic standards and related benchmarks in health, world languages, and career and technical education.

Sec. 4. Minnesota Statutes 2012, section 120B.024, is amended to read:

**120B.024 GRADUATION REQUIREMENTS; COURSE CREDITS.**

Subdivision 1. Graduation requirements. (a) Students beginning 9th grade in the 2011-2012 school year and later must successfully complete the following high school level course credits for graduation:

(1) four credits of language arts sufficient to satisfy all of the academic standards in English language arts;

(2) three credits of mathematics, ~~encompassing at least algebra, geometry, statistics, and probability~~ including an algebra II credit or its equivalent, sufficient to satisfy all of the academic standard standards in mathematics;

(3) an algebra I credit by the end of 8th grade sufficient to satisfy all of the 8th grade standards in mathematics;

~~(3) (4) three credits of science, including at least: (i) one credit in of biology; and (ii) one chemistry or physics credit or a career and technical education credit that meets standards underlying the chemistry, physics, or biology credit or a combination of those standards approved by the district, but meeting biology standards under this item does not meet the biology requirement under item (i), one credit of chemistry or physics, and one elective credit of science. The combination of credits under this clause must be sufficient to satisfy (i) all of the academic standards in either chemistry or physics and (ii) all other academic standards in science;~~

~~(4) (5) three and one-half credits of social studies, encompassing at least United States history, geography, government and citizenship, world history, and economics or three credits of social studies encompassing at least United States history, geography, government and citizenship, and world history, and one-half credit of economics taught in a school's social studies, agriculture education, or business department~~ sufficient to satisfy all of the academic standards in social studies;

~~(5) (6) one credit in of the arts~~ sufficient to satisfy all of the state or local academic standards in the arts; and

~~(6) (7) a minimum of seven elective course credits.~~

~~A course credit is equivalent to a student successfully completing an academic year of study or a student mastering the applicable subject matter, as determined by the local school district.~~

Subd. 2. Credit equivalencies. (a) A one-half credit of economics taught in a school's agriculture education or business department may fulfill a one-half credit in social studies under subdivision 1, clause (5), if the credit is sufficient to satisfy all of the academic standards in economics.

(b) An agriculture science ~~course~~ or career and technical education credit may fulfill a the elective science credit requirement ~~other than the specified science credit in biology under paragraph (a), clause (3)~~. subdivision 1, clause (4), if the course meets academic standards in science as approved by the district. An agriculture science or career and technical education credit may fulfill the credit in chemistry or physics required under subdivision 1, clause (4), if (1) the credit meets a combination of the chemistry, physics, and biology academic standards as approved by the district and (2) the student satisfies either all of the chemistry academic standards or all of the physics academic standards prior to graduation. An agriculture science or career and technical education credit may not fulfill the biology credit required under subdivision 1, clause (4).

(c) A career and technical education ~~course~~ credit may fulfill a mathematics or arts credit requirement ~~or a science credit requirement other than the specified science credit in biology under paragraph (a)~~ subdivision 1, clause (2), (3), or (5) (6).

(d) An agriculture education teacher is not required to meet the requirements of Minnesota Rules, part 3505.1150, subpart 1, item B, to meet the credit equivalency requirements of paragraph (b) above.

**EFFECTIVE DATE.** This section is effective August 1, 2013, and applies to students entering 9th grade in the 2013-2014 school year and later.

Sec. 5. Minnesota Statutes 2012, section 120B.15, is amended to read:

**120B.15 GIFTED AND TALENTED STUDENTS PROGRAMS.**

(a) School districts may identify students, locally develop programs addressing instructional and affective needs, provide staff development, and evaluate programs to provide gifted and talented students with challenging and appropriate educational programs.

(b) School districts ~~may~~ must adopt guidelines for assessing and identifying students for participation in gifted and talented programs. The guidelines should include the use of:

(1) multiple and objective criteria; and

(2) assessments and procedures that are valid and reliable, fair, and based on current theory and research. Assessments and procedures should be sensitive to underrepresented groups, including, but not limited to, low-income, minority, twice-exceptional, and English learners.

(c) School districts must adopt procedures for the academic acceleration of gifted and talented students. These procedures must include how the district will:

(1) assess a student's readiness and motivation for acceleration; and

(2) match the level, complexity, and pace of the curriculum to a student to achieve the best type of academic acceleration for that student.

(d) School districts must adopt procedures for early admission to kindergarten or first grade of gifted and talented learners. The procedures must be sensitive to underrepresented groups and must address how the district or charter school will:

(1) assess a child's readiness and motivation for accelerations;

(2) assess a child's cognitive abilities, achievement, and performance; and

(3) monitor the child's adjustment postacceleration.

The school district shall admit a gifted and talented child to kindergarten or first grade who fails to meet the age requirement under section 120A.20, subdivision 1, paragraph (b), provided the child completes the procedures and meets the criteria for early entrance adopted by the school board under this subdivision.

Sec. 6. Minnesota Statutes 2012, section 120B.31, subdivision 1, is amended to read:

Subdivision 1. **Educational accountability and public reporting.** Consistent with the direction to adopt statewide academic standards under section 120B.02, the department, in consultation with education and other system stakeholders, must establish a coordinated and comprehensive system of educational accountability and public reporting that promotes greater academic achievement, preparation for higher academic education, preparation for the world of work, citizenship ~~under~~ sections 120B.021, subdivision 1, clause (4), and 120B.024, paragraph (a), clause (4), and the arts.

Sec. 7. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall renumber Minnesota Statutes, section 120B.023, subdivision 2, as Minnesota Statutes, section 120B.021, subdivision 4. The revisor shall make necessary cross-reference changes consistent with the renumbering.

Sec. 8. **REPEALER.**

Minnesota Rules, parts 3501.0505; 3501.0510; 3501.0515; 3501.0520; 3501.0525; 3501.0530; 3501.0535; 3501.0540; 3501.0545; and 3501.0550, are repealed, effective for the 2014-2015 school year and later.

### ARTICLE 3

#### EDUCATION EXCELLENCE

Section 1. **[120A.37] CLASSROOM PLACEMENT; TEACHER RATING.**

(a) Beginning in the 2016-2017 school year, consistent with the teacher evaluations under sections 122A.40, subdivision 8, and 122A.41, subdivision 5, a school administrator must not place a student in kindergarten through grade 4 for consecutive school years in the classroom of a teacher who received the lowest evaluation rating, unless the school does not have another teacher at that grade level.

(b) Beginning in the 2016-2017 school year, consistent with the teacher evaluations under sections 122A.40, subdivision 8, and 122A.41, subdivision 5, a school administrator must not place a student in grades five through twelve for consecutive school years in the classroom of a teacher in the same subject area who received the lowest evaluation rating, unless the school does not have another teacher in that subject area.

(c) The department, in consultation with the stakeholders under sections 122A.40, subdivision 8, and 122A.41, subdivision 5, must review the classroom placement policies under this section and must, no later than January 15, 2014, make a recommendation to the legislative committees and divisions having jurisdiction over kindergarten through grade 12 education funding and policy regarding implementation of these policies.

Sec. 2. [120B.21] MENTAL HEALTH EDUCATION.

School districts and charter schools must provide mental health instruction for students in grades 6 through 12 aligned with local health and physical education standards and integrated into existing programs, curriculum, or the general school environment of a district or charter school. The commissioner, in consultation with the commissioner of human services and mental health organizations, shall provide districts and charter schools with:

(1) age-appropriate model learning activities for grades 6 through 12 that encompass the mental health components of the National Health Education Standards and the benchmarks developed by the department's quality teaching network in health and physical education, and best practices in mental health education; and

(2) a directory of resources for planning and implementing age-appropriate mental health curriculum and instruction in grades 6 through 12.

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

Sec. 3. Minnesota Statutes 2012, section 122A.09, subdivision 4, is amended to read:

Subd. 4. **License and rules.** (a) The board must adopt rules to license public school teachers and interns subject to chapter 14.

(b) The board must adopt rules requiring a person to pass a skills examination in reading, writing, and mathematics as a requirement for initial teacher licensure, except that the board may issue a temporary, one-year teaching license to an otherwise qualified candidate who has not passed the skills exam at the time the candidate successfully completes an approved teacher preparation program. A person who is a nonnative English language speaker as verified by qualified Minnesota school district personnel or Minnesota higher education institution faculty and who directly instructs in that other language or provides world language instruction under section 120B.022, subdivision 1, in that other language may take and pass the skills examination at any time up to 36 months after becoming otherwise eligible for an initial teaching license and may hold a temporary teaching license during that time. Such rules must require college and universities offering a board-approved teacher preparation program to provide remedial assistance to persons who did not achieve a qualifying score on the skills examination, including those for whom English is a second language.

(c) The board must adopt rules to approve teacher preparation programs. The board, upon the request of a postsecondary student preparing for teacher licensure or a licensed graduate of a teacher preparation program, shall assist in resolving a dispute between the person and a postsecondary institution providing a teacher preparation program when the dispute involves an institution's recommendation for licensure affecting the person or the person's credentials. At the board's discretion, assistance may include the application of chapter 14.

(d) The board must provide the leadership and adopt rules for the redesign of teacher education programs to implement a research based, results-oriented curriculum that focuses on the skills teachers need in order to be effective. The board shall implement new systems of teacher preparation program evaluation to assure program effectiveness based on proficiency of graduates in demonstrating attainment of program outcomes. Teacher preparation programs including alternative teacher preparation programs under section 122A.245, among other programs, must include a content-specific, board-approved, performance-based assessment that measures



teacher candidates in three areas: planning for instruction and assessment; engaging students and supporting learning; and assessing student learning.

(e) The board must adopt rules requiring candidates for initial licenses to pass an examination of general pedagogical knowledge and examinations of licensure-specific teaching skills. The rules shall be effective by September 1, 2001. The rules under this paragraph also must require candidates for initial licenses to teach prekindergarten or elementary students to pass, as part of the examination of licensure-specific teaching skills, test items assessing the candidates' knowledge, skill, and ability in comprehensive, scientifically based reading instruction under section 122A.06, subdivision 4, and their knowledge and understanding of the foundations of reading development, the development of reading comprehension, and reading assessment and instruction, and their ability to integrate that knowledge and understanding.

(f) The board must adopt rules requiring teacher educators to work directly with elementary or secondary school teachers in elementary or secondary schools to obtain periodic exposure to the elementary or secondary teaching environment.

(g) The board must grant licenses to interns and to candidates for initial licenses based on appropriate professional competencies that are aligned with the board's licensing system and students' diverse learning needs. The board must include these licenses in a statewide differentiated licensing system that creates new leadership roles for successful experienced teachers premised on a collaborative professional culture dedicated to meeting students' diverse learning needs in the 21st century and formalizes mentoring and induction for newly licensed teachers that is provided through a teacher support framework.

(h) The board must design and implement an assessment system which requires a candidate for an initial license and first continuing license to demonstrate the abilities necessary to perform selected, representative teaching tasks at appropriate levels.

(i) The board must receive recommendations from local committees as established by the board for the renewal of teaching licenses.

(j) The board must grant life licenses to those who qualify according to requirements established by the board, and suspend or revoke licenses pursuant to sections 122A.20 and 214.10. The board must not establish any expiration date for application for life licenses.

(k) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation in the areas of using positive behavior interventions and in accommodating, modifying, and adapting curricula, materials, and strategies to appropriately meet the needs of individual students and ensure adequate progress toward the state's graduation rule.

(l) In adopting rules to license public school teachers who provide health-related services for disabled children, the board shall adopt rules consistent with license or registration requirements of the commissioner of health and the health-related boards who license personnel who perform similar services outside of the school.

(m) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further reading preparation, consistent with section 122A.06, subdivision 4. The rules do not take effect until they are approved by law. Teachers who do not provide direct instruction including, at least, counselors, school psychologists,

school nurses, school social workers, audiovisual directors and coordinators, and recreation personnel are exempt from this section.

(n) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation, first, in understanding the key warning signs of early-onset mental illness in children and adolescents and then, during subsequent licensure renewal periods, preparation may include providing a more in-depth understanding of students' mental illness, trauma, accommodations for students' mental illness, parents' role in addressing students' mental illness, Fetal Alcohol Spectrum Disorders, autism, the requirements of section 125A.0942 governing restrictive procedures, and de-escalation methods, among other similar topics.

(o) The board must establish an appeals process for nonnative English language speaker candidates under paragraph (b) who have not achieved a passing score on the examination. The appeals process must allow a candidate to demonstrate the candidate's competence by an alternative, equally rigorous method.

**EFFECTIVE DATE.** Paragraphs (b) and (o) are effective the day following final enactment. Paragraph (n) is effective August 1, 2014.

Sec. 4. Minnesota Statutes 2012, section 122A.18, subdivision 2, is amended to read:

Subd. 2. **Teacher and support personnel qualifications.** (a) The Board of Teaching must issue licenses under its jurisdiction to persons the board finds to be qualified and competent for their respective positions.

(b) The board must require a person to pass an examination of skills in reading, writing, and mathematics before being granted an initial teaching license to provide direct instruction to pupils in prekindergarten, elementary, secondary, or special education programs, except that the board may issue a temporary, one-year teaching license to an otherwise qualified candidate who has not passed the skills exam at the time the candidate successfully completes an approved teacher preparation program. The board may grant up to three one-year temporary teaching licenses to a person who is a nonnative English language speaker as verified by qualified Minnesota school district personnel or Minnesota higher education institution faculty and directly instructs in that other language or provides world language instruction under section 120B.022, subdivision 1, in that other language, consistent with section 122A.09, subdivision 4, paragraph (b). The board must require colleges and universities offering a board approved teacher preparation program to provide make available upon request remedial assistance that includes a formal diagnostic component to persons enrolled in their institution who did not achieve a qualifying score on the skills examination, including those for whom English is a second language. The colleges and universities must provide make available assistance in the specific academic areas of deficiency in which the person did not achieve a qualifying score. School districts may make available upon request similar, appropriate, and timely remedial assistance that includes a formal diagnostic component to those persons employed by the district who completed their teacher education program, who did not achieve a qualifying score on the skills examination, including those persons for whom English is a second language and persons under section 122A.23, subdivision 2, paragraph (h), who completed their teacher's education program outside the state of Minnesota, and who received a temporary, one-year license to teach in Minnesota. The Board of Teaching shall report annually to the education committees of the legislature on the total number of teacher candidates during the most recent school year taking the skills examination, the number who achieve a qualifying score on the examination, the number

who do not achieve a qualifying score on the examination, the distribution of all candidates' scores, the number of candidates who have taken the examination at least once before, and the number of candidates who have taken the examination at least once before and achieve a qualifying score, and the number of nonnative English language speakers taking the examination under this paragraph.

(c) A person who has completed an approved teacher preparation program and obtained a temporary, one-year teaching license, but has not passed the skills exam, may have the board renew the temporary one-year license but not more than two times after February 1, 2014, if the licensee:

(1) provides evidence of participating in an approved remedial assistance program through a school district or postsecondary institution that includes a formal diagnostic component in the specific subject areas the licensee did not pass;

(2) attempts to pass the skills exam during the one-year licensure period; and

(3) the school district employing the licensee requests that the licensee continue to teach for that district under a temporary license.

(d) The Board of Teaching must grant continuing licenses only to those persons who have met board criteria for granting a continuing license, which includes passing the skills examination in reading, writing, and mathematics, consistent with paragraph (b), and section 122A.09, subdivision 4, paragraph (b).

(e) All colleges and universities approved by the board of teaching to prepare persons for teacher licensure must include in their teacher preparation programs a common core of teaching knowledge and skills to be acquired by all persons recommended for teacher licensure. This common core shall meet the standards developed by the interstate new teacher assessment and support consortium in its 1992 "model standards for beginning teacher licensing and development." Amendments to standards adopted under this paragraph are covered by chapter 14. The board of teaching shall report annually to the education committees of the legislature on the performance of teacher candidates on common core assessments of knowledge and skills under this paragraph during the most recent school year.

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

Sec. 5. Minnesota Statutes 2012, section 122A.23, subdivision 2, is amended to read:

Subd. 2. **Applicants licensed in other states.** (a) Subject to the requirements of sections 122A.18, subdivision 8, and 123B.03, the Board of Teaching must issue a teaching license or a temporary teaching license under paragraphs (b) to (e) to an applicant who holds at least a baccalaureate degree from a regionally accredited college or university and holds or held a similar out-of-state teaching license that requires the applicant to successfully complete a teacher preparation program approved by the issuing state, which includes field-specific teaching methods and student teaching or essentially equivalent experience.

(b) The Board of Teaching must issue a teaching license to an applicant who:

(1) successfully completed all exams and human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license to teach the same content field and grade levels if the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license.

(c) The Board of Teaching, consistent with board rules and paragraph (h), must issue up to three one-year temporary teaching licenses to an applicant who holds or held an out-of-state teaching license to teach the same content field and grade levels, where the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license, but has not successfully completed all exams and human relations preparation components required by the Board of Teaching.

(d) The Board of Teaching, consistent with board rules, must issue up to three one-year temporary teaching licenses to an applicant who:

(1) successfully completed all exams and human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license to teach the same content field and grade levels, where the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license, but has not completed field-specific teaching methods or student teaching or equivalent experience.

The applicant may complete field-specific teaching methods and student teaching or equivalent experience by successfully participating in a one-year school district mentorship program consistent with board-adopted standards of effective practice and Minnesota graduation requirements.

(e) The Board of Teaching must issue a temporary teaching license for a term of up to three years only in the content field or grade levels specified in the out-of-state license to an applicant who:

(1) successfully completed all exams and human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license where the out-of-state license is more limited in the content field or grade levels than a similar Minnesota license.

(f) The Board of Teaching must not issue to an applicant more than three one-year temporary teaching licenses under this subdivision.

(g) The Board of Teaching must not issue a license under this subdivision if the applicant has not attained the additional degrees, credentials, or licenses required in a particular licensure field.

(h) ~~The Board of Teaching must require~~ An applicant for a teaching license or a temporary teaching license under this subdivision to must pass a skills examination in reading, writing, and mathematics before the board issues the applicant a continuing teaching license. Consistent with section 122A.18, subdivision 2, paragraph (c), and notwithstanding other provisions of this subdivision, the board may issue a temporary, one-year teaching license to an otherwise qualified applicant who has not passed the skills exam and the board may renew this temporary license but not more than two times after February 1, 2014, if the school district employing the applicant requests that the applicant continue to teach for that district under a temporary license.

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

Sec. 6. Minnesota Statutes 2012, section 122A.28, subdivision 1, is amended to read:

Subdivision 1. **K-12 license to teach deaf and hard-of-hearing students; relicensure.** (a) The Board of Teaching must review and determine appropriate licensure requirements for a candidate for a license or an applicant for a continuing license to teach deaf and hard-of-hearing students in prekindergarten through grade 12. In addition to other requirements, a candidate must demonstrate the minimum level of proficiency in American sign language as determined by the board.

(b) Among other relicensure requirements, each teacher under this section must complete 30 continuing education clock hours on hearing loss topics, including American Sign Language, American Sign Language linguistics, and deaf culture, for every 120 continuing education clock hours the teacher must complete for licensure renewal.

**EFFECTIVE DATE.** This section is effective August 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 124D.122, is amended to read:

**124D.122 ESTABLISHMENT OF FLEXIBLE LEARNING YEAR PROGRAM.**

The board of any district or a consortium of districts, with the approval of the commissioner, may establish and operate a flexible learning year program in one or more of the day or residential facilities for children with a disability within the district. Consortiums may use a single application and evaluation process, though results, public hearings, and board approvals must be obtained for each district.

Sec. 8. Minnesota Statutes 2012, section 124D.79, subdivision 1, is amended to read:

Subdivision 1. **Community involvement.** The commissioner must provide for the maximum involvement of the state committees on American Indian education, parents of American Indian children, secondary students eligible to be served, American Indian language and culture education teachers, American Indian teachers, teachers' aides, representatives of community groups, and persons knowledgeable in the field of American Indian education, in the formulation of policy and procedures relating to the administration of sections 124D.71 to 124D.82. The commissioner must annually hold a field hearing on Indian education to gather input from American Indian educators, parents, and students on the state of American Indian education in Minnesota. Results of the hearing must be made available to all 11 tribal nations for review and comment.

Sec. 9. Minnesota Statutes 2012, section 124D.79, is amended by adding a subdivision to read:

Subd. 4. **Consultation with the tribal nations education committee.** (a) The commissioner shall seek consultation with the Tribal Nations Education Committee on all issues relating to American Indian education including:

(1) administration of the commissioner's duties under sections 124D.71 to 124D.82 and other programs;

(2) administration of other programs for the education of American Indian people, as determined by the commissioner;

(3) awarding of scholarships to eligible American Indian students;

(4) administration of the commissioner's duties regarding awarding of American Indian postsecondary preparation grants to school districts; and

(5) recommendations of education policy changes for American Indians.

(b) Membership in the Tribal Nations Education Committee is the sole discretion of the committee and nothing in this subdivision gives the commissioner authority to dictate committee membership.

**Sec. 10. [124D.791] INDIAN EDUCATION DIRECTOR.**

Subdivision 1. **Appointment.** An Indian education director shall be appointed by the commissioner.

Subd. 2. **Qualifications.** The commissioner shall select the Indian education director on the basis of outstanding professional qualifications and knowledge of American Indian education, culture, practices, and beliefs. The Indian education director serves in the unclassified service. The commissioner may remove the Indian education director for cause. The commissioner is encouraged to seek qualified applicants who are enrolled members of a tribe.

Subd. 3. **Compensation.** Compensation of the Indian education director shall be established under chapter 15A.

Subd. 4. **Duties; powers.** The Indian education director shall:

(1) serve as the liaison for the department with the Tribal Nations Education Committee, the 11 reservations, the Minnesota Chippewa tribe, the Minnesota Indian Affairs Council, and the urban advisory council;

(2) evaluate the state of American Indian education in Minnesota;

(3) engage the tribal bodies, community groups, parents of children eligible to be served by American Indian education programs, American Indian administrators and teachers, persons experienced in the training of teachers for American Indian education programs, the tribally controlled schools, and other persons knowledgeable in the field of American Indian education and seek their advice on policies that can improve the quality of American Indian education;

(4) advise the commissioner on American Indian education issues, including:

(i) issues facing American Indian students;

(ii) policies for American Indian education;

(iii) awarding scholarships to eligible American Indian students and in administering the commissioner's duties regarding awarding of American Indian postsecondary preparation grants to school districts; and

(iv) administration of the commissioner's duties under sections 124D.71 to 124D.82 and other programs for the education of American Indian people;

(5) propose to the commissioner legislative changes that will improve the quality of American Indian education;

(6) develop a strategic plan and a long-term framework for American Indian education, in conjunction with the Minnesota Indian Affairs Council, that is updated every five years and implemented by the commissioner, with goals to:

(i) increase American Indian student achievement, including increased levels of proficiency and growth on statewide accountability assessments;

- (ii) increase the number of American Indian teachers in public schools;
- (iii) close the achievement gap between American Indian students and their more advantaged peers;
- (iv) increase the statewide graduation rate for American Indian students; and
- (v) increase American Indian student placement in postsecondary programs and the workforce;  
and
- (7) keep the American Indian community informed about the work of the department by reporting to the Tribal Nations Education Committee at each committee meeting.

Sec. 11. **CAREER AND TECHNICAL EDUCATION ADVISORY TASK FORCE.**

Subdivision 1. **Recommendations.** (a) A career and technical education advisory task force is established to make recommendations to the Minnesota legislature for improving (1) student outcomes in grades 11 to 14, (2) alignment between secondary and postsecondary education programs serving students in grades 11 to 14, (3) alignment between education programs for students in grades 11 to 14 and Minnesota's workforce needs, and (4) the efficiency and cost-effectiveness of Minnesota's public secondary and postsecondary programs serving students in grades 11 to 14. Advisory task force members must examine the role of education providers, employers, policy makers, and other interested stakeholders in realizing these improvements.

(b) In developing recommendations for improving student outcomes, advisory task force members must at least consider how to (1) better inform students about career options, occupational trends, and educational paths leading to viable and rewarding careers, (2) develop and adapt as needed an education and work plan for each student aligned with the student's personal and professional interests, abilities, skills, and aspirations, (3) monitor, assess, and increase students' achievement levels in high school, (4) better prepare high school students for postsecondary education meeting their career goals, and (5) increase the rates at which students complete a postsecondary certificate, industry license, or degree.

(c) In developing recommendations for better aligning Minnesota's secondary and postsecondary education programs for students in grades 11 to 14, advisory task force members must at least consider how to (1) improve monitoring of high school students' progress to better target interventions and support and remove the need for remedial instruction, (2) better align high school courses and expectations and postsecondary credit-bearing courses, (3) better align high school standards and assessments with postsecondary readiness measures and entrance requirements, and (4) increase student persistence and completion rates.

(d) In developing recommendations for better aligning education programs for students in grades 11 to 14 and the preparation necessary to meet Minnesota's workforce needs, advisory task force members must at least consider how to (1) more closely align state kindergarten through grade 12 academic standards, high school graduation requirements, and the expectations of postsecondary institutions and Minnesota employers, (2) enable more high school students to pursue postsecondary education and training leading to a certificate, industry license, or degree in a high-demand and high-reward field, (3) reduce the gap between the demand for and preparation of a skilled Minnesota workforce, and (4) provide graduates of two-year and four-year postsecondary institutions with the foundational skills needed for civic engagement, ongoing employment, and continuous learning.

(e) In developing recommendations for better aligning efficient and cost-effective secondary and postsecondary programs for students in grades 11 to 14, advisory task force members must at least consider how to (1) give high school students earlier and increased access to postsecondary credit-bearing courses, and (2) provide targeted interventions and support to help high school students avoid postsecondary remedial instruction.

(f) In developing recommendations under this subdivision, advisory task force members are encouraged to consider how to structurally redesign secondary and postsecondary education to (1) align Minnesota's statewide high school assessment system with measures of readiness for postsecondary education, (2) provide targeted intervention and support to students who are at risk of not graduating or off track for graduating from high school, (3) increase and accelerate opportunities for secondary students to earn postsecondary credits leading to a certificate, industry license, or degree, and (4) better understand students' personal and professional interests, abilities, skills, and aspirations and align that understanding with postsecondary education and careers.

Subd. 2. **Task force membership and operation.** (a) Advisory task force members must include representatives of the following entities selected by that entity: the Minnesota Association of Career and Technical Administrators; the Minnesota Association for Career and Technical Education; University of Minnesota and Minnesota State Colleges and Universities faculty working to develop career and technical educators in Minnesota; the National Research Center for Career and Technical Education; the Minnesota Department of Education; the Minnesota Department of Employment and Economic Development; the Minnesota Board of Teaching; the Minnesota Association of Colleges for Teacher Education; and any other representatives selected by the task force members. The education commissioner, or the commissioner's designee, must convene the task force. Task force members are not eligible for compensation or reimbursement for expenses related to task force activities.

(b) The education commissioner, upon request, must provide technical assistance to the task force.

(c) The task force must submit its recommendations under this section to the legislative committees with jurisdiction over kindergarten through grade 12 education by February 15, 2014.

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

## Sec. 12. **TEACHER LICENSURE ADVISORY TASK FORCE.**

Subdivision 1. **Establishment and duties.** (a) A Teacher Licensure Advisory Task Force is established to make recommendations to the Board of Teaching, the education commissioner, and the education committees of the legislature on requirements for: teacher applicants to demonstrate mastery of college-level reading, writing, and mathematics skills through nationally normed assessments, a college-level skills portfolio, or accredited college coursework, among other methods of demonstrating basic skills mastery; and an alternative licensure pathway for nonnative English speakers seeking licensure to teach in a language immersion program.

(b) Task force recommendations on how teacher candidates demonstrate college-level skills mastery must encompass the following criteria:

(1) assessment content must be relevant to the teacher's subject area licensure;



(2) the scope of assessment content must be documented in sufficient detail to correspond to a similarly detailed description of relevant public school curriculum;

(3) the scope of assessment content must be publicly available and readily accessible on the Web site of the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions;

(4) the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions, upon request, must make available to the public at cost a written review of the scope of assessment content;

(5) if applicable, the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions annually must post on their Web site up-to-date longitudinal summary data showing teacher candidates' overall passing rate and the passing rate for each demographic group of teacher candidates taking a college-level skills assessment in that school year and in previous school years;

(6) reliable evidence showing assessment content is not culturally biased;

(7) the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions must appropriately accommodate teacher candidates with documented learning disabilities, including an appeals process if a request for accommodations is denied; and

(8) if applicable, give timely, detailed item analysis feedback to teacher candidates who do not pass the basic skills assessment sufficient for the candidate to target specific areas of deficiency for appropriate remediation.

Subd. 2. **Membership.** The Teacher Licensure Advisory Task Force shall be composed of the following 19 members appointed by July 15, 2013:

(1) two members of the Board of Teaching appointed by the board's executive director;

(2) two representatives from the Department of Education appointed by the commissioner of education;

(3) two members of the house of representatives, one appointed by the speaker of the house of representatives, and one appointed by the minority leader;

(4) two senators, one appointed by the Subcommittee on Committees of the Committee on Rules and Administration, and one appointed by the minority leader;

(5) one elementary school principal from rural Minnesota appointed by the Minnesota Elementary School Principals Association and one secondary school principal from the seven-county metropolitan area appointed by the Minnesota Secondary School Principals Association;

(6) one licensed and practicing public elementary school teacher and one licensed and practicing secondary school teacher appointed by Education Minnesota;

(7) one teacher preparation faculty member each from the University of Minnesota system appointed by the system president, the Minnesota State Colleges and Universities system appointed by the system chancellor, and the Minnesota Private Colleges and Universities system appointed by the Minnesota Private Colleges Council;

(8) one member of the nonpublic education council appointed by the council;

(9) one representative of Minnesota charter schools appointed by the Minnesota Charter Schools Association; and

(10) two representatives from the business community, appointed by the Minnesota Chamber of Commerce.

Subd. 3. **First meeting; chair.** The executive director of the Board of Teaching must convene the task force by August 1, 2013, and shall appoint a chair from the membership of the task force.

Subd. 4. **Compensation.** Task force members are not eligible for compensation or reimbursement for expenses related to task force activities.

Subd. 5. **Support.** The executive director of the board and the commissioner of education must provide technical assistance to task force members upon request.

Subd. 6. **Report.** By February 1, 2014, task force members must submit to the Board of Teaching, the education commissioner, and to the chairs and ranking minority members of the senate and house of representatives committees and divisions with primary jurisdiction over K-12 education their written recommendations on requirements for teacher applicants to demonstrate mastery of basic reading, writing, and mathematics skills and for an alternative licensure pathway for nonnative English speakers seeking licensure to teach in a language immersion program.

Subd. 7. **Sunset.** The task force shall sunset the day after submitting the report under subdivision 6, or February 2, 2014, whichever is earlier.

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

**Sec. 13. STUDENT SUPPORT SERVICES; TEAM STAFFING APPROACH.**

The commissioner of education shall develop and submit to the kindergarten through grade 12 education policy and finance committees of the legislature by February 1, 2014, recommendations for providing access to licensed student support services, including licensed school counselors, licensed school psychologists, licensed school nurses, licensed school social workers, and licensed chemical health counselors, to public school students throughout Minnesota using a multidisciplinary team staffing structure. The recommendations must reflect:

(1) the extent to which students need academic, career, physical, emotional, social, and early-onset mental health services to ensure educational achievement, safety and enhancement of student's physical, emotional, and social well-being;

(2) the extent to which such services or teams do not exist, are incomplete or inadequate given the number of students with unmet psychological, social, and health needs that interfere with learning;

(3) existing funding streams and opportunities for additional funds to improve students' access to needed licensed student support services; and

(4) caseloads and best practices when working to improve access to needed licensed student support services.

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

**ARTICLE 4**  
**CHARTER SCHOOLS**

Section 1. Minnesota Statutes 2012, section 124D.10, is amended to read:

**124D.10 CHARTER SCHOOLS.**

Subdivision 1. **Purposes.** (a) The primary purpose of this section is to:

~~(1)~~ improve pupil learning and student achievement; Additional purposes include to:

~~(2)~~ (1) increase learning opportunities for pupils;

~~(3)~~ (2) encourage the use of different and innovative teaching methods;

~~(4)~~ (3) measure learning outcomes and create different and innovative forms of measuring outcomes;

~~(5)~~ (4) establish new forms of accountability for schools; ~~and~~ or

~~(6)~~ (5) create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site.

(b) This section does not provide a means to keep open a school that a school board decides to close. However, a school board may endorse or authorize the establishing of a charter school to replace the school the board decided to close. Applicants seeking a charter under this circumstance must demonstrate to the authorizer that the charter sought is substantially different in purpose and program from the school the board closed and that the proposed charter satisfies the requirements of this subdivision. If the school board that closed the school authorizes the charter, it must document in its affidavit to the commissioner that the charter is substantially different in program and purpose from the school it closed.

An authorizer shall not approve an application submitted by a charter school developer under subdivision 4, paragraph (a), if the application does not comply with this subdivision. The commissioner shall not approve an affidavit submitted by an authorizer under subdivision 4, paragraph (b), if the affidavit does not comply with this subdivision.

Subd. 2. **Applicability.** This section applies only to charter schools formed and operated under this section.

Subd. 3. **Authorizer.** (a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

"Application" to receive approval as an authorizer means the proposal an eligible authorizer submits to the commissioner under paragraph (c) before that authorizer is able to submit any affidavit to charter to a school.

"Application" under subdivision 4 means the charter school business plan a school developer submits to an authorizer for approval to establish a charter school that documents the school developer's mission statement, school purposes, program design, financial plan, governance and management structure, and background and experience, plus any other information the authorizer requests. The application also shall include a "statement of assurances" of legal compliance prescribed by the commissioner.

"Affidavit" means a written statement the authorizer submits to the commissioner for approval to establish a charter school under subdivision 4 attesting to its review and approval process before chartering a school.

(b) The following organizations may authorize one or more charter schools:

(1) a school board, intermediate school district school board, or education district organized under sections 123A.15 to 123A.19;

(2) a charitable organization under section 501(c)(3) of the Internal Revenue Code of 1986, excluding a nonpublic sectarian or religious institution; any person other than a natural person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the nonpublic sectarian or religious institution; and any other charitable organization under this clause that in the federal IRS Form 1023, Part IV, describes activities indicating a religious purpose, that:

(i) is a member of the Minnesota Council of Nonprofits or the Minnesota Council on Foundations;

(ii) is registered with the attorney general's office; and

(iii) is incorporated in the state of Minnesota and has been operating continuously for at least five years but does not operate a charter school;

(3) a Minnesota private college, notwithstanding clause (2), that grants two- or four-year degrees and is registered with the Minnesota Office of Higher Education under chapter 136A; community college, state university, or technical college governed by the Board of Trustees of the Minnesota State Colleges and Universities; or the University of Minnesota;

(4) a nonprofit corporation subject to chapter 317A, described in section 317A.905, and exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986, may authorize one or more charter schools if the charter school has operated for at least three years under a different authorizer and if the nonprofit corporation has existed for at least 25 years; or

(5) single-purpose authorizers that are charitable, nonsectarian organizations formed under section 501(c)(3) of the Internal Revenue Code of 1986 and incorporated in the state of Minnesota whose sole purpose is to charter schools. Eligible organizations interested in being approved as an authorizer under this paragraph must submit a proposal to the commissioner that includes the provisions of paragraph (c) and a five-year financial plan. Such authorizers shall consider and approve charter school applications using the criteria provided in subdivision 4 and shall not limit the applications it solicits, considers, or approves to any single curriculum, learning program, or method.

(c) An eligible authorizer under this subdivision must apply to the commissioner for approval as an authorizer before submitting any affidavit to the commissioner to charter a school. The application for approval as a charter school authorizer must demonstrate the applicant's ability to implement the procedures and satisfy the criteria for chartering a school under this section. The commissioner must approve or disapprove an application within 45 business days of the application deadline. If the commissioner disapproves the application, the commissioner must notify the applicant of the specific deficiencies in writing and the applicant then has 20 business days to address the deficiencies to the commissioner's satisfaction. After the 20 business days expire, the commissioner has 15

business days to make a final decision to approve or disapprove the application. Failing to address the deficiencies to the commissioner's satisfaction makes an applicant ineligible to be an authorizer. The commissioner, in establishing criteria for approval, must consider the applicant's:

- (1) capacity and infrastructure;
- (2) application criteria and process;
- (3) contracting process;
- (4) ongoing oversight and evaluation processes; and
- (5) renewal criteria and processes.

(d) An applicant must include in its application to the commissioner to be an approved authorizer at least the following:

- (1) how chartering schools is a way for the organization to carry out its mission;
- (2) a description of the capacity of the organization to serve as an authorizer, including the personnel who will perform the authorizing duties, their qualifications, the amount of time they will be assigned to this responsibility, and the financial resources allocated by the organization to this responsibility;
- (3) a description of the application and review process the authorizer will use to make decisions regarding the granting of charters;
- (4) a description of the type of contract it will arrange with the schools it charters that meets the provisions of subdivision 6;
- (5) the process to be used for providing ongoing oversight of the school consistent with the contract expectations specified in clause (4) that assures that the schools chartered are complying with both the provisions of applicable law and rules, and with the contract;
- (6) a description of the criteria and process the authorizer will use to grant expanded applications under subdivision 4, paragraph (j);
- (7) the process for making decisions regarding the renewal or termination of the school's charter based on evidence that demonstrates the academic, organizational, and financial competency of the school, including its success in increasing student achievement and meeting the goals of the charter school agreement; and
- (8) an assurance specifying that the organization is committed to serving as an authorizer for the full five-year term.

(e) A disapproved applicant under this section may resubmit an application during a future application period.

(f) If the governing board of an approved authorizer votes to withdraw as an approved authorizer for a reason unrelated to any cause under subdivision 23, the authorizer must notify all its chartered schools and the commissioner in writing by July 15 of its intent to withdraw as an authorizer on June 30 in the next calendar year. The commissioner may approve the transfer of a charter school to a new authorizer under this paragraph after the new authorizer submits an affidavit to the commissioner.

- (g) The authorizer must participate in department-approved training.

~~(h) An authorizer that chartered a school before August 1, 2009, must apply by June 30, 2012, to the commissioner for approval, under paragraph (c), to continue as an authorizer under this section. For purposes of this paragraph, an authorizer that fails to submit a timely application is ineligible to charter a school.~~

~~(i)~~ (h) The commissioner shall review an authorizer's performance every five years in a manner and form determined by the commissioner and may review an authorizer's performance more frequently at the commissioner's own initiative or at the request of a charter school operator, charter school board member, or other interested party. The commissioner, after completing the review, shall transmit a report with findings to the authorizer. If, consistent with this section, the commissioner finds that an authorizer has not fulfilled the requirements of this section, the commissioner may subject the authorizer to corrective action, which may include terminating the contract with the charter school board of directors of a school it chartered. The commissioner must notify the authorizer in writing of any findings that may subject the authorizer to corrective action and the authorizer then has 15 business days to request an informal hearing before the commissioner takes corrective action. If the commissioner terminates a contract between an authorizer and a charter school under this paragraph, the commissioner may assist the charter school in acquiring a new authorizer.

~~(j)~~ (i) The commissioner may at any time take corrective action against an authorizer, including terminating an authorizer's ability to charter a school for:

- (1) failing to demonstrate the criteria under paragraph (c) under which the commissioner approved the authorizer;
- (2) violating a term of the chartering contract between the authorizer and the charter school board of directors;
- (3) unsatisfactory performance as an approved authorizer; or
- (4) any good cause shown that provides the commissioner a legally sufficient reason to take corrective action against an authorizer.

Subd. 4. **Formation of school.** (a) An authorizer, after receiving an application from a school developer, may charter a licensed teacher under section 122A.18, subdivision 1, or a group of individuals that includes one or more licensed teachers under section 122A.18, subdivision 1, to operate a school subject to the commissioner's approval of the authorizer's affidavit under paragraph (b). The school must be organized and operated as a nonprofit corporation under chapter 317A and the provisions under the applicable chapter shall apply to the school except as provided in this section.

Notwithstanding sections 465.717 and 465.719, a school district, subject to this section and section 124D.11, may create a corporation for the purpose of establishing a charter school.

(b) Before the operators may establish and operate a school, the authorizer must file an affidavit with the commissioner stating its intent to charter a school. An authorizer must file a separate affidavit for each school it intends to charter. The affidavit must state the terms and conditions under which the authorizer would charter a school and how the authorizer intends to oversee the fiscal and student performance of the charter school and to comply with the terms of the written contract between the authorizer and the charter school board of directors under subdivision 6. The commissioner must approve or disapprove the authorizer's affidavit within 60 business days

of receipt of the affidavit. If the commissioner disapproves the affidavit, the commissioner shall notify the authorizer of the deficiencies in the affidavit and the authorizer then has 20 business days to address the deficiencies. If the authorizer does not address deficiencies to the commissioner's satisfaction, the commissioner's disapproval is final. Failure to obtain commissioner approval precludes an authorizer from chartering the school that is the subject of this affidavit.

(c) The authorizer may prevent an approved charter school from opening for operation if, among other grounds, the charter school violates this section or does not meet the ready-to-open standards that are part of the authorizer's oversight and evaluation process or are stipulated in the charter school contract.

(d) The operators authorized to organize and operate a school, before entering into a contract or other agreement for professional or other services, goods, or facilities, must incorporate as a nonprofit corporation under chapter 317A and must establish a board of directors composed of at least five members who are not related parties until a timely election for members of the ongoing charter school board of directors is held according to the school's articles and bylaws under paragraph (f). A charter school board of directors must be composed of at least five members who are not related parties. Staff members employed at the school, including teachers providing instruction under a contract with a cooperative, and all parents or legal guardians of children enrolled in the school are the voters eligible to elect the members of the school's board of directors. A charter school must notify eligible voters of the school board election dates at least 30 days before the election. Board of director meetings must comply with chapter 13D.

(e) A charter school shall publish and maintain on the school's official Web site: (1) the minutes of meetings of the board of directors, and of members and committees having any board-delegated authority, for at least one calendar year from the date of publication; (2) directory information for members of the board of directors and committees having board-delegated authority; and (3) identifying and contact information for the school's authorizer. Identifying and contact information for the school's authorizer must be included in other school materials made available to the public. Upon request of an individual, the charter school must also make available in a timely fashion financial statements showing all operations and transactions affecting income, surplus, and deficit during the school's last annual accounting period; and a balance sheet summarizing assets and liabilities on the closing date of the accounting period. A charter school also must ~~post on its official Web site information identifying its authorizer and indicate how to contact that authorizer~~ and include that same information about its authorizer in other school materials that it makes available to the public.

(f) Every charter school board member shall attend ongoing training throughout the member's term on board governance, including training on the board's role and responsibilities, employment policies and practices, and financial management. A board member who does not begin the required initial training within six months after being seated and complete that training within 12 months of being seated on the board is ineligible to continue to serve as a board member. The school shall include in its annual report the training attended by each board member during the previous year.

(g) The ongoing board must be elected before the school completes its third year of operation. Board elections must be held during the school year but may not be conducted on days when the school is closed for holidays, breaks, or vacations. The charter school board of directors shall be composed of at least five nonrelated members and include: (i) at least one licensed teacher employed as a teacher at the school or ~~a licensed teacher~~ providing instruction under contract between the

charter school and a cooperative; (ii) the parent or legal guardian of a student enrolled in the charter school who is not an employee of the charter school; and (iii) an interested community member who is not employed by the charter school and does not have a child enrolled in the school. The board may be a teacher majority board composed of teachers described in this paragraph. The chief financial officer and the chief administrator may only serve as ex-officio nonvoting board members ~~and may not serve as a voting member of the board~~. Charter school employees shall not serve on the board unless item (i) applies. Contractors providing facilities, goods, or services to a charter school shall not serve on the board of directors of the charter school. Board bylaws shall outline the process and procedures for changing the board's governance model, consistent with chapter 317A. A board may change its governance model only:

(1) by a majority vote of the board of directors and the licensed teachers employed by the school, including licensed teachers providing instruction under a contract between the school and a cooperative; and

(2) with the authorizer's approval.

Any change in board governance must conform with the board structure established under this paragraph.

(h) The granting or renewal of a charter by an authorizer must not be conditioned upon the bargaining unit status of the employees of the school.

(i) The granting or renewal of a charter school by an authorizer must not be contingent on the charter school being required to contract, lease, or purchase services from the authorizer. Any potential contract, ~~lease~~, or purchase of service from an authorizer must be disclosed to the commissioner, accepted through an open bidding process, and be a separate contract from the charter contract. The school must document the open bidding process. An authorizer must not enter into a contract to provide management and financial services for a school that it authorizes, unless the school documents that it received at least two competitive bids.

(j) An authorizer may permit the board of directors of a charter school to expand the operation of the charter school to additional sites or ~~to add additional~~ grades at the school beyond those described in the authorizer's original affidavit as approved by the commissioner only after submitting a supplemental affidavit for approval to the commissioner in a form and manner prescribed by the commissioner. The supplemental affidavit must document that:

(1) the proposed expansion plan demonstrates need and projected enrollment;

(2) the expansion is warranted, at a minimum, by longitudinal data demonstrating students' improved academic performance and growth on statewide assessments under chapter 120B;

(3) the charter school is financially sound and the financing it needs to implement the proposed expansion exists; and

(4) the charter school has the governance structure and management capacity to carry out its expansion.

(k) The commissioner shall have 30 business days to review and comment on the supplemental affidavit. The commissioner shall notify the authorizer of any deficiencies in the supplemental affidavit and the authorizer then has 20 business days to address, to the commissioner's satisfaction, any deficiencies in the supplemental affidavit. The school may not expand grades or add sites



until the commissioner has approved the supplemental affidavit. The commissioner's approval or disapproval of a supplemental affidavit is final.

Subd. 4a. **Conflict of interest.** (a) An individual is prohibited from serving as a member of the charter school board of directors if the individual, an immediate family member, or the individual's partner is an owner, employee or agent of, or a contractor with a for-profit or nonprofit entity or individual with whom the charter school contracts, directly or indirectly, for professional services, goods, or facilities. A violation of this prohibition renders a contract voidable at the option of the commissioner or the charter school board of directors. A member of a charter school board of directors who violates this prohibition is individually liable to the charter school for any damage caused by the violation.

(b) No member of the board of directors, employee, officer, or agent of a charter school shall participate in selecting, awarding, or administering a contract if a conflict of interest exists. A conflict exists when:

- (1) the board member, employee, officer, or agent;
- (2) the immediate family of the board member, employee, officer, or agent;
- (3) the partner of the board member, employee, officer, or agent; or
- (4) an organization that employs, or is about to employ any individual in clauses (1) to (3),

has a financial or other interest in the entity with which the charter school is contracting. A violation of this prohibition renders the contract void.

(c) Any employee, agent, or board member of the authorizer who participates in the initial review, approval, ongoing oversight, evaluation, or the charter renewal or nonrenewal process or decision is ineligible to serve on the board of directors of a school chartered by that authorizer.

(d) An individual may serve as a member of the board of directors if no conflict of interest under paragraph (a) exists.

(e) The conflict of interest provisions under this subdivision do not apply to compensation paid to a teacher employed as a teacher by the charter school who or a teacher who provides instructional services to the charter school through a cooperative formed under chapter 308A when the teacher also serves as a member of on the charter school board of directors.

~~(f) The conflict of interest provisions under this subdivision do not apply to a teacher who provides services to a charter school through a cooperative formed under chapter 308A when the teacher also serves on the charter school board of directors.~~

Subd. 5. **Conversion of existing schools.** A board of an independent or special school district may convert one or more of its existing schools to charter schools under this section if 60 percent of the full-time teachers at the school sign a petition seeking conversion. The conversion must occur at the beginning of an academic year.

Subd. 6. **Charter contract.** The authorization for a charter school must be in the form of a written contract signed by the authorizer and the board of directors of the charter school. The contract must be completed within 45 business days of the commissioner's approval of the authorizer's affidavit. The authorizer shall submit to the commissioner a copy of the signed charter contract within ten

business days of its execution. The contract for a charter school must be in writing and contain at least the following:

(1) a declaration that the charter school will carry out the primary purpose in subdivision 1 and how the school will report its implementation of the primary purpose;

~~(1)~~ (2) a declaration of the any additional purposes in subdivision 1 that the school intends to carry out and how the school will report its implementation of those purposes;

~~(2)~~ (3) a description of the school program and the specific academic and nonacademic outcomes that pupils must achieve;

~~(3)~~ (4) a statement of admission policies and procedures;

~~(4)~~ (5) a governance, management, and administration plan for the school;

~~(5)~~ (6) signed agreements from charter school board members to comply with all federal and state laws governing organizational, programmatic, and financial requirements applicable to charter schools;

~~(6)~~ (7) the criteria, processes, and procedures that the authorizer will use for ongoing oversight of operational, financial, and academic performance to monitor and evaluate the fiscal, operational, and academic performance consistent with subdivision 15, paragraphs (a) and (b);

~~(7)~~ (8) for contract renewal, the formal written performance evaluation of the school that is a prerequisite for reviewing a charter contract under subdivision 15;

~~(8)~~ (9) types and amounts of insurance liability coverage to be obtained by the charter school, consistent with subdivision 8, paragraph (k);

~~(9)~~ (10) consistent with subdivision 25, paragraph (d), a provision to indemnify and hold harmless the authorizer and its officers, agents, and employees from any suit, claim, or liability arising from any operation of the charter school, and the commissioner and department officers, agents, and employees notwithstanding section 3.736;

~~(10)~~ (11) the term of the initial contract, which may be up to five years plus an additional preoperational planning year, and up to five years for a renewed contract or a contract with a new authorizer after a transfer of authorizers, if warranted by the school's academic, financial, and operational performance;

~~(11)~~ (12) how the board of directors or the operators of the charter school will provide special instruction and services for children with a disability under sections 125A.03 to 125A.24, and 125A.65, a description of the financial parameters within which the charter school will operate to provide the special instruction and services to children with a disability;

~~(12) the process and criteria the authorizer intends to use to monitor and evaluate the fiscal and student performance of the charter school, consistent with subdivision 15; and~~

(13) the specific conditions for contract renewal, which identify performance under the primary purpose of subdivision 1 as the most important factor in determining contract renewal; and

~~(13)~~ (14) the plan for an orderly closing of the school under chapter 317A, if whether the closure is a termination for cause, a voluntary termination, or a nonrenewal of the contract, and that includes establishing the responsibilities of the school board of directors and the authorizer and notifying

the commissioner, authorizer, school district in which the charter school is located, and parents of enrolled students about the closure, the transfer of student records to students' resident districts, and procedures for closing financial operations.

Subd. 6a. **Audit report.** (a) The charter school must submit an audit report to the commissioner and its authorizer by December 31 each year.

(b) The charter school, with the assistance of the auditor conducting the audit, must include with the report, as supplemental information, a copy of all charter school agreements for corporate management services, including parent company or other administrative, financial, and staffing services. If the entity that provides the professional services to the charter school is exempt from taxation under section 501 of the Internal Revenue Code of 1986, that entity must file with the commissioner by February 15 a copy of the annual return required under section 6033 of the Internal Revenue Code of 1986.

(c) A charter school independent audit report shall include audited financial data of an affiliated building corporation or other component unit.

~~(c)~~ (d) If the audit report finds that a material weakness exists in the financial reporting systems of a charter school, the charter school must submit a written report to the commissioner explaining how the material weakness will be resolved. An auditor, as a condition of providing financial services to a charter school, must agree to make available information about a charter school's financial audit to the commissioner and authorizer upon request.

Subd. 7. **Public status; exemption from statutes and rules.** A charter school is a public school and is part of the state's system of public education. A charter school is exempt from all statutes and rules applicable to a school, school board, or school district unless a statute or rule is made specifically applicable to a charter school or is included in this section.

Subd. 8. **Federal, state, and local requirements.** (a) A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts.

(b) A school must comply with statewide accountability requirements governing standards and assessments in chapter 120B.

(c) A school authorized by a school board may be located in any district, unless the school board of the district of the proposed location disapproves by written resolution.

(d) A charter school must be nonsectarian in its programs, admission policies, employment practices, and all other operations. An authorizer may not authorize a charter school or program that is affiliated with a nonpublic sectarian school or a religious institution. A charter school student must be released for religious instruction, consistent with section 120A.22, subdivision 12, clause (3).

(e) Charter schools must not be used as a method of providing education or generating revenue for students who are being home-schooled. This paragraph does not apply to shared time aid under section 126C.19.

(f) The primary focus of a charter school must be to provide a comprehensive program of instruction for at least one grade or age group from five through 18 years of age. Instruction may be provided to people younger than five years and older than 18 years of age.

(g) A charter school may not charge tuition.

(h) A charter school is subject to and must comply with chapter 363A and section 121A.04.

(i) A charter school is subject to and must comply with the Pupil Fair Dismissal Act, sections 121A.40 to 121A.56, and the Minnesota Public School Fee Law, sections 123B.34 to 123B.39.

(j) A charter school is subject to the same financial audits, audit procedures, and audit requirements as a district, except as required under subdivision 6a. Audits must be conducted in compliance with generally accepted governmental auditing standards, the federal Single Audit Act, if applicable, and section 6.65. A charter school is subject to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04; 118A.05; 118A.06; 471.38; 471.391; 471.392; and 471.425. The audit must comply with the requirements of sections 123B.75 to 123B.83, except to the extent deviations are necessary because of the program at the school. Deviations must be approved by the commissioner and authorizer. The Department of Education, state auditor, legislative auditor, or authorizer may conduct financial, program, or compliance audits. A charter school determined to be in statutory operating debt under sections 123B.81 to 123B.83 must submit a plan under section 123B.81, subdivision 4.

(k) A charter school is a district for the purposes of tort liability under chapter 466.

(l) A charter school must comply with chapters 13 and 13D; and sections 120A.22, subdivision 7; 121A.75; and 260B.171, subdivisions 3 and 5.

(m) A charter school is subject to the Pledge of Allegiance requirement under section 121A.11, subdivision 3.

(n) A charter school offering online courses or programs must comply with section 124D.095.

(o) A charter school and charter school board of directors are subject to chapter 181.

(p) A charter school must comply with section 120A.22, subdivision 7, governing the transfer of students' educational records and sections 138.163 and 138.17 governing the management of local records.

(q) A charter school that provides early childhood health and developmental screening must comply with sections 121A.16 to 121A.19.

(r) A charter school that provides school-sponsored youth athletic activities must comply with section 121A.38.

(s) A charter school is subject to and must comply with continuing truant notification under section 260A.03.

Subd. 8a. **Aid reduction.** The commissioner may reduce a charter school's state aid under section 127A.42 or 127A.43 if the charter school board fails to correct a violation under this section.

Subd. 8b. **Aid reduction for violations.** The commissioner may reduce a charter school's state aid by an amount not to exceed 60 percent of the charter school's basic revenue for the period of time that a violation of law occurs.

Subd. 9. **Admission requirements.** (a) A charter school may limit admission to:

(1) pupils within an age group or grade level;

(2) pupils who are eligible to participate in the graduation incentives program under section 124D.68; or

(3) residents of a specific geographic area in which the school is located when the majority of students served by the school are members of underserved populations.

(b) A charter school shall enroll an eligible pupil who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, pupils must be accepted by lot. The charter school must develop and publish, including on its Web site, a lottery policy and process that it must use when accepting pupils by lot.

(c) A charter school shall give enrollment preference to a sibling of an enrolled pupil and to a foster child of that pupil's parents and may give preference for enrolling children of the school's staff before accepting other pupils by lot.

(d) A person shall not be admitted to a charter school (1) as a kindergarten pupil, unless the pupil is at least five years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences; or (2) as a first grade student, unless the pupil is at least six years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences or has completed kindergarten; except that a charter school may establish and publish on its Web site a policy for admission of selected pupils at an earlier age, consistent with the enrollment process in paragraphs (b) and (c).

(e) Except as permitted in paragraph (d), a charter school may not limit admission to pupils on the basis of intellectual ability, measures of achievement or aptitude, or athletic ability and may not establish any criteria or requirements for admission that are inconsistent with this subdivision.

(f) The charter school shall not distribute any services or goods of value to students, parents, or guardians as an inducement, term, or condition of enrolling a student in a charter school.

Subd. 10. **Pupil performance.** A charter school must design its programs to at least meet the outcomes adopted by the commissioner for public school students. In the absence of the commissioner's requirements, the school must meet the outcomes contained in the contract with the authorizer. The achievement levels of the outcomes contained in the contract may exceed the achievement levels of any outcomes adopted by the commissioner for public school students.

Subd. 11. **Employment and other operating matters.** (a) A charter school must employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed in the school. The charter school's state aid may be reduced under section 127A.43 if the school employs a teacher who is not appropriately licensed or approved by the board of teaching. The school may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services. The school may discharge teachers and nonlicensed employees. The charter school board is subject to section 181.932. When offering employment to a prospective employee, a charter school must give that employee a written description of the terms and conditions of employment and the school's personnel policies.

(b) A person, without holding a valid administrator's license, may perform administrative, supervisory, or instructional leadership duties. The board of directors shall establish qualifications for persons that hold administrative, supervisory, or instructional leadership roles. The qualifications shall include at least the following areas: instruction and assessment; human resource and personnel

management; financial management; legal and compliance management; effective communication; and board, authorizer, and community relationships. The board of directors shall use those qualifications as the basis for job descriptions, hiring, and performance evaluations of those who hold administrative, supervisory, or instructional leadership roles. The board of directors and an individual who does not hold a valid administrative license and who serves in an administrative, supervisory, or instructional leadership position shall develop a professional development plan. Documentation of the implementation of the professional development plan of these persons shall be included in the school's annual report.

(c) The board of directors also shall decide and be responsible for matters related to the operation of the school, including budgeting, curriculum and operating procedures.

Subd. 12. **Pupils with a disability.** A charter school must comply with sections 125A.02, 125A.03 to 125A.24, and 125A.65 and rules relating to the education of pupils with a disability as though it were a district.

Subd. 13. **Length of school year.** A charter school must provide instruction each year for at least the number of hours required by section 120A.41. It may provide instruction throughout the year according to sections 124D.12 to 124D.127 or 124D.128.

Subd. 14. **Annual public reports.** A charter school must publish an annual report approved by the board of directors. The annual report must at least include information on school enrollment, student attrition, governance and management, staffing, finances, academic performance, ~~operational performance~~, innovative practices and implementation, and future plans. A charter school must post the annual report on the school's official Web site. The charter school must also distribute the annual report by publication, mail, or electronic means to ~~the commissioner, its~~ authorizer, school employees, and parents and legal guardians of students enrolled in the charter school ~~and must also post the report on the charter school's official Web site.~~ The reports are public data under chapter 13.

Subd. 15. **Review and comment.** (a) The authorizer shall provide a formal written evaluation of the school's performance before the authorizer renews the charter contract. The department must review and comment on the authorizer's evaluation process at the time the authorizer submits its application for approval and each time the authorizer undergoes its five-year review under subdivision 3, paragraph (i).

(b) An authorizer shall monitor and evaluate the ~~fiscal~~, academic, financial, and operational, and student performance of the school, and may for this purpose annually assess a charter school a fee according to paragraph (c). The agreed-upon fee structure must be stated in the charter school contract.

(c) The fee that ~~each charter school pays to an authorizer each year~~ an authorizer may annually assess is the greater of:

(1) the basic formula allowance for that year; or

(2) the lesser of:

(i) the maximum fee factor times the basic formula allowance for that year; or

(ii) the fee factor times the basic formula allowance for that year times the charter school's adjusted ~~marginal cost~~ pupil units for that year. The fee factor equals ~~.005 in fiscal year 2010, .01~~

~~in fiscal year 2011, .013 in fiscal year 2012, and .015 in fiscal years 2013 and later. The maximum fee factor equals 1.5 in fiscal year 2010, 2.0 in fiscal year 2011, 3.0 in fiscal year 2012, and 4.0 in fiscal years 2013 and later.~~

(d) An authorizer may not assess a fee for any required services other than as provided in this subdivision.

(e) For the preoperational planning period, after a school is chartered, the authorizer may assess a charter school a fee equal to the basic formula allowance.

(f) By September 30 of each year, an authorizer shall submit to the commissioner a statement of income and expenditures related to chartering activities during the previous school year ending June 30. A copy of the statement shall be given to all schools chartered by the authorizer.

Subd. 16. **Transportation.** (a) A charter school after its first fiscal year of operation by March 1 of each fiscal year and a charter school by July 1 of its first fiscal year of operation must notify the district in which the school is located and the Department of Education if it will provide its own transportation or use the transportation services of the district in which it is located for the fiscal year.

(b) If a charter school elects to provide transportation for pupils, the transportation must be provided by the charter school within the district in which the charter school is located. The state must pay transportation aid to the charter school according to section 124D.11, subdivision 2.

For pupils who reside outside the district in which the charter school is located, the charter school is not required to provide or pay for transportation between the pupil's residence and the border of the district in which the charter school is located. A parent may be reimbursed by the charter school for costs of transportation from the pupil's residence to the border of the district in which the charter school is located if the pupil is from a family whose income is at or below the poverty level, as determined by the federal government. The reimbursement may not exceed the pupil's actual cost of transportation or 15 cents per mile traveled, whichever is less. Reimbursement may not be paid for more than 250 miles per week.

At the time a pupil enrolls in a charter school, the charter school must provide the parent or guardian with information regarding the transportation.

(c) If a charter school does not elect to provide transportation, transportation for pupils enrolled at the school must be provided by the district in which the school is located, according to sections 123B.88, subdivision 6, and 124D.03, subdivision 8, for a pupil residing in the same district in which the charter school is located. Transportation may be provided by the district in which the school is located, according to sections 123B.88, subdivision 6, and 124D.03, subdivision 8, for a pupil residing in a different district. If the district provides the transportation, the scheduling of routes, manner and method of transportation, control and discipline of the pupils, and any other matter relating to the transportation of pupils under this paragraph shall be within the sole discretion, control, and management of the district.

Subd. 17. **Leased space.** A charter school may lease space from an independent or special school board ~~eligible to be an authorizer,~~ other public organization, private, nonprofit nonsectarian organization, private property owner, or a sectarian organization if the leased space is constructed as a school facility. The department must review and approve or disapprove leases, including modifications and renewals prior to execution of the lease by the lessee and lessor, in a timely

manner. Leases for a school year must be submitted to the department no later than July 1 before that school year. The commissioner may waive this date based on an appeal by a charter school when circumstances beyond the control of the charter school do not allow a lease agreement to be written prior to that date. The commissioner shall not approve a facility lease that does not have (1) a sum certain annual cost and (2) an escape clause that may be exercised by the charter school in the event of nonrenewal or termination of the charter school contract.

Subd. 17a. **Affiliated nonprofit building corporation.** (a) Before a charter school may organize an affiliated nonprofit building corporation (i) to renovate or purchase an existing facility to serve as a school or (ii) to expand an existing building or construct a new school facility, an authorizer must submit an affidavit to the commissioner for approval in the form and manner the commissioner prescribes, and consistent with paragraphs (b) and (c) or (d).

(b) An affiliated nonprofit building corporation under this subdivision must:

(1) be incorporated under section 317A;

(2) comply with applicable Internal Revenue Service regulations, including regulations for "supporting organizations" as defined by the Internal Revenue Service;

(3) submit to the commissioner each fiscal year a list of current board members and a copy of its annual audit; and

(4) comply with government data practices law under chapter 13.

An affiliated nonprofit building corporation must not serve as the leasing agent for property or facilities it does not own. A charter school that leases a facility from an affiliated nonprofit building corporation that does not own the leased facility is ineligible to receive charter school lease aid. The state is immune from liability resulting from a contract between a charter school and an affiliated nonprofit building corporation.

(c) A charter school may organize an affiliated nonprofit building corporation to renovate or purchase an existing facility to serve as a school if the charter school:

(1) has been operating for at least five consecutive school years;

(2) has had a net positive unreserved general fund balance as of June 30 in the preceding five fiscal years;

(3) has a long-range strategic and financial plan;

(4) completes a feasibility study of available buildings;

(5) documents enrollment projections and the need to use an affiliated building corporation to renovate or purchase an existing facility to serve as a school; and

(6) has a plan for the renovation or purchase, which describes the parameters and budget for the project.

(d) A charter school may organize an affiliated nonprofit building corporation to expand an existing school facility or construct a new school facility if the charter school:

(1) demonstrates the lack of facilities available to serve as a school;

(2) has been operating for at least eight consecutive school years;



(3) has had a net positive unreserved general fund balance as of June 30 in the preceding five fiscal years;

(4) completes a feasibility study of facility options;

(5) has a long-range strategic and financial plan that includes enrollment projections and demonstrates the need for constructing a new school facility; and

(6) has a plan for the expansion or new school facility, which describes the parameters and budget for the project.

Subd. 17b. **Positive review and comment.** (e) A charter school or an affiliated nonprofit building corporation organized by a charter school must not initiate an installment contract for purchase, or a lease agreement, or solicit bids for new construction, expansion, or remodeling of an educational facility that requires an expenditure in excess of \$1,400,000, unless it meets the criteria in subdivision 17a, paragraph (b) and paragraph (c) or (d), as applicable, and receives a positive review and comment from the commissioner under section 123B.71.

Subd. 19. **Disseminate information.** (a) ~~The authorizer, the operators,~~ Authorizers and the department must disseminate information to the public on how to form and operate a charter school. Charter schools must disseminate information about how to use the offerings of a charter school. Targeted groups include low-income families and communities, students of color, and students who are at risk of academic failure.

(b) Authorizers, operators, and the department also may disseminate information about the successful best practices in teaching and learning demonstrated by charter schools.

Subd. 20. **Leave to teach in a charter school.** If a teacher employed by a district makes a written request for an extended leave of absence to teach at a charter school, the district must grant the leave. The district must grant a leave not to exceed a total of five years. Any request to extend the leave shall be granted only at the discretion of the school board. The district may require that the request for a leave or extension of leave be made before February 1 in the school year preceding the school year in which the teacher intends to leave, or February 1 of the calendar year in which the teacher's leave is scheduled to terminate. Except as otherwise provided in this subdivision and except for section 122A.46, subdivision 7, the leave is governed by section 122A.46, including, but not limited to, reinstatement, notice of intention to return, seniority, salary, and insurance.

During a leave, the teacher may continue to aggregate benefits and credits in the Teachers' Retirement Association account under chapters 354 and 354A, consistent with subdivision 22.

Subd. 21. **Collective bargaining.** Employees of the board of directors of a charter school may, if otherwise eligible, organize under chapter 179A and comply with its provisions. The board of directors of a charter school is a public employer, for the purposes of chapter 179A, upon formation of one or more bargaining units at the school. Bargaining units at the school must be separate from any other units within an authorizing district, except that bargaining units may remain part of the appropriate unit within an authorizing district, if the employees of the school, the board of directors of the school, the exclusive representative of the appropriate unit in the authorizing district, and the board of the authorizing district agree to include the employees in the appropriate unit of the authorizing district.

Subd. 22. **Teacher and other employee retirement.** (a) Teachers in a charter school must be public school teachers for the purposes of chapters 354 and 354A.

(b) Except for teachers under paragraph (a), employees in a charter school must be public employees for the purposes of chapter 353.

Subd. 23. **Causes for nonrenewal or termination of charter school contract.** (a) The duration of the contract with an authorizer must be for the term contained in the contract according to subdivision 6. The authorizer may or may not renew a contract at the end of the term for any ground listed in paragraph (b). An authorizer may unilaterally terminate a contract during the term of the contract for any ground listed in paragraph (b). At least 60 business days before not renewing or terminating a contract, the authorizer shall notify the board of directors of the charter school of the proposed action in writing. The notice shall state the grounds for the proposed action in reasonable detail and that the charter school's board of directors may request in writing an informal hearing before the authorizer within 15 business days of receiving notice of nonrenewal or termination of the contract. Failure by the board of directors to make a written request for an informal hearing within the 15-business-day period shall be treated as acquiescence to the proposed action. Upon receiving a timely written request for a hearing, the authorizer shall give ten business days' notice to the charter school's board of directors of the hearing date. The authorizer shall conduct an informal hearing before taking final action. The authorizer shall take final action to renew or not renew a contract no later than 20 business days before the proposed date for terminating the contract or the end date of the contract.

(b) A contract may be terminated or not renewed upon any of the following grounds:

(1) failure to meet demonstrate satisfactory academic achievement for all groups of students, including the requirements for pupil performance contained in the contract;

(2) failure to meet generally accepted standards of fiscal management;

(3) violations of law; or

(4) other good cause shown.

If a contract is terminated or not renewed under this paragraph, the school must be dissolved according to the applicable provisions of chapter 317A.

(c) If the authorizer and the charter school board of directors mutually agree to terminate or not renew the contract, a change in authorizers is allowed if the commissioner approves the change to a different eligible authorizer to authorize the charter school. Both parties must jointly submit their intent in writing to the commissioner to mutually terminate the contract. The authorizer that is a party to the existing contract must inform the proposed authorizer about the fiscal and operational status and student performance of the school. Before the commissioner determines whether to approve a change in authorizer, the proposed authorizer must identify any outstanding issues in the proposed charter contract that were unresolved in the previous charter contract and have the charter school agree to resolve those issues. If no change in authorizer is approved, the school must be dissolved according to applicable law and the terms of the contract.

(d) The commissioner, after providing reasonable notice to the board of directors of a charter school and the existing authorizer, and after providing an opportunity for a public hearing, may

terminate the existing contract between the authorizer and the charter school board if the charter school has a history of:

- (1) failure to meet pupil performance requirements consistent with state law;
- (2) financial mismanagement or failure to meet generally accepted standards of fiscal management; or
- (3) repeated or major violations of the law.

(e) Notwithstanding other provisions of this subdivision, the authorizer of a charter school may terminate an existing contract between the authorizer and the charter school at the end of the current school year, after notifying the charter school board of directors by December 1, if in each of the previous three consecutive school years the performance of the charter school based on federal school accountability measures and on state measures of student performance and growth would place the school in the bottom quartile of all public schools as determined by the commissioner. If an authorizer chooses to terminate the contract, the school must be closed according to applicable law and the terms of the contract. The authorizer must work with the charter school's board of directors to ensure parents of children currently enrolled at the school are aware of school choice options and receive assistance in selecting an appropriate choice for the next school year. If the authorizer chooses not to terminate the existing contract under these conditions, the authorizer must submit a public, written justification of the decision to the commissioner by December 1. The commissioner may use this decision as a factor in reviewing the authorizer's performance under subdivision 3, paragraph (i). The federal and state measures identified in this paragraph are minimum conditions and are not intended to discourage and do not prevent an authorizer from closing schools which do not meet these conditions.

Subd. 23a. **Related party lease costs.** (a) A charter school is prohibited from entering a lease of real property with a related party unless the lessor is a nonprofit corporation under chapter 317A or a cooperative under chapter 308A, and the lease cost is reasonable under section 124D.11, subdivision 4, clause (1).

(b) For purposes of this section and section 124D.11:

(1) "related party" means an affiliate or immediate relative of the other party in question, an affiliate of an immediate relative, or an immediate relative of an affiliate;

(2) "affiliate" means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person;

(3) "immediate family" means an individual whose relationship by blood, marriage, adoption, or partnering is no more remote than first cousin;

(4) "person" means an individual or entity of any kind; and

(5) "control" means the ability to affect the management, operations, or policy actions or decisions of a person, whether through ownership of voting securities, by contract, or otherwise.

(c) A lease of real property to be used for a charter school, not excluded in paragraph (a), must contain the following statement: "This lease is subject to Minnesota Statutes, section 124D.10, subdivision 23a."

(d) If a charter school enters into as lessee a lease with a related party and the charter school subsequently closes, the commissioner has the right to recover from the lessor any lease payments in excess of those that are reasonable under section 124D.11, subdivision 4, clause (1).

**Subd. 24. Pupil enrollment upon nonrenewal or termination of charter school contract.** If a contract is not renewed or is terminated according to subdivision 23, a pupil who attended the school, siblings of the pupil, or another pupil who resides in the same place as the pupil may enroll in the resident district or may submit an application to a nonresident district according to section 124D.03 at any time. Applications and notices required by section 124D.03 must be processed and provided in a prompt manner. The application and notice deadlines in section 124D.03 do not apply under these circumstances. The closed charter school must transfer the student's educational records within ten business days of closure to the student's school district of residence where the records must be retained or transferred under section 120A.22, subdivision 7.

**Subd. 25. Extent of specific legal authority.** (a) The board of directors of a charter school may sue and be sued.

(b) The board may not levy taxes or issue bonds.

(c) The commissioner, an authorizer, members of the board of an authorizer in their official capacity, and employees of an authorizer are immune from civil or criminal liability with respect to all activities related to a charter school they approve or authorize. The board of directors shall obtain at least the amount of and types of insurance up to the applicable tort liability limits under chapter 466. The charter school board must submit a copy of the insurance policy to its authorizer ~~and the commissioner~~ before starting operations. The charter school board must submit changes in its insurance carrier or policy to its authorizer ~~and the commissioner~~ within 20 business days of the change.

(d) Notwithstanding section 3.736, the charter school shall assume full liability for its activities and indemnify and hold harmless the authorizer and its officers, agents, and employees from any suit, claim, or liability arising from any operation of the charter school and the commissioner and department officers, agents, and employees. A charter school is not required to indemnify or hold harmless a state employee if the state would not be required to indemnify and hold the employee harmless under section 3.736, subdivision 9.

**Subd. 27. Collaboration between charter school and school district.** (a) A charter school board may voluntarily enter into a two-year, renewable agreement for collaboration to enhance student achievement with a school district within whose geographic boundary it operates.

(b) A school district need not be an approved authorizer to enter into a collaboration agreement with a charter school. A charter school need not be authorized by the school district with which it seeks to collaborate.

(c) A charter school authorizer is prohibited from requiring a collaboration agreement as a condition of entering into or renewing a charter contract as defined in subdivision 6.

(d) Nothing in this subdivision or in the collaboration agreement may impact in any way the authority or autonomy of the charter school.

(e) Nothing in this subdivision or in the collaboration agreement shall cause the state to pay twice for the same student, service, or facility or otherwise impact state funding, or the flow thereof, to the school district or the charter school.

(f) The collaboration agreement may include, but need not be limited to, collaboration regarding facilities, transportation, training, student achievement, assessments, mutual performance standards, and other areas of mutual agreement.

(g) The school district may include the academic performance of the students of a collaborative charter school site operating within the geographic boundaries of the school district, for purposes of student assessment and reporting to the state.

(h) Districts, authorizers, or charter schools entering into a collaborative agreement are equally and collectively subject to the same state and federal accountability measures for student achievement, school performance outcomes, and school improvement strategies. The collaborative agreement and all accountability measures must be posted on the district, charter school, and authorizer Web sites.

**EFFECTIVE DATE.** Subdivision 23 is effective July 1, 2013, and applies to federal school accountability measures and state measures of student performance and growth from the 2010-2011 school year and later.

Sec. 2. Minnesota Statutes 2012, section 260A.02, subdivision 3, is amended to read:

Subd. 3. **Continuing truant.** "Continuing truant" means a child who is subject to the compulsory instruction requirements of section 120A.22 and is absent from instruction in a school, as defined in section 120A.05, without valid excuse within a single school year for:

- (1) three days if the child is in elementary school; or
- (2) three or more class periods on three days if the child is in middle school, junior high school, or high school.

Nothing in this section shall prevent a school district or charter school from notifying a truant child's parent or legal guardian of the child's truancy or otherwise addressing a child's attendance problems prior to the child becoming a continuing truant.

Sec. 3. Minnesota Statutes 2012, section 260A.03, is amended to read:

**260A.03 NOTICE TO PARENT OR GUARDIAN WHEN CHILD IS A CONTINUING TRUANT.**

Upon a child's initial classification as a continuing truant, the school attendance officer or other designated school official shall notify the child's parent or legal guardian, by first-class mail or other reasonable means, of the following:

- (1) that the child is truant;
- (2) that the parent or guardian should notify the school if there is a valid excuse for the child's absences;
- (3) that the parent or guardian is obligated to compel the attendance of the child at school pursuant to section 120A.22 and parents or guardians who fail to meet this obligation may be subject to prosecution under section 120A.34;

(4) that this notification serves as the notification required by section 120A.34;

(5) that alternative educational programs and services may be available in the child's enrolling or resident district;

(6) that the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the child's truancy;

(7) that if the child continues to be truant, the parent and child may be subject to juvenile court proceedings under chapter 260C;

(8) that if the child is subject to juvenile court proceedings, the child may be subject to suspension, restriction, or delay of the child's driving privilege pursuant to section 260C.201; and

(9) that it is recommended that the parent or guardian accompany the child to school and attend classes with the child for one day.

Sec. 4. Minnesota Statutes 2012, section 260A.05, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** A school district or charter school may establish one or more school attendance review boards to exercise the powers and duties in this section. The school district or charter school board shall appoint the members of the school attendance review board and designate the schools within the board's jurisdiction. Members of a school attendance review board may include:

(1) the superintendent of the school district or the superintendent's designee or charter director or the director's designee;

(2) a principal and one or more other school officials from within the district or charter school;

(3) parent representatives;

(4) representatives from community agencies that provide services for truant students and their families;

(5) a juvenile probation officer;

(6) school counselors and attendance officers; and

(7) law enforcement officers.

Sec. 5. Minnesota Statutes 2012, section 260A.07, subdivision 1, is amended to read:

Subdivision 1. **Establishment; referrals.** A county attorney may establish a truancy mediation program for the purpose of resolving truancy problems without court action. If a student is in a school district or charter school that has established a school attendance review board, the student may be referred to the county attorney under section 260A.06, subdivision 3. If the student's school district or charter school has not established a board, the student may be referred to the county attorney by the school district or charter school if the student continues to be truant after the parent or guardian has been sent or conveyed the notice under section 260A.03.

**ARTICLE 5**  
**SPECIAL PROGRAMS**

Section 1. Minnesota Statutes 2012, section 15.059, subdivision 5b, is amended to read:

Subd. 5b. **Continuation dependent on federal law.** Notwithstanding this section, the following councils and committees do not expire unless federal law no longer requires the existence of the council or committee:

- (1) Rehabilitation Council for the Blind, created in section 248.10;
- (2) Juvenile Justice Advisory Committee, created in section 299A.72;
- (3) Governor's Workforce Development Council, created in section 116L.665;
- (4) local workforce councils, created in section 116L.666, subdivision 2;
- (5) Rehabilitation Council, created in section 268A.02, subdivision 2; ~~and~~
- (6) Statewide Independent Living Council, created in section 268A.02, subdivision 2; and
- (7) Interagency Coordinating Council, created in section 125A.28.

Sec. 2. Minnesota Statutes 2012, section 125A.0941, is amended to read:

**125A.0941 DEFINITIONS.**

(a) The following terms have the meanings given them.

(b) "Emergency" means a situation where immediate intervention is needed to protect a child or other individual from physical injury ~~or to prevent serious property damage.~~ Emergency does not mean circumstances such as: a child who does not respond to a task or request and instead places his or her head on a desk or hides under a desk or table; a child who does not respond to a staff person's request unless failing to respond would result in physical injury to the child or other individual; or an emergency incident has already occurred and no threat of physical injury currently exists.

(c) "Physical holding" means physical intervention intended to hold a child immobile or limit a child's movement, where body contact is the only source of physical restraint, and where immobilization is used to effectively gain control of a child in order to protect ~~the~~ a child or other ~~person~~ individual from physical injury. The term physical holding does not mean physical contact that:

- (1) helps a child respond or complete a task;
- (2) assists a child without restricting the child's movement;
- (3) is needed to administer an authorized health-related service or procedure; or
- (4) is needed to physically escort a child when the child does not resist or the child's resistance is minimal.

(d) "Positive behavioral interventions and supports" means interventions and strategies to improve the school environment and teach children the skills to behave appropriately.

(e) "Prone restraint" means placing a child in a face down position.

(f) "Restrictive procedures" means the use of physical holding or seclusion in an emergency. Restrictive procedures must not be used to punish or otherwise discipline a child.

(g) "Seclusion" means confining a child alone in a room from which egress is barred. Egress may be barred by an adult locking or closing the door in the room or preventing the child from leaving the room. Removing a child from an activity to a location where the child cannot participate in or observe the activity is not seclusion.

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

Sec. 3. Minnesota Statutes 2012, section 125A.0942, is amended to read:

**125A.0942 STANDARDS FOR RESTRICTIVE PROCEDURES.**

Subdivision 1. **Restrictive procedures plan.** (a) Schools that intend to use restrictive procedures shall maintain and make publicly accessible a restrictive procedures plan for children with disabilities that ~~includes~~ at least the following:

- (1) lists the list of restrictive procedures the school intends to use;
- (2) describes how the school will implement a range of positive behavior strategies and provide links to mental health services;
- (3) describes how the school will monitor and review the use of restrictive procedures, including:
  - (i) conducting post-use debriefings, consistent with subdivision 3, paragraph (a), clause (5); and
  - (ii) convening an oversight committee to undertake a quarterly review of the use of restrictive procedures based on patterns or problems indicated by similarities in the time of day, day of the week, duration of the use of a procedure, the individuals involved, or other factors associated with the use of restrictive procedures; the number of times a restrictive procedure is used schoolwide and for individual children; the number and types of injuries, if any, resulting from the use of restrictive procedures; whether restrictive procedures are used in nonemergency situations; the need for additional staff training; and proposed actions to minimize the use of restrictive procedures; and
- ~~(3)~~ (4) includes a written description and documentation of the training staff completed under subdivision 5.

(b) Schools annually must publicly identify oversight committee members who must at least include:

- (1) a mental health professional, school psychologist, or school social worker;
- (2) an expert in positive behavior strategies;
- (3) a special education administrator; and
- (4) a general education administrator.

Subd. 2. **Restrictive procedures.** (a) Restrictive procedures may be used only by a licensed special education teacher, school social worker, school psychologist, behavior analyst certified by the National Behavior Analyst Certification Board, a person with a master's degree in behavior analysis, other licensed education professional, highly qualified paraprofessional under section 120B.363, or mental health professional under section 245.4871, subdivision 27, who has completed the training program under subdivision 5.



(b) A school shall make reasonable efforts to notify the parent on the same day a restrictive procedure is used on the child, or if the school is unable to provide same-day notice, notice is sent within two days by written or electronic means or as otherwise indicated by the child's parent under paragraph (d).

~~(c) When restrictive procedures are used twice in 30 days or when a pattern emerges and restrictive procedures are not included in a child's individualized education program or behavior intervention plan;~~ The district must hold a meeting of the individualized education program team, conduct or review a functional behavioral analysis, review data, consider developing additional or revised positive behavioral interventions and supports, consider actions to reduce the use of restrictive procedures, and modify the individualized education program or behavior intervention plan as appropriate. The district must hold the meeting: within ten calendar days after district staff use restrictive procedures on two separate school days within 30 calendar days or a pattern of use emerges and the child's individualized education program or behavior intervention plan does not provide for using restrictive procedures in an emergency; or at the request of a parent or the district after restrictive procedures are used. The district must review use of restrictive procedures at a child's annual individualized education program meeting when the child's individualized education program provides for using restrictive procedures in an emergency.

(d) If the individualized education program team under paragraph (c) determines that existing interventions and supports are ineffective in reducing the use of restrictive procedures or the district uses restrictive procedures on a child on ten or more school days during the same school year, the team, as appropriate, either must consult with other professionals working with the child; consult with experts in behavior analysis, mental health, communication, or autism; consult with culturally competent professionals; review existing evaluations, resources, and successful strategies; or consider whether to reevaluate the child.

(e) At the individualized education program meeting under paragraph (c), the team must review any known medical or psychological limitations, including any medical information the parent provides voluntarily, that contraindicate the use of a restrictive procedure, consider whether to prohibit that restrictive procedure, and document any prohibition in the individualized education program or behavior intervention plan.

~~(d)~~ (f) An individualized education program team may plan for using restrictive procedures and may include these procedures in a child's individualized education program or behavior intervention plan; however, the restrictive procedures may be used only in response to behavior that constitutes an emergency, consistent with this section. The individualized education program or behavior intervention plan shall indicate how the parent wants to be notified when a restrictive procedure is used.

Subd. 3. **Physical holding or seclusion.** (a) Physical holding or seclusion may be used only in an emergency. A school that uses physical holding or seclusion shall meet the following requirements:

(1) ~~the physical holding or seclusion must be~~ is the least intrusive intervention that effectively responds to the emergency;

(2) physical holding or seclusion is not used to discipline a noncompliant child;

(3) physical holding or seclusion must end ends when the threat of harm ends and the staff determines ~~that~~ the child can safely return to the classroom or activity;

~~(3)~~ (4) staff ~~must directly observe~~ observes the child while physical holding or seclusion is being used;

~~(4)~~ (5) each time physical holding or seclusion is used, the staff person who implements or oversees the physical holding or seclusion ~~shall document~~ documents, as soon as possible after the incident concludes, the following information:

(i) a description of the incident that led to the physical holding or seclusion;

(ii) why a less restrictive measure failed or was determined by staff to be inappropriate or impractical;

(iii) the time the physical holding or seclusion began and the time the child was released; and

(iv) a brief record of the child's behavioral and physical status;

~~(5)~~ (6) the room used for seclusion must:

(i) be at least six feet by five feet;

(ii) be well lit, well ventilated, adequately heated, and clean;

(iii) have a window that allows staff to directly observe a child in seclusion;

(iv) have tamperproof fixtures, electrical switches located immediately outside the door, and secure ceilings;

(v) have doors that open out and are unlocked, locked with keyless locks that have immediate release mechanisms, or locked with locks that have immediate release mechanisms connected with a fire and emergency system; and

(vi) not contain objects that a child may use to injure the child or others;

~~(6)~~ (7) before using a room for seclusion, a school must:

(i) receive written notice from local authorities that the room and the locking mechanisms comply with applicable building, fire, and safety codes; and

(ii) register the room with the commissioner, who may view that room; and

~~(7)~~ (8) until August 1, ~~2013~~ 2015, a school district may use prone restraints with children age five or older ~~under the following conditions~~ if:

(i) ~~a~~ the district has provided to the department a list of staff who have had specific training on the use of prone restraints;

(ii) ~~a~~ the district provides information on the type of training that was provided and by whom;

(iii) ~~prone restraints may only be used by~~ staff who ~~have~~ received specific training use prone restraints;

(iv) each incident of the use of prone restraints is reported to the department within five working days on a form provided by the department; and

(v) ~~a~~ the district, ~~prior to~~ before using prone restraints, must review any known medical or psychological limitations that contraindicate the use of prone restraints.

The department will report back to the chairs and ranking minority members of the legislative committees with primary jurisdiction over education policy by February 1, 2013, on the use of prone restraints in the schools. Consistent with item (iv), The department must collect data on districts' use of prone restraints and publish the data in a readily accessible format on the department's Web site on a quarterly basis.

(b) ~~The department must develop a statewide plan by February 1, 2013, to reduce districts' use of restrictive procedures that includes~~ By March 1, 2014, stakeholders must recommend to the commissioner specific and measurable implementation and outcome goals for reducing the use of restrictive procedures and the commissioner must submit to the legislature a report on districts' progress in reducing the use of restrictive procedures that recommends how to further reduce these procedures and eliminate the use of prone restraints. The statewide plan includes the following components: measurable goals; the resources, training, technical assistance, mental health services, and collaborative efforts needed to significantly reduce districts' use of prone restraints; and recommendations to clarify and improve the law governing districts' use of restrictive procedures. ~~The department must convene commissioner must consult with interested stakeholders to develop the statewide plan and identify the need for technical assistance when preparing the report,~~ including representatives of advocacy organizations, special education directors, intermediate school districts, school boards, day treatment providers, county social services, state human services department staff, mental health professionals, and autism experts. To assist the department and stakeholders under this paragraph, school districts must report summary data to the department by July 1, 2012, on districts' use of restrictive procedures during the 2011-2012 school year, including data on the number of incidents involving restrictive procedures, the total number of students on which restrictive procedures were used, the number of resulting injuries, relevant demographic data on the students and school, and other relevant data collected by the district. By June 30 each year, districts must report summary data on their use of restrictive procedures to the department, in a form and manner determined by the commissioner.

Subd. 4. **Prohibitions.** The following actions or procedures are prohibited:

- (1) engaging in conduct prohibited under section 121A.58;
- (2) requiring a child to assume and maintain a specified physical position, activity, or posture that induces physical pain;
- (3) totally or partially restricting a child's senses as punishment;
- (4) presenting an intense sound, light, or other sensory stimuli using smell, taste, substance, or spray as punishment;
- (5) denying or restricting a child's access to equipment and devices such as walkers, wheelchairs, hearing aids, and communication boards that facilitate the child's functioning, except when temporarily removing the equipment or device is needed to prevent injury to the child or others or serious damage to the equipment or device, in which case the equipment or device shall be returned to the child as soon as possible;
- (6) interacting with a child in a manner that constitutes sexual abuse, neglect, or physical abuse under section 626.556;
- (7) withholding regularly scheduled meals or water;

(8) denying access to bathroom facilities; and

(9) physical holding that restricts or impairs a child's ability to breathe, restricts or impairs a child's ability to communicate distress, places pressure or weight on a child's head, throat, neck, chest, lungs, sternum, diaphragm, back, or abdomen, or results in straddling a child's torso.

Subd. 5. **Training for staff.** (a) To meet the requirements of subdivision 1, staff who use restrictive procedures shall complete training in the following skills and knowledge areas:

(1) positive behavioral interventions;

(2) communicative intent of behaviors;

(3) relationship building;

(4) alternatives to restrictive procedures, including techniques to identify events and environmental factors that may escalate behavior;

(5) de-escalation methods;

(6) standards for using restrictive procedures only in an emergency;

(7) obtaining emergency medical assistance;

(8) the physiological and psychological impact of physical holding and seclusion;

(9) monitoring and responding to a child's physical signs of distress when physical holding is being used; and

(10) recognizing the symptoms of and interventions that may cause positional asphyxia when physical holding is used;

(11) district policies and procedures for timely reporting and documentation of each incident involving use of a restricted procedure; and

(12) schoolwide programs on positive behavior strategies.

(b) The commissioner, after consulting with the commissioner of human services, must develop and maintain a list of training programs that satisfy the requirements of paragraph (a). The commissioner also must develop and maintain a list of experts to help individualized education program teams reduce the use of restrictive procedures. The district shall maintain records of staff who have been trained and the organization or professional that conducted the training. The district may collaborate with children's community mental health providers to coordinate trainings.

Subd. 6. **Behavior supports.** School districts are encouraged to establish effective schoolwide systems of positive behavior interventions and supports. Nothing in this section or section 125A.0941 precludes the use of reasonable force under sections 121A.582; 609.06, subdivision 1; and 609.379.

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

Sec. 4. Minnesota Statutes 2012, section 125A.27, subdivision 8, is amended to read:

Subd. 8. **Eligibility for Part C.** "Eligibility for Part C" means eligibility for ~~early childhood special education~~ infant and toddler intervention services under section 125A.02 and Minnesota Rules.

Sec. 5. Minnesota Statutes 2012, section 125A.27, subdivision 11, is amended to read:

Subd. 11. **Interagency child find systems.** "Interagency child find systems" means activities developed on an interagency basis with the involvement of interagency early intervention committees and other relevant community groups, including primary referral sources included in Code of Federal Regulations, title 34, section 303.303(c), using rigorous standards to actively seek out, identify, and refer infants and young children, with, or at risk of, disabilities, and their families, including a child to reduce the need for future services. The child find system must mandate referrals for a child under the age of three who: (1) is involved in the subject of a substantiated case of abuse or neglect, or (2) is identified as directly affected by illegal substance abuse, or withdrawal symptoms resulting from prenatal drug exposure, to reduce the need for future services. The referral procedures must specify that a referral must occur within seven calendar days from the date of identification.

Sec. 6. Minnesota Statutes 2012, section 125A.27, subdivision 14, is amended to read:

Subd. 14. **Parent.** "Parent" means ~~the biological parent with parental rights, adoptive parent, legal guardian, or surrogate parent~~ "parent" as defined by Code of Federal Regulations, title 34, section 303.27, or a surrogate parent appointed in accordance with Code of Federal Regulations, title 34, section 303.422, or United States Code, title 20, section 1439(a)(5).

Sec. 7. Minnesota Statutes 2012, section 125A.28, is amended to read:

#### **125A.28 STATE INTERAGENCY COORDINATING COUNCIL.**

An Interagency Coordinating Council of at least 17, but not more than 25 members is established, in compliance with Public Law 108-446, section 641. The members must be appointed by the governor and reasonably represent the population of Minnesota. Council members must elect the council chair, who may not be a representative of the Department of Education. The representative of the commissioner may not serve as the chair. The council must be composed of at least five parents, including persons of color, of children with disabilities under age 12, including at least three parents of a child with a disability under age seven, five representatives of public or private providers of services for children with disabilities under age five, including a special education director, county social service director, local Head Start director, and a community health services or public health nursing administrator, one member of the senate, one member of the house of representatives, one representative of teacher preparation programs in early childhood-special education or other preparation programs in early childhood intervention, at least one representative of advocacy organizations for children with disabilities under age five, one physician who cares for young children with special health care needs, one representative each from the commissioners of commerce, education, health, human services, a representative from the state agency responsible for child care, foster care, mental health, homeless coordinator of education of homeless children and youth, and a representative from Indian health services or a tribal council. Section 15.059, subdivisions 2 to 5, apply to the council. The council must meet at least quarterly.

The council must address methods of implementing the state policy of developing and implementing comprehensive, coordinated, multidisciplinary interagency programs of early intervention services for children with disabilities and their families.

The duties of the council include recommending policies to ensure a comprehensive and coordinated system of all state and local agency services for children under age five with disabilities and their families. The policies must address how to incorporate each agency's services into a unified state and local system of multidisciplinary assessment practices, individual intervention plans, comprehensive systems to find children in need of services, methods to improve public awareness, and assistance in determining the role of interagency early intervention committees.

On the date that Minnesota Part C Annual Performance Report is submitted to the federal Office of Special Education, the council must recommend to the governor and the commissioners of education, health, human services, commerce, and employment and economic development policies for a comprehensive and coordinated system.

On an annual basis, the council must prepare and submit an annual report to the governor and the secretary of the federal Department of Education on the status of early intervention services and programs for infants and toddlers with disabilities and their families under the Individuals with Disabilities Education Act, United States Code, title 20, sections 1471 to 1485 (Part C, Public Law 102-119), as operated in Minnesota. The Minnesota Part C annual performance report may serve as the report.

Notwithstanding any other law to the contrary, the State Interagency Coordinating Council expires on June 30, 2014 does not expire unless federal law no longer requires the existence of the council or committee.

Sec. 8. Minnesota Statutes 2012, section 125A.29, is amended to read:

**125A.29 RESPONSIBILITIES OF COUNTY BOARDS AND SCHOOL BOARDS.**

(a) It is the joint responsibility of county boards and school boards to coordinate, provide, and pay for appropriate services, and to facilitate payment for services from public and private sources. Appropriate services for children eligible under section 125A.02 must be determined in consultation with parents, physicians, and other educational, medical, health, and human services providers. The services provided must be in conformity with:

(1) an IFSP for each eligible infant and toddler from birth through age two and the infant's or toddler's family including:

- (i) American Indian infants and toddlers with disabilities and their families residing on a reservation geographically located in the state;
- (ii) infants and toddlers with disabilities who are homeless children and their families; and
- (iii) infants and toddlers with disabilities who are wards of the state; or

(2) an individualized education program (IEP) or individual service plan (ISP) for each eligible child ages three through four.

(b) Appropriate early intervention services include family education and counseling, home visits, occupational and physical therapy, speech pathology, audiology, psychological services, special instruction, nursing, respite, nutrition, assistive technology, transportation and related costs, social work, vision services, case management services provided in conformity with an IFSP that are designed to meet the special developmental needs of an eligible child and the needs of the child's family related to enhancing the child's development and that are selected in collaboration with the

parent. These services include core early intervention services and additional early intervention services listed in this section and infant and toddler intervention services defined under United States Code, title 20, sections 1431 to 1444, and Code of Federal Regulations, title 34, section 303, including service coordination under section 125A.33, medical services for diagnostic and evaluation purposes, early identification, and screening, assessment, and health services necessary to enable children with disabilities to benefit from early intervention services.

(c) School and county boards shall coordinate early intervention services. In the absence of agreements established according to section 125A.39, service responsibilities for children birth through age two are as follows:

(1) school boards must provide, pay for, and facilitate payment for special education and related services required under sections 125A.03 and 125A.06;

(2) county boards must provide, pay for, and facilitate payment for noneducational services of social work, psychology, transportation and related costs, nursing, respite, and nutrition services not required under clause (1).

(d) School and county boards may develop an interagency agreement according to section 125A.39 to establish agency responsibility that assures early intervention services are coordinated, provided, paid for, and that payment is facilitated from public and private sources.

(e) County and school boards must jointly determine the primary agency in this cooperative effort and must notify the commissioner of the state lead agency of their decision.

Sec. 9. Minnesota Statutes 2012, section 125A.30, is amended to read:

**125A.30 INTERAGENCY EARLY INTERVENTION COMMITTEES.**

(a) A school district, group of districts, or special education cooperative, in cooperation with the health and human service agencies located in the county or counties in which the district or cooperative is located, must establish an Interagency Early Intervention Committee for children with disabilities under age five and their families under this section, and for children with disabilities ages three to 22 consistent with the requirements under sections 125A.023 and 125A.027. Committees must include representatives of local health, education, and county human service agencies, county boards, school boards, early childhood family education programs, Head Start, parents of young children with disabilities under age 12, child care resource and referral agencies, school readiness programs, current service providers, and may also include representatives from other private or public agencies and school nurses. The committee must elect a chair from among its members and must meet at least quarterly.

(b) The committee must develop and implement interagency policies and procedures concerning the following ongoing duties:

(1) develop public awareness systems designed to inform potential recipient families, especially parents with premature infants, or infants with other physical risk factors associated with learning or development complications, of available programs and services;

(2) to reduce families' need for future services, and especially parents with premature infants, or infants with other physical risk factors associated with learning or development complications, implement interagency child find systems designed to actively seek out, identify, and refer infants and young children with, or at risk of, disabilities, including a child under the age of three who: (i)

is ~~involved in the subject of a substantiated case of abuse or neglect or (ii) is identified as directly affected by illegal substance abuse, or withdrawal symptoms resulting from prenatal drug exposure;~~

(3) establish and evaluate the identification, referral, ~~child screening, evaluation, child-~~ and family-directed assessment systems, procedural safeguard process, and community learning systems to recommend, where necessary, alterations and improvements;

(4) assure the development of individualized family service plans for all eligible infants and toddlers with disabilities from birth through age two, and their families, and individualized education programs and individual service plans when necessary to appropriately serve children with disabilities, age three and older, and their families and recommend assignment of financial responsibilities to the appropriate agencies;

(5) implement a process for assuring that services involve cooperating agencies at all steps leading to individualized programs;

(6) facilitate the development of a transitional transition plan if a service provider is not recommended to continue to provide services in the individual family service plan by the time a child is two years and nine months old;

(7) identify the current services and funding being provided within the community for children with disabilities under age five and their families;

(8) develop a plan for the allocation and expenditure of ~~additional state and~~ federal early intervention funds under United States Code, title 20, section 1471 et seq. (Part C, Public Law 108-446) and United States Code, title 20, section 631, et seq. (Chapter I, Public Law 89-313); and

(9) develop a policy that is consistent with section 13.05, subdivision 9, and federal law to enable a member of an interagency early intervention committee to allow another member access to data classified as not public.

(c) The local committee shall also:

(1) participate in needs assessments and program planning activities conducted by local social service, health and education agencies for young children with disabilities and their families; ~~and.~~

~~(2) review and comment on the early intervention section of the total special education system for the district, the county social service plan, the section or sections of the community health services plan that address needs of and service activities targeted to children with special health care needs, the section on children with special needs in the county child care fund plan, sections in Head Start plans on coordinated planning and services for children with special needs, any relevant portions of early childhood education plans, such as early childhood family education or school readiness, or other applicable coordinated school and community plans for early childhood programs and services, and the section of the maternal and child health special project grants that address needs of and service activities targeted to children with chronic illness and disabilities.~~

Sec. 10. Minnesota Statutes 2012, section 125A.32, is amended to read:

**125A.32 INDIVIDUALIZED FAMILY SERVICE PLAN (IFSP).**

(a) A team must participate in IFSP meetings to develop the IFSP. The team shall include:



(1) a parent or parents of the child, as defined in Code of Federal Regulations, title 34, section 303.27;

(2) other family members, as requested by the parent, if feasible to do so;

(3) an advocate or person outside of the family, if the parent requests that the person participate;

(4) the service coordinator who has been working with the family since the initial referral, or who has been designated by the public agency to be responsible for implementation of the IFSP and coordination with other agencies including transition services; ~~and~~

(5) a person or persons involved in conducting evaluations and assessments; and

(6) as appropriate, persons who will be providing early intervention services under the plan to the child or family.

(b) The IFSP must include:

(1) information about the child's developmental status;

(2) family information, with the consent of the family;

(3) measurable results or major outcomes expected to be achieved by the child with the family's assistance, that include developmentally appropriate preliteracy and language skills for the child, and the criteria, procedures, and timelines;

(4) specific early intervention services based on peer-reviewed research, to the extent practicable, necessary to meet the unique needs of the child and the family to achieve the outcomes;

(5) payment arrangements, if any;

(6) medical and other services that the child needs, but that are not required under the Individual with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part C, Public Law 108-446) including funding sources to be used in paying for those services and the steps that will be taken to secure those services through public or private sources;

(7) dates and duration of early intervention services;

(8) name of the service coordinator;

(9) steps to be taken to support a child's transition from early infant and toddler intervention services to other appropriate services, including convening a transition conference at least 90 days or, at the discretion of all parties, not more than nine months before the child is eligible for preschool services; and

(10) ~~signature of the parent and~~ authorized signatures of the agencies responsible for providing, paying for, or facilitating payment, or any combination of these, for early infant and toddler intervention services.

Sec. 11. Minnesota Statutes 2012, section 125A.33, is amended to read:

**125A.33 SERVICE COORDINATION.**

(a) The team responsible for the initial evaluation and the child- and family-directed assessment and for developing the IFSP under section 125A.32, if appropriate, must select a service coordinator

to carry out service coordination activities on an interagency basis. Service coordination must actively promote a family's capacity and competency to identify, obtain, coordinate, monitor, and evaluate resources and services to meet the family's needs. Service coordination activities include:

- (1) coordinating the performance of evaluations and assessments;
- (2) facilitating and participating in the development, review, and evaluation of individualized family service plans;
- (3) assisting families in identifying available service providers;
- (4) coordinating and monitoring the delivery of available services;
- (5) informing families of the availability of advocacy services;
- (6) coordinating with medical, health, and other service providers;
- (7) facilitating the development of a transition plan to preschool, school, or if appropriate, to other services, at least 90 days before the time the child is no longer eligible for early infant and toddler intervention services or, at the discretion of all parties, not more than nine months prior to the child's eligibility for preschool services third birthday, if appropriate;
- (8) managing the early intervention record and submitting additional information to the local primary agency at the time of periodic review and annual evaluations; and
- (9) notifying a local primary agency when disputes between agencies impact service delivery required by an IFSP.

(b) A service coordinator must be knowledgeable about children and families receiving services under this section, requirements of state and federal law, and services available in the interagency early childhood intervention system. The IFSP must include the name of the services coordinator from the profession most relevant to the child's or family's needs or who is otherwise qualified to carry out all applicable responsibilities under the Individuals with Disabilities Education Act, United States Code, title 20, sections 1471 to 1485 (Part C, Public Law 102-119), who will be responsible for implementing the early intervention services identified in the child's IFSP, including transition services, and coordination with other agencies and persons.

Sec. 12. Minnesota Statutes 2012, section 125A.35, subdivision 1, is amended to read:

Subdivision 1. **Lead agency; allocation of resources.** The state lead agency must administer the early intervention account that consists of federal allocations. The Part C state plan must state the amount of federal resources in the early intervention account available for use by local agencies. The state lead agency must distribute the funds to the local primary agency designated by an Interagency Early Intervention Committee based on a formula that includes a December 1 count of the prior year of Part C eligible children for the following purposes:

- (1) as provided in Code of Federal Regulations, title 34, part ~~303.425~~ 303.430, to arrange for payment for early intervention services not elsewhere available, or to pay for services during the pendency of a conflict procedure, including mediation, complaints, due process hearings, and interagency disputes; and
- (2) to support interagency child find system activities.

Sec. 13. Minnesota Statutes 2012, section 125A.36, is amended to read:

**125A.36 PAYMENT FOR SERVICES.**

Core early intervention services must be provided at public expense with no cost to parents. Parents must be requested to assist in the cost of additional early intervention services by using third-party payment sources ~~and applying for available resources~~. Payment structures permitted under state law must be used to pay for additional early intervention services. Parental financial responsibility must be clearly defined in the IFSP. A parent's inability to pay must not prohibit a child from receiving needed early intervention services.

Sec. 14. Minnesota Statutes 2012, section 125A.43, is amended to read:

**125A.43 MEDIATION PROCEDURE.**

(a) The commissioner, or the commissioner's designee, of the state lead agency must use federal funds to provide mediation for the activities in paragraphs (b) and (c).

(b) A parent may resolve a dispute regarding issues in section 125A.42, paragraph (b), clause (5), through mediation. If the parent chooses mediation, mediation must be voluntary on the part of the parties. The parent and the public agencies must complete the mediation process within 30 calendar days of the date the ~~Office of Dispute Resolution~~ Department of Education receives a parent's written request for mediation unless a district declines mediation. The mediation process may not be used to delay a parent's right to a due process hearing. The resolution of the written, signed mediation agreement is not binding on any party both parties and is enforceable in any state court of competent jurisdiction or in a district court of the United States.

(c) Resolution of a dispute through mediation, or other form of alternative dispute resolution, is not limited to formal disputes arising from the objection of a parent or guardian and is not limited to the period following a request for a due process hearing.

(d) The commissioner shall provide training and resources to school districts to facilitate early identification of disputes and access to mediation.

(e) The local primary agency may request mediation on behalf of involved agencies when there are disputes between agencies regarding responsibilities to coordinate, provide, pay for, or facilitate payment for early intervention services.

Sec. 15. **RULEMAKING AUTHORITY.**

The commissioner of education shall amend Minnesota Rules related to the provision of special education under Part C of the Individuals with Disabilities Education Act using the expedited rulemaking process in Minnesota Statutes, section 14.389. The commissioner shall amend rules in response to new federal regulations in Code of Federal Regulations, title 34, part 303, including definitions of and procedures related to evaluation and assessment, including assessment of the child and family, initial evaluation and assessment, native language, the use of informed clinical opinion as an independent basis to establish eligibility, and transition of a toddler from Part C consistent with Code of Federal Regulations, title 34, sections 303.24, 303.25, and 303.321.

Sec. 16. **REPEALER.**

Minnesota Statutes 2012, section 125A.35, subdivisions 4 and 5, are repealed.

**ARTICLE 6****FACILITIES AND TECHNOLOGY**

Section 1. Minnesota Statutes 2012, section 124D.095, subdivision 10, is amended to read:

Subd. 10. **Online and Digital Learning Advisory Council.** (a) An Online and Digital Learning Advisory Council is established. The term for each council member shall be three years. The advisory council is composed of ~~12~~ 14 members from throughout the state who have demonstrated experience with or interest in online learning. Two members of the council must represent technology business. The remaining membership must represent the following interests:

- (1) superintendents;
- (2) special education specialists;
- (3) technology directors;
- (4) teachers;
- (5) rural, urban, and suburban school districts;
- (6) supplemental programs;
- (7) full-time programs;
- (8) consortia;
- (9) charter schools;
- (10) Board of Teaching-approved teacher preparation programs; and
- (11) parents.

The members of the council shall be appointed by the commissioner.

(b) The advisory council shall bring to the attention of the commissioner and the legislature any matters related to online and digital learning and. The advisory council shall provide input to the department and the legislature in online learning matters related, but not restricted, to:

- (1) quality assurance;
- (2) teacher qualifications;
- (3) program approval;
- (4) special education;
- (5) attendance;
- (6) program design and requirements; and
- (7) fair and equal access to programs.

~~(b) By June 30, 2013;~~ (c) The Online Learning advisory council with the support of the Minnesota Department of Education and the Minnesota Learning Commons shall:

(1) oversee the development and maintenance of a catalog of publicly available digital learning content currently aligned to Minnesota academic standards to include:

- (i) indexing of Minnesota academic standards with which curriculum is aligned;
- (ii) a method for student and teacher users to provide evaluative feedback; and
- (iii) a plan for ongoing maintenance; and

(2) recommend methods for including student performance data on the digital learning content within the catalog.

(d) The advisory council shall also consider and provide input to the department and legislature on digital learning matters including, but not limited to:

(1) methods to maximize the effectiveness of technology and related instructional strategies in teaching and learning to improve student outcomes and identify methods for measuring the impact of using various forms of digital learning in and outside of the classroom;

(2) the effective use of technology to advance a student's ability to learn 21st century skills and knowledge and to involve parents in an education system that is more transparent in terms of outcomes and processes by providing toolkits to help parents, students, and schools make good decisions in the environment of choice;

(3) the use of technology for schools to personalize or differentiate learning to the needs, abilities, and learning styles of each student and guide them towards greater ownership of their learning, so that all students are digital learners and have access to high-quality digital curriculum in every class and level;

(4) methods to prepare current and future educators, education leaders, and staff, to provide professional development and collaboration around best practices to use, and to evaluate the effectiveness of digital tools and instructional strategies to personalize or differentiate education and focus on competency-based learning and advancement, so that all teachers have a digital presence and use high-quality digital curriculum;

(5) methods to support collaborative efforts to leverage resources among districts or at regional levels to provide digital resources, content, and curriculum;

(6) the barriers to improving the use of technology in the classroom, and methods to ensure that each student has access to a digital device and high-speed Internet at school and at home; and

(7) the current disparities in digital education across the state.

(e) The advisory council shall make policy recommendations to the commissioner and committees of the legislature having jurisdiction over kindergarten through grade 12 education annually by December 15 of each year, including implementation plans based on recommendations from previous councils and task forces related to online and digital learning.

(e) (f) The Online and Digital Learning Advisory Council under this subdivision expires June 30, 2013 2016.

Sec. 2. SCHOOL FACILITIES FINANCING WORK GROUP.

The commissioner of education must convene a working group to develop recommendations for reforming the financing of prekindergarten through grade 12 education facilities to create adequate, equitable, and sustainable financing of public school facilities throughout the state. Membership on the working group must include representatives of school superintendents, business managers, school facilities directors, and school boards. The scope of the working group recommendations must include funding options for facilities projects currently financed with debt service, alternative facilities, deferred maintenance, health and safety, building lease, and operating capital revenues. The commissioner, on behalf of the working group, must submit a report to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over kindergarten through grade 12 education finance by February 1, 2014, recommending how best to allocate funds for school facilities.

## ARTICLE 7

### LIBRARIES

Section 1. Minnesota Statutes 2012, section 134.32, is amended to read:

#### **134.32 GRANT AUTHORIZATION; TYPES OF GRANTS AND AID.**

Subdivision 1. **Provision of grants.** The department shall provide the grants and aid specified in this section from any available state, federal, or other funds.

Subd. 3. **Regional library basic system support grants aid.** It shall provide regional library basic system support grants aid to regional public library systems which meet the requirements of section 134.34, to assist those systems in providing basic system services.

Subd. 4. **Special project grants.** It may provide special project grants to assist innovative and experimental library programs including, but not limited to, special services for American Indians and the Spanish-speaking, delivery of library materials to homebound persons, other extensions of library services to persons without access to libraries and projects to strengthen and improve library services.

Subd. 5. **Interlibrary exchange grants.** It may provide grants for interlibrary exchange of books, periodicals, resource material, reference information and the expenses incident to the sharing of library resources and materials, including planning, development and operating grants to multicounty, multitype library systems.

Subd. 6. **Library service grants.** It may provide grants for the improvement of library services at welfare and corrections institutions and for library service for the blind and physically disabled.

Subd. 7. **Construction or remodeling grants.** It may provide grants for construction or remodeling of library facilities from any state and federal funds specifically appropriated for this purpose.

Subd. 8. **Rulemaking.** (a) The commissioner shall promulgate rules consistent with sections 134.32 to 134.355 governing:

(1) applications for these grants and aid;

(2) computation formulas for determining the amounts of establishment grants and regional library basic system support grants aid; and

(3) eligibility criteria for grants and aid.

(b) To the extent allowed under federal law, a construction grant applicant, in addition to the points received under Minnesota Rules, part 3530.2632, shall receive an additional five points if the construction grant is for a project combining public library services and school district library services at a single location.

Sec. 2. Minnesota Statutes 2012, section 134.34, is amended to read:

**134.34 REGIONAL LIBRARY BASIC SYSTEM SUPPORT GRANTS AID; REQUIREMENTS.**

Subdivision 1. **Local support levels.** (a) ~~A~~ Regional library basic system support grant aid shall be ~~made~~ provided to any regional public library system where there are at least three participating counties and where each participating city and county is providing for public library service support the lesser of (a) an amount equivalent to .82 percent of the average of the adjusted net tax capacity of the taxable property of that city or county, as determined by the commissioner of revenue for the second, third, and fourth year preceding that calendar year or (b) a per capita amount calculated under the provisions of this subdivision. The per capita amount is established for calendar year 1993 as \$7.62. In succeeding calendar years, the per capita amount shall be increased by a percentage equal to one-half of the percentage by which the total state adjusted net tax capacity of property as determined by the commissioner of revenue for the second year preceding that calendar year increases over that total adjusted net tax capacity for the third year preceding that calendar year.

(b) The minimum level of support specified under this subdivision or subdivision 4 shall be certified annually to the participating cities and counties by the Department of Education. If a city or county chooses to reduce its local support in accordance with subdivision 4, paragraph (b) or (c), it shall notify its regional public library system. The regional public library system shall notify the Department of Education that a revised certification is required. The revised minimum level of support shall be certified to the city or county by the Department of Education.

(c) A city which is a part of a regional public library system shall not be required to provide this level of support if the property of that city is already taxable by the county for the support of that regional public library system. In no event shall the Department of Education require any city or county to provide a higher level of support than the level of support specified in this section in order for a system to qualify for ~~a~~-regional library basic system support grant aid. This section shall not be construed to prohibit a city or county from providing a higher level of support for public libraries than the level of support specified in this section.

Subd. 3. **Regional designation.** Regional library basic system support grants aid shall be ~~made~~ provided only to those regional public library systems officially designated by the commissioner of education as the appropriate agency to strengthen, improve and promote public library services in the participating areas. The commissioner of education shall designate no more than one such regional public library system located entirely within any single development region existing under sections 462.381 to 462.398 or chapter 473.

Subd. 4. **Limitation.** (a) For calendar year 2010 and later, ~~a~~-regional library basic system support grant aid shall not be ~~made~~ provided to a regional public library system for a participating city or county which decreases the dollar amount provided for support for operating purposes of public library service below the amount provided by it for the second, or third preceding year, whichever is less. For purposes of this subdivision and subdivision 1, any funds provided under section 473.757,

subdivision 2, for extending library hours of operation shall not be considered amounts provided by a city or county for support for operating purposes of public library service. This subdivision shall not apply to participating cities or counties where the adjusted net tax capacity of that city or county has decreased, if the dollar amount of the reduction in support is not greater than the dollar amount by which support would be decreased if the reduction in support were made in direct proportion to the decrease in adjusted net tax capacity.

(b) For calendar year 2009 and later, in any calendar year in which a city's or county's aid under sections 477A.011 to 477A.014 or credit reimbursement under section 273.1384 is reduced after the city or county has certified its levy payable in that year, it may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of the aid and credit reimbursement reductions to the city's or county's revenue base, based on aids certified for the current calendar year. For calendar year 2009 only, the reduction under this paragraph shall be based on 2008 aid and credit reimbursement reductions under the December 2008 unallotment, as well as any aid and credit reimbursement reductions in calendar year 2009. For pay 2009 only, the commissioner of revenue will calculate the reductions under this paragraph and certify them to the commissioner of education within 15 days of May 17, 2009.

(c) For taxes payable in 2010 and later, in any payable year in which the total amounts certified for city or county aids under sections 477A.011 to 477A.014 are less than the total amounts paid under those sections in the previous calendar year, a city or county may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of:

(i) the difference between (A) the sum of the aid it was paid under sections 477A.011 to 477A.014 and the credit reimbursement it received under section 273.1384 in the previous calendar year and (B) the sum of the aid it is certified to be paid in the current calendar year under sections 477A.011 to 477A.014 and the credit reimbursement estimated to be paid under section 273.1384; to

(ii) its revenue base for the previous year, based on aids actually paid in the previous calendar year. The commissioner of revenue shall calculate the percent aid cut for each county and city under this paragraph and certify the percentage cuts to the commissioner of education by August 1 of the year prior to the year in which the reduced aids and credit reimbursements are to be paid. The percentage of reduction related to reductions to credit reimbursements under section 273.1384 shall be based on the best estimation available as of July 30.

(d) Notwithstanding paragraph (a), (b), or (c), no city or county shall reduce its support for public libraries below the minimum level specified in subdivision 1.

(e) For purposes of this subdivision, "revenue base" means the sum of:

(1) its levy for taxes payable in the current calendar year, including the levy on the fiscal disparities distribution under section 276A.06, subdivision 3, paragraph (a), or 473F.08, subdivision 3, paragraph (a);



- (2) its aid under sections 477A.011 to 477A.014 in the current calendar year; and
- (3) its taconite aid in the current calendar year under sections 298.28 and 298.282.

Subd. 7. **Proposed budget.** In addition to the annual report required in section 134.13, a regional public system that receives a basic system support grant aid under this section must provide each participating county and city with its proposed budget for the next year.

Sec. 3. Minnesota Statutes 2012, section 134.351, subdivision 3, is amended to read:

Subd. 3. **Agreement.** In order for a multicounty, multitype library system to qualify for a planning, development or operating grant aid pursuant to sections 134.353 and 134.354, each participating library in the system shall adopt an organizational agreement providing for the following:

- (a) Sharing of resources among all participating libraries;
- (b) Long-range planning for cooperative programs;
- (c) The development of a delivery system for services and programs;
- (d) The development of a bibliographic database; and
- (e) A communications system among all cooperating libraries.

Sec. 4. Minnesota Statutes 2012, section 134.351, subdivision 7, is amended to read:

Subd. 7. **Reports.** Each multicounty, multitype system receiving a grant aid pursuant to section 134.353 or 134.354 shall provide an annual progress report to the Department of Education.

Sec. 5. Minnesota Statutes 2012, section 134.353, is amended to read:

**134.353 MULTICOUNTY, MULTITYPE LIBRARY SYSTEM DEVELOPMENT GRANT AID.**

The commissioner of education may provide development grants aid to multicounty, multitype library systems. In awarding a development grant aid, the commissioner shall consider the extra costs incurred in systems located in sparsely populated and large geographic regions.

Sec. 6. Minnesota Statutes 2012, section 134.354, is amended to read:

**134.354 MULTICOUNTY, MULTITYPE LIBRARY SYSTEM OPERATING GRANT AID.**

The commissioner of education may provide operating grants aid to multicounty, multitype library systems. In awarding an operating grant aid, the commissioner shall consider the extra costs incurred in systems located in sparsely populated and large geographic areas.

Sec. 7. Minnesota Statutes 2012, section 134.355, subdivision 1, is amended to read:

Subdivision 1. **Appropriations.** Basic system support grants aid and regional library telecommunications aid provide the appropriations for the basic regional library system.

Sec. 8. Minnesota Statutes 2012, section 134.355, subdivision 2, is amended to read:

Subd. 2. **Grant application.** Any regional public library system which qualifies according to the provisions of section 134.34 may apply for ~~an annual grant aid~~ for regional library basic system support. Regional public library districts under section 134.201 may not compensate board members using grant aid funds. The amount of ~~each grant aid~~ for each fiscal year shall be calculated as provided in this section.

Sec. 9. Minnesota Statutes 2012, section 134.355, subdivision 3, is amended to read:

Subd. 3. **Per capita distribution.** Fifty-seven and one-half percent of the available grant aid funds shall be distributed to provide all qualifying systems an equal amount per capita. Each system's allocation pursuant to this subdivision shall be based on the population it serves.

Sec. 10. Minnesota Statutes 2012, section 134.355, subdivision 4, is amended to read:

Subd. 4. **Per square mile distribution.** Twelve and one-half percent of the available grant aid funds shall be distributed to provide all qualifying systems an equal amount per square mile. Each system's allocation pursuant to this subdivision shall be based on the area it serves.

Sec. 11. Minnesota Statutes 2012, section 134.355, subdivision 5, is amended to read:

Subd. 5. **Base grant aid distribution.** Five percent of the available grant aid funds shall be paid to each system as a ~~base grant aid~~ for basic system services.

Sec. 12. Minnesota Statutes 2012, section 134.355, subdivision 6, is amended to read:

Subd. 6. **Adjusted net tax capacity per capita distribution.** Twenty-five percent of the available grant aid funds shall be distributed to regional public library systems based upon the adjusted net tax capacity per capita for each member county or participating portion of a county as calculated for the second year preceding the fiscal year for which ~~the grant aid is made~~ provided. Each system's entitlement shall be calculated as follows:

(a) Multiply the adjusted net tax capacity per capita for each county or participating portion of a county by .0082.

(b) Add sufficient grant aid funds that are available under this subdivision to raise the amount of the county or participating portion of a county with the lowest value calculated according to paragraph (a) to the amount of the county or participating portion of a county with the next highest value calculated according to paragraph (a). Multiply the amount of the additional grant aid funds by the population of the county or participating portion of a county.

(c) Continue the process described in paragraph (b) by adding sufficient grant aid funds that are available under this subdivision to the amount of a county or participating portion of a county with the next highest value calculated in paragraph (a) to raise it and the amount of counties and participating portions of counties with lower values calculated in paragraph (a) up to the amount of the county or participating portion of a county with the next highest value, until reaching an amount where funds available under this subdivision are no longer sufficient to raise the amount of a county or participating portion of a county and the amount of counties and participating portions of counties with lower values up to the amount of the next highest county or participating portion of a county.

(d) If the point is reached using the process in paragraphs (b) and (c) at which the remaining grant aid funds under this subdivision are not adequate for raising the amount of a county or participating portion of a county and all counties and participating portions of counties with amounts of lower

value to the amount of the county or participating portion of a county with the next highest value, those funds are to be divided on a per capita basis for all counties or participating portions of counties that received grant aid funds under the calculation in paragraphs (b) and (c).

Sec. 13. Minnesota Statutes 2012, section 134.36, is amended to read:

**134.36 RULES.**

The commissioner of education shall promulgate rules as necessary for implementation of library grant and aid programs.

Sec. 14. **REVISOR'S INSTRUCTION.**

In Minnesota Statutes and Minnesota Rules, the revisor of statutes shall substitute the term "Division of State Library Services" for "Library Development and Services," "Office of Library Development and Services," or "LDS" where "LDS" stands for "Library Development and Services." The revisor shall also make grammatical changes related to the changes in terms.

**ARTICLE 8**

**EARLY CHILDHOOD EDUCATION, SELF-SUFFICIENCY, AND LIFELONG LEARNING**

Section 1. Minnesota Statutes 2012, section 124D.52, is amended by adding a subdivision to read:

Subd. 8. **Standard high school diploma for adults.** (a) The commissioner shall adopt rules for providing a standard adult high school diploma to persons who:

(1) are not eligible for kindergarten through grade 12 services;

(2) do not have a high school diploma; and

(3) successfully complete an adult basic education program of instruction approved by the commissioner of education necessary to earn an adult high school diploma.

(b) Persons participating in an approved adult basic education program of instruction must demonstrate proficiency in a standard set of competencies that reflect the knowledge and skills sufficient to ensure that postsecondary programs and institutions and potential employers regard persons with a standard high school diploma and persons with a standard adult high school diploma as equally well prepared and qualified graduates. Approved adult basic education programs of instruction under this subdivision must issue a standard adult high school diploma to persons who successfully demonstrate proficiency in the competencies, knowledge, and skills required by the program.

**EFFECTIVE DATE.** This section is effective July 1, 2014.

Sec. 2. Laws 2011, First Special Session chapter 11, article 7, section 2, subdivision 8, as amended by Laws 2012, chapter 239, article 3, section 4, is amended to read:

Subd. 8. **Early childhood education scholarships.** For grants to early childhood education scholarships for public or private early childhood preschool programs for children ages 3 to 5:

\$ 2,000,000 ..... 2013

(a) All children whose parents or legal guardians meet the eligibility requirements of paragraph (b) established by the commissioner are eligible to receive early childhood education scholarships under this section.

(b) A parent or legal guardian is eligible for an early childhood education scholarship if the parent or legal guardian:

(1) has a child three or four years of age on September 1, beginning in calendar year 2012; and

(2)(i) has income equal to or less than 47 percent of the state median income in the current calendar year; or

(ii) can document their child's identification through another public funding eligibility process, including the Free and Reduced Price Lunch Program, National School Lunch Act, United States Code, title 42, section 1751, part 210; Head Start under federal Improving Head Start for School Readiness Act of 2007; Minnesota family investment program under chapter 256J; and child care assistance programs under chapter 119B. Early childhood scholarships may not be counted as earned income for the purposes of medical assistance, MinnesotaCare, MFIP, child care assistance, or Head Start programs.

Each year, if this appropriation is insufficient to provide early childhood education scholarships to all eligible children, the Department of Education shall make scholarships available on a first-come, first-served basis.

The commissioner of education shall submit a written report to the education committees of the legislature by January 15, 2012, describing its plan for implementation of scholarships under this subdivision for the 2012-2013 school year.

Any balance in the first year does not cancel but is available in the second year.

The base for this program is \$3,000,000 each year.

### Sec. 3. STANDARD ADULT HIGH SCHOOL DIPLOMA ADVISORY TASK FORCE.

Subdivision 1. Establishment. The commissioner of education shall appoint a nine-member advisory task force to recommend programmatic requirements for adult basic education programs of instruction leading to a standard adult high school diploma under Minnesota Statutes, section 124D.52, subdivision 8.

Subd. 2. Membership. The commissioner of education must appoint representatives from the following organizations to the task force by July 1, 2013:

(1) one employee of the Department of Education with expertise in adult basic education;

(2) five administrators and secondary teachers with expertise in development of education curriculum from local adult basic education programs located in rural, suburban, and urban areas of the state, at least one of whom represents the Literacy Action network;

(3) one employee of the Minnesota State Colleges and Universities with expertise in adult basic education;

(4) one employee of the Department of Employment and Economic Development with expertise in adult basic education and employment; and

(5) one member of the Minnesota Chamber of Commerce familiar with adult basic education programs under Minnesota Statutes, section 124D.52.

Subd. 3. **Duties.** The duties of the task force shall include:

(1) reviewing "Minnesota Adult Secondary Credential: a Student Strategy for Workforce Readiness and Individual Prosperity," a report submitted in 2012 by the Minnesota Adult Secondary Task Force, and other relevant materials; and

(2) developing specific criteria to be used in awarding the new adult diploma.

Subd. 4. **First meeting.** The commissioner of education must convene the first meeting of the task force by August 1, 2013.

Subd. 5. **Chair.** The commissioner shall appoint a chair.

Subd. 6. **Compensation.** Task force members are not eligible for compensation or reimbursement for expenses related to task force activities.

Subd. 7. **Assistance.** The commissioner, upon request, must provide technical assistance to task force members.

Subd. 8. **Report.** By February 1, 2014, the task force must submit its recommendations to the commissioner of education for providing a standard adult high school diploma to persons who are not eligible for kindergarten through grade 12 services, who do not have a high school diploma, and who successfully complete an approved adult basic education program of instruction necessary to earn an adult high school diploma. The commissioner must consider these recommendations when adopting rules under Minnesota Statutes, section 124D.52, subdivision 8.

Subd. 9. **Sunset.** The task force sunsets the day after submitting its report under subdivision 8, or February 2, 2014, whichever is earlier.

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

Delete the title and insert:

"A bill for an act relating to education; modifying policies for early childhood through grade 12 education; including general education student accountability, education excellence, charter schools, special programs, technology, libraries, and early childhood education, self-sufficiency, and lifelong learning; amending Minnesota Statutes 2012, sections 15.059, subdivision 5b; 120A.41; 120B.021, subdivision 1; 120B.023; 120B.024; 120B.15; 120B.31, subdivision 1; 122A.09, subdivision 4; 122A.18, subdivision 2; 122A.23, subdivision 2; 122A.28, subdivision 1; 123B.88, subdivision 22; 123B.92, subdivision 1; 124D.095, subdivision 10; 124D.10; 124D.122; 124D.52, by adding a subdivision; 124D.79, subdivision 1, by adding a subdivision; 125A.0941; 125A.0942; 125A.27, subdivisions 8, 11, 14; 125A.28; 125A.29; 125A.30; 125A.32; 125A.33; 125A.35, subdivision 1; 125A.36; 125A.43; 126C.10, subdivision 14; 126C.15, subdivision 2; 134.32; 134.34; 134.351, subdivisions 3, 7; 134.353; 134.354; 134.355, subdivisions 1, 2, 3, 4, 5, 6; 134.36; 260A.02, subdivision 3; 260A.03; 260A.05, subdivision 1; 260A.07, subdivision 1; Laws 2011, First Special Session chapter 11, article 7, section 2, subdivision 8, as amended; proposing coding for new law in Minnesota Statutes, chapters 120A; 120B; 124D; repealing Minnesota Statutes 2012, section 125A.35, subdivisions 4, 5; Minnesota Rules, parts 3501.0505; 3501.0510; 3501.0515; 3501.0520; 3501.0525; 3501.0530; 3501.0535; 3501.0540; 3501.0545; 3501.0550."

And when so amended the bill be reported to the Senate without recommendation. Amendments adopted. Report adopted.

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

**H.F. No. 760** 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.
760	655				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 760 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 760, the first engrossment; and insert the language after the enacting clause of S.F. No. 655, the first engrossment; further, delete the title of H.F. No. 760, the first engrossment; and insert the title of S.F. No. 655, the first engrossment.

And when so amended H.F. No. 760 will be identical to S.F. No. 655, and further recommends that H.F. No. 760 be given its second reading and substituted for S.F. No. 655, 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 Bakk, from the Committee on Rules and Administration, to which was referred**

**H.F. No. 1233** 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.
1233	1034				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 1233 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1233, the third engrossment; and insert the language after the enacting clause of S.F. No. 1034, the second engrossment; further, delete the title of H.F. No. 1233, the third engrossment; and insert the title of S.F. No. 1034, the second engrossment.

And when so amended H.F. No. 1233 will be identical to S.F. No. 1034, and further recommends that H.F. No. 1233 be given its second reading and substituted for S.F. No. 1034, 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 Bakk, from the Committee on Rules and Administration, to which was referred**

**H.F. No. 630** 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.
630	453				

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 630 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 630, the third engrossment; and insert the language after the enacting clause of S.F. No. 453, the first engrossment; further, delete the title of H.F. No. 630, the third engrossment; and insert the title of S.F. No. 453, the first engrossment.

And when so amended H.F. No. 630 will be identical to S.F. No. 453, and further recommends that H.F. No. 630 be given its second reading and substituted for S.F. No. 453, 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. 723, 767 and 978 were read the second time.

**SECOND READING OF HOUSE BILLS**

H.F. Nos. 760, 1233 and 630 were read the second time.

**INTRODUCTION AND FIRST READING OF SENATE BILLS**

The following bill was read the first time.

**Senators Carlson, Scalze, Osmek, Dahle and Clausen introduced—**

**S.F. No. 1629:** A bill for an act relating to claims against the state; providing for settlement of certain claims; appropriating money.

Referred to the Committee on Finance.

**MOTIONS AND RESOLUTIONS**

**Senators Schmit and Miller introduced –**

**Senate Resolution No. 71:** A Senate resolution congratulating Crissa Knott of Kenyon on being named Ms. Wheelchair Minnesota 2013

Referred to the Committee on Rules and Administration.

**Senator Goodwin introduced –**

**Senate Resolution No. 72:** A Senate resolution honoring Eve Frank for 40 years of service to Meals on Wheels.

Referred to the Committee on Rules and Administration.

### RECESS

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

### MOTIONS AND RESOLUTIONS - CONTINUED

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

### REPORTS OF COMMITTEES

Senator Bakk moved that the Committee Report at the Desk be now adopted. The motion prevailed.

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

**S.F. No. 552:** A bill for an act relating to taxation; providing for tax law modernization and reform; establishing a property tax rebate; reducing state business property tax; establishing a fourth tier income tax; lowering the sales tax rate and broadening the tax base; lowering the corporate franchise tax rate and simplifying the tax by eliminating certain tax preferences; providing for local government aid and county program aid; appropriating money; amending Minnesota Statutes 2012, sections 256.9658, subdivision 3; 270C.03, subdivision 1; 270C.33, subdivision 6; 275.025, subdivisions 1, 4; 289A.08, subdivision 3; 289A.56, subdivision 4; 289A.60, by adding a subdivision; 290.01, subdivisions 7, 19b, 19c, 19d; 290.06, subdivisions 1, 2c, 2d, 22, by adding a subdivision; 290.0921, subdivision 3; 290.095, subdivision 2; 290.17, subdivisions 1, 4; 290.191, subdivision 5; 290.21, subdivision 4; 290A.03, subdivision 13; 297A.61, subdivisions 3, 4, 10, 17a, 25, 27, 31, 38, 45, by adding subdivisions; 297A.62, subdivisions 1, 1a; 297A.64, subdivision 1; 297A.65; 297A.66, by adding a subdivision; 297A.67, subdivisions 7, 8; 297A.68, subdivisions 2, 5; 297A.70, subdivisions 5, 13, 14; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 3; 297F.05, subdivisions 1, 3, 4; 297F.25, subdivision 1; 298.01, subdivision 3b; 477A.011, subdivisions 34, 36, by adding subdivisions; 477A.013, subdivisions 8, 9; 477A.03, subdivisions 2a, 2b; proposing coding for new law in Minnesota Statutes, chapters 270C; 297A; repealing Minnesota Statutes 2012, sections 289A.40, subdivision 6; 290.01, subdivision 6b; 290.0921, subdivision 7; 297A.68, subdivisions 9, 10, 11, 22, 35; 297A.70, subdivisions 10, 11, 12; 297A.96;



477A.011, subdivisions 2a, 27, 29, 31, 32, 33, 39, 40, 41, 42; 477A.0124, subdivision 1; 477A.013, subdivisions 11, 12; 477A.0133; 477A.0134; Minnesota Rules, part 8130.0500, subpart 2.

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

Delete everything after the enacting clause and insert:

## "ARTICLE 1

### AIDS AND CREDITS

Section 1. Minnesota Statutes 2012, section 69.021, is amended by adding a subdivision to read:

Subd. 12. Pension aid accounts. (a) \$745,000 is appropriated from the general fund, in fiscal year 2015 and each year thereafter, to the commissioner of revenue for the purposes of pension aid. The commissioner shall administer the account and allocate money in the account as follows:

(1) \$130,065 as supplemental state pension funding paid to the executive director of the Public Employees Retirement Association for deposit in the public employees police and fire retirement fund established by section 353.65, subdivision 1;

(2) \$64,935 to municipalities employing firefighters with retirement coverage by the public employees police and fire retirement plan, allocated in proportion to the relationship that the preceding June 30 number of firefighters employed by each municipality who have public employees police and fire retirement plan coverage bears to the total preceding June 30 number of municipal firefighters covered by the public employees police and fire retirement plan; and

(3) \$550,000 for municipalities other than the municipalities receiving a disbursement under clause (2) which qualified to receive fire state aid in that calendar year, allocated in proportion to the most recent amount of fire state aid paid under subdivision 7 for the municipality bears to the most recent total fire state aid for all municipalities other than the municipalities receiving a disbursement under clause (2) paid under subdivision 7, with the allocated amount for fire departments participating in the voluntary statewide lump-sum volunteer firefighter retirement plan paid to the executive director of the Public Employees Retirement Association for deposit in the fund established by section 353G.02, subdivision 3, and credited to the respective account and with the balance paid to the treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of the applicable volunteer firefighter relief association for deposit in its special fund.

(b) \$1,550,00 is appropriated from the general fund in fiscal year 2015 to the commissioner of revenue for the purposes of pension aid. The commissioner shall administer the account and allocate money in the account as follows:

(1) one-third to be distributed as police state aid as provided under subdivision 7a; and

(2) two-thirds to be apportioned, on the basis of the number of active police officers certified for police state aid receipt under section 69.011, subdivisions 2 and 2b, between:

(i) the executive director of the Public Employees Retirement Association for deposit as a supplemental state pension funding aid in the public employees police and fire retirement fund established by section 353.65, subdivision 1; and

(ii) the executive director of the Minnesota State Retirement System for deposit as a supplemental state pension funding aid in the state patrol retirement fund.

(c) On or before September 1, annually, the executive director of the Public Employees Retirement Association shall report to the commissioner the following:

(1) the municipalities which employ firefighters with retirement coverage by the public employees police and fire retirement plan;

(2) the number of firefighters with public employees police and fire retirement plan employed by each municipality;

(3) the fire departments covered by the voluntary statewide lump-sum volunteer firefighter retirement plan; and

(4) any other information requested by the commissioner to administer the surcharge fire pension aid account.

(d) For this subdivision, (i) the number of firefighters employed by a municipality who have public employees police and fire retirement plan coverage means the number of firefighters with public employees police and fire retirement plan coverage that were employed by the municipality for not less than 30 hours per week for a minimum of six months prior to December 31 preceding the date of the payment under this section and, if the person was employed for less than the full year, prorated to the number of full months employed; and, (ii) the number of active police officers certified for police state aid receipt under section 69.011, subdivisions 2 and 2b means, for each municipality, the number of police officers meeting the definition of peace officer in section 69.011, subdivision 1, counted as provided and limited by section 69.011, subdivisions 2 and 2b.

(e) The payments under this section shall be made on October 1 each year, based on the amount in the temporary fire pension aid account and the amount in the temporary police pension aid account on the preceding June 30, with interest at 1 percent for each month, or portion of a month, that the amount remains unpaid after October 1. The amounts necessary to make the payments under this subdivision are annually appropriated to the commissioner from the temporary fire and police pension aid accounts. Any necessary adjustments shall be made to subsequent payments.

(f) The provisions of this chapter that prevent municipalities and relief associations from being eligible for, or receiving state aid under this chapter until the applicable financial reporting requirements have been complied with, apply to the amounts payable to municipalities and relief associations under this subdivision.

(g) The appropriations in paragraphs (a) and (b) end on (i) December 31, 2020, or (ii), if earlier, on the December 31 next following the actuarial valuation date on which the assets of the retirement plan on a market value equals or exceeds 90 percent of the total actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation prepared under Minnesota Statutes, section 356.215, and the Standards for Actuarial Work promulgated by the Legislative Commission on Pensions and Retirement, for the State Patrol retirement plan or the public employees police and fire retirement plan, whichever occurs last.

(h) The base for fiscal year 2016 and thereafter under paragraph (a) is \$7,450,000 and the distribution in clauses (1) to (3) are adjusted accordingly. The base for fiscal year 2016 and thereafter, under paragraph (b), is \$15,500,000.

**EFFECTIVE DATE.** This section is effective beginning in the fiscal year beginning July 1, 2014.

Sec. 2. Minnesota Statutes 2012, section 477A.011, subdivision 30, is amended to read:

Subd. 30. **Pre-1940 housing percentage.** (a) Except as provided in paragraph (b), "pre-1940 housing percentage" for a city is 100 times the most recent federal census count by the United States Bureau of the Census of all housing units in the city built before 1940, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

(b) For the city of East Grand Forks only, "pre-1940 housing percentage" is equal to 100 times the 1990 federal census count of all housing units in the city built before 1940, divided by the most recent counts by the United States Bureau of the Census of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 3. Minnesota Statutes 2012, section 477A.011, is amended by adding a subdivision to read:

Subd. 30a. **Percent of housing built between 1940 and 1970.** "Percent of housing built between 1940 and 1970" is equal to 100 times the most recent count by the United States Bureau of the Census of all housing units in the city built after 1939 but before 1970, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 4. Minnesota Statutes 2012, 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 10,000, "city revenue need" is the greater of 2.85 or 1.15 times the sum of (1) 5.0734098 4.59 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage 0.622 times the percent of housing built between 1940 and 1970; plus (3) 2504.06334 times the road accidents factor 169.415 times the jobs per capita; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size the sparsity adjustment, plus (5) 307.664.

(b) For a city with a population equal to or greater than 2,500 and less than 10,000, "city revenue need" is 1.15 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940 housing percentage; minus (3) 53.768 times household size; plus (4) 14.022 times peak population decline.

(b) (c) 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) 62.772 410 plus 0.367 times the city's population over 100. The city revenue need under this paragraph shall not exceed 630.

(e) (d) For a city with a population of at least 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 but less than 3,000, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (b) plus (2) 630 times the difference between one and the transition factor. For a city with a population of at least 10,000 but less than 10,500, the "city revenue need" equals (1) the transition factor times the city's revenue need calculated in paragraph (a) plus (2) the city's revenue need calculated under the formula in paragraph (b) times the difference between one and the transition factor. For purposes of this paragraph "transition factor" is 0.2 percent times the amount that the city's population exceeds the minimum threshold in either of the first two sentences.~~

~~(d)~~ (e) The city revenue need cannot be less than zero.

~~(e)~~ (f) For calendar year ~~2005~~ 2015 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to ~~(d)~~ (e), 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~~ 2013 implicit price deflator for state and local government purchases.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 5. Minnesota Statutes 2012, section 477A.011, subdivision 42, is amended to read:

Subd. 42. **City jobs base Jobs per capita.** (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 (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 November 1 of every odd-numbered year, 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 January 15, of every even-numbered year beginning with January 15, 2014. 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 December 1 of every odd-numbered year. 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 January 15 of all even-numbered years, including any estimates still under objection. For aids payable in 2014 "jobs per capita" shall be based on the annual number of employees and population for calendar year 2010 without additional review.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 6. Minnesota Statutes 2012, section 477A.011, is amended by adding a subdivision to read:

Subd. 44. **Peak population decline.** "Peak population decline" is equal to 100 times the difference between one and the ratio of the city's current population, to the highest city population reported in a federal census from the 1970 census or later. "Peak population decline" shall not be less than zero.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 7. Minnesota Statutes 2012, section 477A.011, is amended by adding a subdivision to read:

Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the sparsity adjustment is 100 for any city with an average population density less than 150 per square mile. The sparsity adjustment is zero for all other cities.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 8. Minnesota Statutes 2012, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **Towns.** ~~In 2002, no town is eligible for a distribution under this subdivision.~~

In 2014 and thereafter, each town is eligible for a distribution under this subdivision equal to the product of (i) its agricultural property factor, (ii) its town area factor, (iii) its population factor, and (iv) 0.00225. As used in this subdivision, the following terms have the meanings given them:

(1) "agricultural property factor" means the ratio of the adjusted net tax capacity of agricultural property located in a town, divided by the adjusted net tax capacity of all other property located in the town. The agricultural property factor cannot exceed eight;

(2) "agricultural property" means property classified under section 273.13, as homestead and nonhomestead agricultural property, rural vacant land, and noncommercial seasonal recreational property;

(3) "town area factor" means the most recent estimate of total acreage, not to exceed 50,000 acres, located in the township available as of July 1 in the aid calculation year, estimated or established by:

(i) the United States Bureau of the Census;

(ii) the State Land Management Information Center; or

(iii) the secretary of state; and

(4) "population factor" means the square root of the towns population.

If the sum of the aids payable to all towns under this subdivision exceeds the limit under section 477A.03, subdivision 2c, the distribution to each town must be reduced proportionately so that the total amount of aids distributed under this section does not exceed the limit in section 477A.03, subdivision 2c.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 9. Minnesota Statutes 2012, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** (a) For aids payable in 2014 only, the formula aid for a city is equal to the sum of (1) its 2013 certified aid and (2) the product of (i) the difference between its unmet need and its 2013 certified aid and (ii) the aid gap percentage.

(b) For aids payable in 2015 and thereafter, 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 formula aid in the previous year and (2) the product of (i) the difference between its unmet need and its certified aid in the previous year under subdivision 9, and (ii) the aid gap percentage.

No city may have a formula aid amount less than zero. The need increase aid gap percentage must be the same for all cities.

The applicable need increase aid gap 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. 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 that the data used to compute "net levy" in subdivision 9 is the data most recently available at the time of the aid computation.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 10. Minnesota Statutes 2012, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **City aid distribution.** (a) In calendar year ~~2013~~ 2014 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base aid adjustment under subdivision 13.

(b) For aids payable in 2013 and 2014 only, the total aid in the previous year for any city shall mean the amount of aid it was certified to receive for aids payable in 2012 under this section. For aids payable in 2015 and thereafter, the total aid in the previous year for any city means the amount of aid it was certified to receive under this section in the previous payable year.

(c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total aid for any city with a population of 2,500 or more may not be less than its total aid under this section in the previous year minus the lesser of \$10 multiplied by its population, or ten percent of its net levy in the year prior to the aid distribution.

(d) (b) For aids payable in 2014 only, the total aid for a city may not be less than the amount it was certified to receive in 2013. For aids payable in ~~2010~~ 2015 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus the lesser of \$10 multiplied by its population, or five percent of its 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a population less than 2,500 must not be less than what it received under this section in the previous year unless its

~~total aid in calendar year 2008 was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum aid is zero~~ its net levy in the year prior to the aid distribution.

(e) A city's aid loss under this section may not exceed \$300,000 in any year in which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or greater than the appropriation under that subdivision in the previous year, unless the city has an adjustment in its city net tax capacity under the process described in section 469.174, subdivision 28.

(f) If a city's net tax capacity used in calculating aid under this section has decreased in any year by more than 25 percent from its net tax capacity in the previous year due to property becoming tax-exempt Indian land, the city's maximum allowed aid increase under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease resulting from the property becoming tax exempt.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 11. Minnesota Statutes 2012, section 477A.013, is amended by adding a subdivision to read:

Subd. 13. **Certified aid adjustments.** (a) A city that received an aid base increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids payable in 2014 through 2018.

(b) A city that received an aid base increase under section 477A.011, subdivision 36, paragraph (r), shall have its total aid under subdivision 9 increased by an amount equal to \$160,000 for aids payable in 2014 and thereafter.

(c) A city that received a temporary aid increase under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (m), (v), or (w), shall have its total aid under subdivision 9 decreased by the amount of its aid base increase under those paragraphs in calendar year 2013.

Sec. 12. Minnesota Statutes 2012, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** For aids payable in 2013 2014 and thereafter, the total aid paid under section 477A.013, subdivision 9, is ~~\$426,438,012~~ \$506,438,012.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 13. Minnesota Statutes 2012, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in ~~2013~~ 2014 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is ~~\$80,795,000~~ \$100,795,000. Each calendar year, \$500,000 of this appropriation shall be retained by the commissioner of revenue to make reimbursements to the commissioner of management and budget for payments made under section 611.27. ~~For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation under this paragraph.~~ The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for

reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in ~~2013~~ 2014 and thereafter, the total aid under section 477A.0124, subdivision 4, is ~~\$84,909,575~~ \$104,909,575. The commissioner of management and budget shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in each fiscal year ~~2004 and thereafter~~. The commissioner of education shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in each fiscal year ~~2004 and thereafter~~. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of management and budget and the commissioner of education for the preparation of local impact notes.

**EFFECTIVE DATE.** This section is effective for aid payable in 2014 and thereafter.

Sec. 14. Minnesota Statutes 2012, section 477A.03, is amended by adding a subdivision to read:

Subd. 2c. **Towns.** For aids payable in 2014, the total aids paid under section 477A.013, subdivision 1, is limited to \$5,000,000. For aids payable in 2015 and thereafter, the total aids paid under section 477A.013, subdivision 1, is limited to the amount certified to be paid in the previous year.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 15. **[477A.10] NATURAL RESOURCES LAND PAYMENTS IN LIEU; PURPOSE.**

The purposes of sections 477A.11 to 477A.14 are:

(1) to compensate local units of government for the loss of tax base from state ownership of land and the need to provide services for state land;

(2) to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land; and

(3) to address the need to manage state lands held in trust for the local taxing districts.

Sec. 16. Minnesota Statutes 2012, section 477A.11, subdivision 3, is amended to read:

Subd. 3. **Acquired natural resources land.** "Acquired natural resources land" means:

(1) ~~any~~ land, other than wildlife management land, presently administered by the commissioner in which the state acquired by purchase, condemnation, or gift, a fee title interest in lands which were previously privately owned; and

(2) lands acquired by the state under chapter 84A that are designated as state parks, state recreation areas, scientific and natural areas, or wildlife management areas.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 17. Minnesota Statutes 2012, section 477A.11, subdivision 4, is amended to read:



Subd. 4. **Other natural resources land.** "Other natural resources land" means any ~~other~~ land, other than acquired natural resource land or wildlife management land, presently owned in fee title by the state and administered by the commissioner, or any tax-forfeited land, other than platted lots within a city or those lands described under subdivision 3, clause (2), which is owned by the state and administered by the commissioner or by the county in which it is located.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 18. Minnesota Statutes 2012, section 477A.11, is amended by adding a subdivision to read:

Subd. 6. **Military game refuge.** "Military game refuge" means land owned in fee by another state agency for military purposes and designated as a state game refuge under section 97A.085.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 19. Minnesota Statutes 2012, section 477A.11, is amended by adding a subdivision to read:

Subd. 7. **Transportation wetland.** "Transportation wetland" means land administered by the Department of Transportation in which the state acquired, by purchase from a private owner, a fee title interest in over 500 acres of land within a county to replace wetland losses from transportation projects.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 20. Minnesota Statutes 2012, section 477A.11, is amended by adding a subdivision to read:

Subd. 8. **Wildlife management land.** "Wildlife management land" means land administered by the commissioner in which the state acquired, from a private owner by purchase, condemnation, or gift, a fee interest under the authority granted in chapter 94 or 97A for wildlife management purposes and actually used as a wildlife management area.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 21. Minnesota Statutes 2012, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** ~~(a) As an offset for expenses incurred by counties and towns in support of natural resources lands;~~ The following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.14. The amounts, based on the acreage as of July 1 of each year prior to the payment year, are:

(1) ~~for acquired natural resources land,~~ \$5.133 multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) \$5.133, multiplied by the total number of acres of transportation wetland or, at the county's option, three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(3) three-fourths of one percent of the appraised value of all wildlife management land in the county;

(4) 50 percent of the dollar amount as determined under clause (1), multiplied by the number of acres of military refuge land in the county;

~~\$1.283~~ (5) \$1.50, multiplied by the number of acres of county-administered other natural resources land in the county;

~~(3) \$1.283~~ (6) \$5.133, multiplied by the total number of acres of land utilization project land in the county; and

~~(4) 64.2 cents~~ (7) \$1.50, multiplied by the number of acres of commissioner-administered other natural resources land located in each the county as of July 1 of each year prior to the payment year; and

(8) without regard to acreage, \$300,000 for local assessments under section 84A.55, subdivision 9.

~~(b) The amount determined under paragraph (a), clause (1), is payable for land that is acquired from a private owner and owned by the Department of Transportation for the purpose of replacing wetland losses caused by transportation projects, but only if the county contains more than 500 acres of such land at the time the certification is made under subdivision 2.~~

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 22. Minnesota Statutes 2012, section 477A.12, subdivision 2, is amended to read:

Subd. 2. **Procedure.** ~~Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the Department of Natural Resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The Department of Natural resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:~~

(1) the number of acres and most recent appraised value of acquired natural resources land, wildlife management land, and military refuge land within each county;

(2) the number of acres of commissioner-administered natural resources land within each county;

(3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources; and

(4) the number of acres of land utilization project land within each county.

The commissioner of transportation shall determine and certify to the commissioner of revenue by March 1 of the payment year the number of acres of land transportation wetland and the appraised value of the land ~~described in subdivision 1, paragraph (b),~~ but only if it exceeds 500 acres in a county.

The commissioner of revenue shall determine the distributions provided for in this section using the number of acres and appraised values certified by the commissioner of natural resources and the commissioner of transportation by March 1 of the payment year.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 23. Minnesota Statutes 2012, section 477A.12, subdivision 3, is amended to read:

Subd. 3. **Determination of appraised value.** For the purposes of this section, the appraised value of acquired natural resources land is the purchase price ~~for the first five years after acquisition until the next six-year appraisal required under this subdivision.~~ The appraised value of acquired natural resources land received as a donation is the value determined for the commissioner of natural resources by a licensed appraiser, or the county assessor's estimated market value if no appraisal is done. The appraised value must be determined by the county assessor every ~~five~~ six years ~~after the land is acquired.~~ All reappraisals shall be done in the same year as county assessors are required to assess exempt land under section 273.18.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 24. Minnesota Statutes 2012, section 477A.14, subdivision 1, is amended to read:

Subdivision 1. **General distribution.** Except as provided in ~~subdivision 2 or in section 97A.061, subdivision 5 subdivisions 2 and 3,~~ 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 64.2 cents, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) from the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township ~~51.3 cents for each acre of acquired natural resources land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and 12.8 cents for each acre of other natural resources land and each acre of land utilization project land located within its boundaries~~ ten percent of the amount received under section 477A.12, subdivision 1, clauses (1), (2), and (5) to (7). Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to provide property tax levy reduction.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 25. Minnesota Statutes 2012, section 477A.14, is amended by adding a subdivision to read:

Subd. 3. **Distribution for wildlife management lands and military refuge lands.** (a) The county treasurer shall allocate the payment for wildlife management land and military game refuge land among the county, towns, and school districts on the same basis as if the payments were taxes on the land received in the year. Payment of a town's or a school district's allocation must be made by the county treasurer to the town or school district within 30 days of receipt of the payment to the county. The county's share of the payment shall be deposited in the county general revenue fund.

(b) The county treasurer of a county with a population over 39,000, but less than 42,000, in the 1950 federal census shall allocate the payment only among the towns and school districts on the same basis as if the payments were taxes on the lands received in the current year.

(c) If a town received a payment in calendar year 2006 or thereafter under this subdivision, and subsequently incorporated as a city, the city shall continue to receive any future year's allocations of wildlife land payments that would have been made to the town had it not incorporated, provided that the payments shall terminate if the governing body of the city passes an ordinance that prohibits hunting within the boundaries of the city.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 26. Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008, chapter 154, article 1, section 4, is amended to read:

Sec. 3. **MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT, PROPERTY TAX REIMBURSEMENT.**

Subdivision 1. **Aid appropriation.** ~~\$600,000~~ \$1,200,000 is appropriated annually from the general fund to the commissioner of revenue to be used to make payments to compensate for the loss of property tax revenue related to the trust conversion application of the Shooting Star Casino. The commissioner shall pay the county of Mahnomen, ~~\$450,000~~ \$900,000; the city of Mahnomen, ~~\$80,000~~ \$160,000; and Independent School District No. 432, Mahnomen, ~~\$70,000~~ \$140,000. The payments shall be made on July 20, of ~~2008~~ 2013 and each subsequent year.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 27. **REPEALER.**

Minnesota Statutes 2012, sections 477A.011, subdivisions 2a, 19, 29, 31, 32, 33, 36, 39, 40, 41, and 42; 477A.013, subdivisions 11 and 12; 477A.0133; and 477A.0134, are repealed.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

**ARTICLE 2**  
**PROPERTY TAX**

Section 1. Minnesota Statutes 2012, section 103B.102, subdivision 3, is amended to read:

Subd. 3. **Evaluation and report.** The Board of Water and Soil Resources shall evaluate performance, financial, and activity information for each local water management entity. The board shall evaluate the entities' progress in accomplishing their adopted plans on a regular basis as determined by the board based on budget and operations of the local water management entity, but not less than once every ~~five~~ ten years. The board shall maintain a summary of local water management entity performance on the board's Web site. Beginning February 1, 2008, and annually thereafter, the board shall provide an analysis of local water management entity performance to the chairs of the house of representatives and senate committees having jurisdiction over environment and natural resources policy.

Sec. 2. Minnesota Statutes 2012, section 103B.335, is amended to read:

**103B.335 TAX LEVY AUTHORITY.**

Subdivision 1. **Local water planning and management.** The governing body of any county, municipality, or township may levy a tax in an amount required to implement sections 103B.301 to 103B.355 or a comprehensive watershed management plan as defined in section 103B.3363.

Subd. 2. **Priority programs; conservation and watershed districts.** A county may levy amounts necessary to pay the reasonable ~~increased~~ costs to soil and water conservation districts and watershed districts of administering and implementing priority programs identified in an approved and adopted plan or a comprehensive watershed management plan as defined in section 103B.3363.

Sec. 3. Minnesota Statutes 2012, section 103B.3369, subdivision 5, is amended to read:

Subd. 5. **Financial assistance.** A base grant may be awarded to a county that provides a match utilizing a water implementation tax or other local source. A water implementation tax that a county intends to use as a match to the base grant must be levied at a rate sufficient to generate a minimum amount determined by the board. The board may award performance-based grants to local units of government that are responsible for implementing elements of applicable portions of watershed management plans, comprehensive plans, local water management plans, or comprehensive watershed management plans, developed or amended, adopted and approved, according to chapter 103B, 103C, or 103D. Upon request by a local government unit, the board may also award performance-based grants to local units of government to carry out TMDL implementation plans as provided in chapter 114D, if the TMDL implementation plan has been incorporated into the local water management plan according to the procedures for approving comprehensive plans, watershed management plans, local water management plans, or comprehensive watershed management plans under chapter 103B, 103C, or 103D, or if the TMDL implementation plan has undergone a public review process. Notwithstanding section 16A.41, the board may award performance-based grants on an advanced basis. The fee authorized in section 40A.152 may be used as a local match or as a supplement to state funding to accomplish implementation of comprehensive plans, watershed management plans, local water management plans, or comprehensive watershed management plans under chapter 103B, 103C, or 103D.

Sec. 4. Minnesota Statutes 2012, section 103C.501, subdivision 4, is amended to read:

Subd. 4. **Cost-sharing funds.** (a) The state board shall allocate ~~at least 70 percent of~~ cost-sharing funds to areas with high priority erosion, sedimentation, or water quality problems or water quantity problems due to altered hydrology. The areas must be selected based on ~~the statewide~~ priorities established by the state board.

(b) The allocated funds must be used for conservation practices for high priority problems identified in the comprehensive and annual work plans of the districts, for the technical assistance portion of the grant funds to leverage federal or other nonstate funds, or to address high-priority needs identified in local water management plans or comprehensive watershed management plans.

(b) ~~The remaining cost-sharing funds may be allocated to districts as follows:~~

- ~~(1) for technical and administrative assistance, not more than 20 percent of the funds; and~~
- ~~(2) for conservation practices for lower priority erosion, sedimentation, or water quality problems.~~

Sec. 5. Minnesota Statutes 2012, section 103F.405, subdivision 1, is amended to read:

Subdivision 1. **Authority.** Each statutory or home rule charter city, town, or county that has planning and zoning authority under sections 366.10 to 366.19, 394.21 to 394.37, or 462.351 to 462.365 is encouraged to adopt a soil loss ordinance. The soil loss ordinance must use the soil loss tolerance for each soil series described in the United States Soil Natural Resources Conservation Service Field Office Technical Guide, or another method approved by the Board of Water and Soil Resources, to determine the soil loss limits, but the soil loss limits must be attainable by the best practicable soil conservation practice. Ordinances adopted by local governments ~~within the metropolitan area defined in section 473.121~~ must be consistent with local water management plans adopted under section 103B.235 a comprehensive plan, local water management plan, or watershed management plan developed or amended, adopted and approved, according to chapter 103B, 103C, or 103D.

Sec. 6. Minnesota Statutes 2012, section 168.012, subdivision 9, is amended to read:

Subd. 9. **Manufactured homes and park trailers.** Manufactured homes and park trailers shall not be taxed as motor vehicles using the public streets and highways and shall be exempt from the motor vehicle tax provisions of this chapter. Except as provided in section 273.125, manufactured homes and park trailers shall be taxed as personal property. The provisions of Minnesota Statutes 1957, section 272.02 or any other act providing for tax exemption shall be inapplicable to manufactured homes and park trailers, except such manufactured homes as are held by a licensed dealer or limited dealer, as defined in section 327B.04, and exempted as inventory under subdivision 9a. Travel trailers not conspicuously displaying current registration plates on the property tax assessment date shall be taxed as manufactured homes if occupied as human dwelling places.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 7. Minnesota Statutes 2012, section 168.012, is amended by adding a subdivision to read:

Subd. 9a. **Manufactured home as dealer inventory.** Manufactured homes as defined in section 327.31, subdivision 6, shall be considered as dealer inventory, on the January 2 assessment date, if the home:

- (1) is listed as inventory and held by a licensed or limited dealer;
- (2) is unoccupied and not available for rent;
- (3) may or may not be permanently connected to utilities when located in a manufactured park;  
and
- (4) may or may not be temporarily connected to utilities when located at a dealer's sales center.

The exemption under this subdivision is allowable for up to five assessment years after the date a home is initially claimed as dealer inventory.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 8. **[270C.9901] ASSESSOR ACCREDITATION.**

Every individual that appraises or physically inspects real property for the purpose of determining its valuation or classification for property tax purposes must obtain licensure as an accredited assessor from the Minnesota State Board of Assessors by July 1, 2017, or by the time the individual is licensed as a certified assessor, whichever is later.

**EFFECTIVE DATE.** This section is effective beginning January 1, 2014.

Sec. 9. Minnesota Statutes 2012, section 272.02, subdivision 10, is amended to read:

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, ~~and real~~ but only if it is not required to be installed by a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency or if it is part of a system for the abatement of pollution that was not required to be installed by a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency when it was originally installed. Real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

Sec. 10. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision to read:

Subd. 98. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

(1) was classified as 3a under section 273.13, subdivision 24, for taxes payable in 2013;

(2) is located in a city of the first class with a population greater than 300,000 as of the 2010 federal census;

(3) was, on January 2, 2012, and for the current assessment, is owned by a federally recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota; and

(4) is used exclusively for tribal purposes or institutions of purely public charity as defined in subdivision 7.

(b) For purposes of this subdivision, a "tribal purpose" means a public purpose as defined in subdivision 8 and includes noncommercial tribal government activities. Property that qualifies for the exemption under this subdivision is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 20,000 square feet. Property acquired for single-family housing, market-rate apartments, agricultural, or forestry does not qualify for this exemption. The exemption created by this subdivision expires with taxes payable in 2024.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

Sec. 11. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision to read:

Subd. 99. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds five megawatts of installed capacity and meets the requirements of this subdivision is exempt. At the time of construction, the facility must be:

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

(2) owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;

(3) designed to utilize reciprocating engines paired with generators to produce electrical power;

(4) located within the service territory of a municipal power agency's electrical municipal utility that serves load exclusively in a metropolitan county as defined in section 473.121, subdivision 4; and

(5) designed to connect directly with a municipality's substation.

(b) Construction of the facility must be commenced after June 1, 2013, and before June 1, 2017. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

**EFFECTIVE DATE.** This section is effective for assessment year 2013, taxes payable in 2014, and thereafter.

Sec. 12. Minnesota Statutes 2012, section 272.025, subdivision 1, is amended to read:



Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 1 to 33, must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue, and with the assessor of the assessment district in which the property is located, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and contents of the statement of exemption.

Sec. 13. Minnesota Statutes 2012, section 273.117, is amended to read:

**273.117 CONSERVATION PROPERTY TAX VALUATION.**

The value of real property which is subject to a conservation restriction or easement ~~may be adjusted~~ shall not be reduced by the assessor if:

(a) the restriction or easement is for a conservation purpose as defined in section 84.64, subdivision 2, and is recorded on the property; and

(b) the property is being used in accordance with the terms of the conservation restriction or easement.

This section does not apply to (1) conservation restrictions or easements covering riparian buffers along lakes, rivers, and streams that are used for water quantity or quality control; or (2) parcels of land in excess of 1,920 acres that allow public motorized access.

**EFFECTIVE DATE.** This section is effective for assessment year 2013 and thereafter, and for taxes payable in 2014 and thereafter.

Sec. 14. Minnesota Statutes 2012, section 273.124, subdivision 14, is amended to read:

Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the Department of Natural Resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

~~(b)(i) Agricultural property shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:~~

~~(1) the agricultural property consists of at least 40 acres including undivided government lots and correctional 40's;~~

~~(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the owner or of the owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;~~

~~(3) both the owner of the agricultural property and the person who is actively farming the agricultural property under clause (2), are Minnesota residents;~~

~~(4) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and~~

~~(5) neither the owner nor the person actively farming the agricultural property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, except that if the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.~~

The relationship under this paragraph may be either by blood or marriage.

~~(ii) Agricultural property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.~~

~~(iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.~~

~~(iv) As used in this paragraph, "agricultural property" means class 2a property and any class 2b property that is contiguous to and under the same ownership as the class 2a property.~~

~~(e) (b) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof from the homestead. Any taxpayer of these noncontiguous lands must notify the county~~

assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

~~(d)~~ (c) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

~~(e)~~ (d) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

~~(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:~~

~~(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;~~

~~(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;~~

~~(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;~~

~~(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and~~

~~(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property~~

continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

~~(g)~~ Agricultural property of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

~~(1)~~ the property consists of at least 40 acres including undivided government lots and correctional 40's;

~~(2)~~ a shareholder, member, or partner of that entity is actively farming the agricultural property;

~~(3)~~ that shareholder, member, or partner who is actively farming the agricultural property is a Minnesota resident;

~~(4)~~ neither that shareholder, member, or partner, nor the spouse of that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

~~(5)~~ that shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

~~(h)~~ (e) To be eligible for the special agricultural homestead under this subdivision, an initial full application must be submitted to the county assessor where the property is located. Owners and the persons who are actively farming the property shall be required to complete only a one-page abbreviated version of the application in each subsequent year provided that none of the following items have changed since the initial application:

(1) the day-to-day operation, administration, and financial risks remain the same;

(2) the owners and the persons actively farming the property continue to live within the four townships or city criteria and are Minnesota residents;

(3) the same operator of the agricultural property is listed with the Farm Service Agency;

(4) a Schedule F or equivalent income tax form was filed for the most recent year;

(5) the property's acreage is unchanged; and

(6) none of the property's acres have been enrolled in a federal or state farm program since the initial application.

The owners and any persons who are actively farming the property must include the appropriate Social Security numbers, and sign and date the application. If any of the specified information has changed since the full application was filed, the owner must notify the assessor, and must complete a new application to determine if the property continues to qualify for the special agricultural homestead. The commissioner of revenue shall prepare a standard reapplication form for use by the assessors.

~~(i)~~ (f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by the August 2007 floods;

(2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted, Steele, Wabasha, or Winona;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2007 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

~~(j) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:~~

~~(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;~~

~~(2) the property is located in the county of Marshall;~~

~~(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;~~

~~(4) the dwelling occupied by the owner is located in Minnesota and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and~~

~~(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.~~

**EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and thereafter.

Sec. 15. Minnesota Statutes 2012, 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).

(a) The grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead.

(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.

(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 (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.

(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 paragraph (c) who does not qualify under paragraph (c) for taxes payable in 2006 or thereafter but who continues to qualify under 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 for taxes payable in 2015 and thereafter.

Sec. 16. Minnesota Statutes 2012, section 273.128, is amended by adding a subdivision to read:

Subd. 1a. **Determination of property tax maximum.** (a) Property taxes on the portion of a rental property certified as class 4d may not exceed ten percent of the gross potential rent for the calendar year in which an application is filed for the units that qualify for certification under this section. "Gross potential rent" means the maximum annual rent the owner of a property is authorized to charge for rental housing units subject to a legally binding rent restriction agreement, assuming that all of the units are occupied at all times. The Housing Finance Agency will adjust gross potential rent annually to the extent of and in accordance with changes in the rent restrictions set forth in the rent restriction agreement.

(b) In order to determine the gross potential rent for a rental property, a separate application must be filed with the Housing Finance Agency by March 31 of the assessment year to establish the maximum property taxes for the portion of a property certified under this section. In addition to the information required in subdivision 2, the application under this subdivision must include a true and correct copy of any regulatory agreements or other documents establishing the rent restrictions for the units eligible for class 4d classification, unless such documentation was provided to the Housing Finance Agency in a previous year and the owner certifies that the rent restrictions have not changed. The Housing Finance Agency may charge an application fee approximately equal to the costs of determining the gross potential rent for the property, any annual adjustments and processing, and reviewing the application. The applicant must pay the application fee to the Housing Finance

Agency for deposit in the housing development fund. The application fee under this subdivision is in addition to the application fee under subdivision 2.

(c) By June 1 of each assessment year, the Housing Finance Agency must certify to the appropriate county or city assessors, the specific properties that are qualified for the maximum property tax limitation and the amount of the annual gross potential rent for the units in the building that qualify for class 4d certification. The auditor shall calculate the maximum property tax for the units that qualify based on the certification from the Housing Finance Agency for taxes payable the year following the assessment year certification.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2015.

Sec. 17. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989, class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone, as defined in section 469.166; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to ~~2.3~~ 1.9 percent of the property's market value and (ii) the tax on class 3a property to ~~2.3~~ 1.9 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes forgone as the result of the credits in proportion to their total levies.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

Sec. 18. Minnesota Statutes 2012, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount is \$592,000,000 for taxes payable in 2002. For taxes payable in subsequent years on seasonal residential recreational property, the levy base amount is increased each year by multiplying the levy base amount for that class of property for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. For taxes payable in 2014 and subsequent years on commercial-industrial property, the tax is imposed under this subdivision at the rate of the tax imposed under this subdivision for taxes payable in 2002. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two

preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

- (1) an erroneous report of taxable value by a local official;
- (2) an erroneous calculation by the commissioner; and
- (3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 19. Minnesota Statutes 2012, section 275.025, subdivision 2, is amended to read:

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, except for ~~electric generation attached machinery under class 3~~ and property described in section 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 20. Minnesota Statutes 2012, section 279.37, subdivision 1a, is amended to read:

Subd. 1a. **Class 3a property.** (a) The delinquent taxes upon a parcel of property which was classified class 3a, for the previous year's assessment ~~and had a total market value of \$500,000 or less for that same assessment~~ shall be eligible to be composed into a confession of judgment with the approval of the county auditor. Property qualifying under this subdivision shall be subject to the same provisions as provided in this section except as provided in paragraphs (b) to ~~(d)~~ (f).

(b) Current year taxes and penalty due at the time the confession of judgment is entered must be paid.

(c) The down payment must include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining is payable in four equal annual installments. A municipality as defined in section 429.011, cities of the first class, and other special assessment authorities, who have certified special assessments against any parcel of property, may, through resolution, waive the requirement of payment of all current and delinquent special assessments at the time the confession is entered. If the municipality, city, or authority grants the waiver, 100 percent of all current year taxes, special assessments, and penalties due at the time, along with 20 percent of all delinquent taxes, special assessments, penalties, interest, and fees must be paid. The balance remaining shall be subject to and included in the installment plan.

(d) When there are current and delinquent special assessments certified and billed against a parcel, the assessment authority or municipality as defined in section 429.011 may abate under



section 375.192, subdivision 2, all special assessments and the penalty and interest affiliated with the special assessments, and reassess the special assessments, penalties, and interest accrued thereon, under section 429.071, subdivision 2. The municipality shall notify the county auditor of its intent to reassess as a precondition to the entry of the confession of judgment. Upon the notice to abate and reassess, the municipality shall, through resolution, notify the county auditor to remove all current and delinquent special assessments and the accrued penalty and interest on the special assessments, and the payment of all or a portion of the current and delinquent assessments shall not be required as part of the down payment due at the time the confession of judgment is entered in accordance with paragraph (c).

~~(d)~~ (e) The amounts entered in judgment bear interest at the rate provided in section 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 279.03, subdivision 1a.

(f) The county auditor may require conditions on properties including, but not limited to, environmental remediation action plan requirements, restrictions, or covenants, when considering a request for approval of eligibility for composition into a confession of judgment for delinquent taxes upon a parcel of property which was classified class 3a, for the previous year's assessment.

Sec. 21. Minnesota Statutes 2012, section 279.37, subdivision 2, is amended to read:

Subd. 2. **Installment payments.** The owner of any such parcel, or any person to whom the right to pay taxes has been given by statute, mortgage, or other agreement, may make and file with the county auditor of the county in which the parcel is located a written offer to pay the current taxes each year before they become delinquent, or to contest the taxes under Minnesota Statutes 1941, sections 278.01 to 278.13, and agree to confess judgment for the amount provided, as determined by the county auditor. By filing the offer, the owner waives all irregularities in connection with the tax proceedings affecting the parcel and any defense or objection which the owner may have to the proceedings, and also waives the requirements of any notice of default in the payment of any installment or interest to become due pursuant to the composite judgment to be so entered. Unless the property is subject to subdivision 1a, with the offer, the owner shall (i) tender one-tenth of the amount of the delinquent taxes, costs, penalty, and interest, and shall (ii) tender all current year taxes and penalty due at the time the confession of judgment is entered. In the offer, the owner shall agree to pay the balance in nine equal installments, with interest as provided in section 279.03, payable annually on installments remaining unpaid from time to time, on or before December 31 of each year following the year in which judgment was confessed. The offer must be substantially as follows:

"To the court administrator of the district court of ..... county, I, ....., am the owner of the following described parcel of real estate located in ..... county, Minnesota:

..... Upon that real estate there are delinquent taxes for the year ....., and prior years, as follows: (here insert year of delinquency and the total amount of delinquent taxes, costs, interest, and penalty). By signing this document I offer to confess judgment in the sum of \$..... and waive all irregularities in the tax proceedings affecting these taxes and any defense or objection which I may have to them, and direct judgment to be entered for the amount stated above, minus the sum of \$....., to be paid with this document, which is one-tenth or one-fifth of the amount of the taxes, costs, penalty, and interest stated above. I agree to pay the balance of the judgment in nine or four equal, annual installments, with interest as provided in section 279.03, payable annually, on the installments remaining unpaid. I agree to pay the installments and interest on or before December 31 of each year following the year in which this judgment is confessed and current taxes each year

before they become delinquent, or within 30 days after the entry of final judgment in proceedings to contest the taxes under Minnesota Statutes, sections 278.01 to 278.13.

Dated ....., ....."

Sec. 22. Minnesota Statutes 2012, section 281.14, is amended to read:

**281.14 EXPIRATION OF TIME FOR REDEMPTION.**

The time for redemption from any tax sale, whether made to the state or to a private person, shall not expire until notice of expiration of redemption, as provided in section ~~281.13~~ 281.17, shall have been given.

Sec. 23. Minnesota Statutes 2012, section 281.17, is amended to read:

**281.17 PERIOD FOR REDEMPTION.**

Except for properties for which the period of redemption has been limited under sections 281.173 and 281.174, the following periods for redemption apply.

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if ~~the land is within an incorporated area unless it is:~~ (a) ~~nonagricultural homesteaded land as defined in section 273.13, subdivision 22;~~ (b) ~~homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a);~~ or (c) ~~seasonal residential recreational land as defined in section 273.13, subdivision 22, paragraph (c), or 25, paragraph (d), clause (1), for which the period of redemption is five years from the date of sale to the state of Minnesota.~~

The period of redemption for homesteaded lands as defined in section 273.13, subdivision 22, located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, and sold to the state at a tax judgment sale is three years from the date of sale. The period of redemption for all lands located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, except (1) homesteaded lands as defined in section 273.13, subdivision 22, and (2) for periods of redemption beginning after June 30, 1991, but before July 1, 1996, lands located in the Loring Park targeted neighborhood on which a notice of lis pendens has been served, and sold to the state at a tax judgment sale is one year from the date of sale.

The period of redemption for all real property constituting a mixed municipal solid waste disposal facility that is a qualified facility under section 115B.39, subdivision 1, is one year from the date of the sale to the state of Minnesota.

~~The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale, except that the period of redemption for nonhomesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (b), shall be two years from the date of sale if at that time that property is owned by a person who owns one or more parcels of property on which taxes are delinquent, and the delinquent taxes are more than 25 percent of the prior year's school district levy.~~

Sec. 24. Minnesota Statutes 2012, section 290A.03, subdivision 3, is amended to read:

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

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

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

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

(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);

(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 claimant, other than one who has rent constituting property taxes, may subtract from income the sum of the following amounts:

(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 who occupies the homestead 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.

(4) A claimant who has rent constituting property taxes may subtract from income the sum of the following amounts:

(a) for the claimant's first dependent, the exemption amount multiplied by 1.5;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.4;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.3;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.2;

(e) for the claimant's fifth dependent, the exemption amount multiplied by 1.1;

(f) if the claimant was disabled or attained the age of 65 on or before December 31 of the year for which the rent constituting property taxes was paid, the exemption amount times 1.5; and

(g) if the claimant's spouse who occupies the homestead was disabled or attained the age of 65 on or before December 31 of the year for which the rent constituting property taxes were 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 beginning with refunds based on rent constituting property taxes paid after December 31, 2012.

Sec. 25. Minnesota Statutes 2012, section 290A.04, subdivision 2a, is amended to read:

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

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 3,589			<del>1,190</del>
<u>4,910</u>	1.0 percent	5 percent	\$ <u>1,790</u>
3,590 to 4,779		<del>10</del>	<del>1,190</del>
<u>4,911 to 6,530</u>	1.0 percent	<u>5</u> percent	\$ <u>1,790</u>
4,780 to 5,969		<del>10</del>	<del>1,190</del>
<u>6,531 to 8,160</u>	1.1 percent	<u>5</u> percent	\$ <u>1,790</u>
5,970 to 8,369		<del>10</del>	<del>1,190</del>
<u>8,161 to 11,440</u>	1.2 percent	<u>5</u> percent	\$ <u>1,790</u>
8,370 to 10,759		<del>15</del>	<del>1,190</del>
<u>11,441 to 14,710</u>	1.3 percent	<u>10</u> percent	\$ <u>1,790</u>
10,760 to 11,949		<del>15</del>	<del>1,190</del>
<u>14,711 to 16,340</u>	1.4 percent	<u>10</u> percent	\$ <u>1,790</u>
11,950 to 13,139		<del>20</del>	<del>1,190</del>
<u>16,341 to 17,960</u>	1.4 percent	<u>15</u> percent	\$ <u>1,790</u>
13,140 to 15,539		<del>20</del>	<del>1,190</del>
<u>17,961 to 21,240</u>	1.5 percent	<u>15</u> percent	\$ <u>1,790</u>
15,540 to 16,729		<del>20</del>	<del>1,190</del>
<u>21,241 to 22,870</u>	1.6 percent	<u>15</u> percent	\$ <u>1,790</u>
16,730 to 17,919		<del>25</del>	<del>1,190</del>
<u>22,871 to 24,500</u>	1.7 percent	<u>20</u> percent	\$ <u>1,790</u>
17,920 to 20,319		<del>25</del>	<del>1,190</del>
<u>24,501 to 27,780</u>	1.8 percent	<u>20</u> percent	\$ <u>1,790</u>

<u>20,320 to 21,509</u>		30	1,190
<u>27,781 to 29,400</u>	1.9 percent	<u>25</u> percent	\$ <u>1,790</u>
<u>21,510 to 22,699</u>		30	1,190
<u>29,401 to 31,030</u>	2.0 percent	<u>25</u> percent	\$ <u>1,790</u>
<u>22,700 to 23,899</u>		30	1,190
<u>31,031 to 32,670</u>	2.2 percent	<u>25</u> percent	\$ <u>1,790</u>
<u>23,900 to 25,089</u>		30	1,190
<u>32,671 to 34,300</u>	2.4 percent	<u>25</u> percent	\$ <u>1,790</u>
<u>25,090 to 26,289</u>		35	1,190
<u>34,301 to 35,940</u>	2.6 percent	<u>30</u> percent	\$ <u>1,790</u>
<u>26,290 to 27,489</u>		35	1,190
<u>35,941 to 37,580</u>	2.7 percent	<u>30</u> percent	\$ <u>1,790</u>
<u>27,490 to 28,679</u>		35	1,190
<u>37,581 to 39,200</u>	2.8 percent	<u>30</u> percent	\$ <u>1,790</u>
<u>28,680 to 29,869</u>		40	1,190
<u>39,201 to 40,830</u>	2.9 percent	<u>35</u> percent	\$ <u>1,790</u>
<u>29,870 to 31,079</u>		40	1,190
<u>40,831 to 42,490</u>	3.0 percent	<u>35</u> percent	\$ <u>1,790</u>
<u>31,080 to 32,269</u>		40	1,190
<u>42,491 to 44,110</u>	3.1 percent	<u>35</u> percent	\$ <u>1,790</u>
<u>32,270 to 33,459</u>		40	1,190
<u>44,111 to 45,740</u>	3.2 percent	<u>35</u> percent	\$ <u>1,790</u>
<u>33,460 to 34,649</u>		45	1,080
<u>45,741 to 47,370</u>	3.3 percent	<u>40</u> percent	\$ <u>1,630</u>
<u>34,650 to 35,849</u>		45	960
<u>47,371 to 49,010</u>	3.4 percent	<u>40</u> percent	\$ <u>1,440</u>
<u>35,850 to 37,049</u>		45	830
<u>49,011 to 50,650</u>	3.5 percent	<u>40</u> percent	\$ <u>1,240</u>
<u>37,050 to 38,239</u>		50	720
<u>50,651 to 52,270</u>	3.5 percent	<u>45</u> percent	\$ <u>1,080</u>
<u>38,240 to 39,439</u>		50	600
<u>52,271 to 53,910</u>	3.5 percent	<u>45</u> percent	\$ <u>900</u>
<u>38,440 to 40,629</u>		50	360
<u>53,911 to 55,540</u>	3.5 percent	<u>45</u> percent	\$ <u>540</u>
<u>40,630 to 41,819</u>		50	120
<u>55,541 to 57,170</u>	3.5 percent	<u>45</u> percent	\$ <u>180</u>

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~ or more than \$57,170.

**EFFECTIVE DATE.** This section is effective beginning with refunds based on rent constituting property taxes paid after December 31, 2012.

Sec. 26. Minnesota Statutes 2012, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined as provided in this subdivision.

(b) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2 for inflation, the percentage increase shall be determined from the year ending on June 30, 2011, to the year ending on June 30 of the year preceding that in which the refund is payable.

(c) In adjusting the dollar amounts of the income thresholds and the maximum refunds under subdivision 2a for inflation, the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2013, to the year ending on June 30 of the year preceding that in which the refund is payable.

(d) The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

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

**EFFECTIVE DATE.** This section is effective beginning with refunds based on rent paid after December 31, 2013.

Sec. 27. Minnesota Statutes 2012, section 290C.02, subdivision 6, is amended to read:

Subd. 6. **Forest land.** "Forest land" means land containing a minimum of 20 contiguous acres for which the owner has implemented a forest management plan that was prepared or updated within the past ten years by an approved plan writer. For purposes of this subdivision, acres are considered to be contiguous even if they are separated by a road, waterway, railroad track, or other similar intervening property. At least 50 percent of the contiguous acreage must meet the definition of forest land in section 88.01, subdivision 7. For the purposes of sections 290C.01 to 290C.11, forest land does not include (i) land used for residential or agricultural purposes, (ii) land enrolled in the reinvest in Minnesota program, a state or federal conservation reserve or easement reserve program under sections 103F.501 to 103F.531, the Minnesota agricultural property tax law under section 273.111, or land subject to agricultural land preservation controls or restrictions as defined in section 40A.02 or under the Metropolitan Agricultural Preserves Act under chapter 473H, ~~or~~ (iii) land exceeding 60,000 acres that is subject to a single conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental nonprofit entity; or (iv) any land that becomes subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity after the effective date of this

act; or (v) land improved with a structure, pavement, sewer, campsite, or any road, other than a township road, used for purposes not prescribed in the forest management plan.

**EFFECTIVE DATE.** This section is effective for calculations made in 2013 and thereafter.

Sec. 28. Minnesota Statutes 2012, section 290C.03, is amended to read:

**290C.03 ELIGIBILITY REQUIREMENTS.**

(a) Land may be enrolled in the sustainable forest incentive program under this chapter if all of the following conditions are met:

(1) the land consists of at least 20 contiguous acres and at least 50 percent of the land must meet the definition of forest land in section 88.01, subdivision 7, during the enrollment;

(2) a forest management plan for the land must be prepared by an approved plan writer and implemented during the period in which the land is enrolled;

(3) timber harvesting and forest management guidelines must be used in conjunction with any timber harvesting or forest management activities conducted on the land during the period in which the land is enrolled;

(4) the land must be enrolled for a minimum of eight years;

(5) there are no delinquent property taxes on the land; and

(6) claimants enrolling more than 1,920 acres in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources and motorized access on established and maintained roads and trails, unless the road or trail is temporarily closed for safety, natural resource, or road damage reasons on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources.

(b) Claimants required to allow access under paragraph (a), clause (6), do not by that action:

(1) extend any assurance that the land is safe for any purpose;

(2) confer upon the person the legal status of an invitee or licensee to whom a duty of care is owed; or

(3) assume responsibility for or incur liability for any injury to the person or property caused by an act or omission of the person.

**EFFECTIVE DATE.** This section is effective for calculations made in 2013 and thereafter.

Sec. 29. Minnesota Statutes 2012, section 290C.055, is amended to read:

**290C.055 LENGTH OF COVENANT.**

(a) The covenant remains in effect for a minimum of eight years. If land is removed from the program before it has been enrolled for four years, the covenant remains in effect for eight years from the date recorded.



(b) If land that has been enrolled for four years or more is removed from the program for any reason, there is a waiting period before the covenant terminates. The covenant terminates on January 1 of the fifth calendar year that begins after the date that:

(1) the commissioner receives notification from the claimant that the claimant wishes to remove the land from the program under section 290C.10; or

(2) the date that the land is removed from the program under section 290C.11.

(c) Notwithstanding the other provisions of this section, the covenant is terminated:

(1) at the same time that the land is removed from the program due to acquisition of title or possession for a public purpose under section 290C.10; or

(2) at the request of the claimant after a reduction in payments due to changes in the payment formula under section 290C.07.

**EFFECTIVE DATE.** This section is effective for calculations made in 2013 and thereafter.

Sec. 30. Minnesota Statutes 2012, section 290C.07, is amended to read:

**290C.07 CALCULATION OF INCENTIVE PAYMENT.**

(a) An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall equal \$~~7~~ \$7.25 per acre for each acre enrolled in the sustainable forest incentive program.

~~(b) The annual payment for each Social Security number or state or federal business tax identification number must not exceed \$100,000.~~

**EFFECTIVE DATE.** This section is effective for calculations made in 2013 and thereafter.

Sec. 31. Minnesota Statutes 2012, 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, ~~2013~~ 2018, requires enactment of a special law authorizing the establishment.

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

Sec. 32. Minnesota Statutes 2012, 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, ~~2013~~ 2018, requires enactment of a special law authorizing the establishment of the area.

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

Sec. 33. Minnesota Statutes 2012, section 435.19, subdivision 2, is amended to read:

Subd. 2. **State property.** In the case of property owned by the state or any instrumentality thereof, the governing body of the city or town ~~may~~ must determine the amount that would have been assessed had the land been privately owned. ~~Such~~ The determination shall be made only after the

governing body has held a hearing on the proposed assessment after at least two weeks' notice of the hearing has been given by registered or certified mail to the head of the instrumentality, department or agency having jurisdiction over the property. The instrumentality, department, or agency may, after consultation and agreement by the governing body of the city or town, pay an amount less than the amount determined. The amount thus determined may be paid by the instrumentality, department or agency from available funds. If no funds are available and such instrumentality, department or agency is supported in whole or in part by appropriations from the general fund, then it shall include in its next budget request the amount thus determined. ~~No instrumentality, department or agency shall be bound by the determination of the governing body and may pay from available funds or recommend payment in such lesser amount as it determines is the measure of the benefit received by the land from the improvement.~~

**EFFECTIVE DATE.** This section is effective for assessment year 2013 and thereafter, for taxes payable in 2014 and thereafter.

Sec. 34. Minnesota Statutes 2012, section 435.19, is amended by adding a subdivision to read:

**Subd. 6. Appropriation.** (a) There is annually appropriated from the general fund and credited to the agency assessment account in the special revenue fund, \$5,000,000 in fiscal year 2014 and each year thereafter. Money in the agency assessment account is appropriated annually to the commissioner of revenue for grants to reimburse instrumentalities, departments, or agencies for payment of special assessments, as required under subdivision 2.

(b) Of the amounts appropriated in paragraph (a), the commissioner shall first allocate \$2,000,000 in fiscal year 2014 only to the city of Moose Lake to reimburse for payments related to connection of state facilities to the sewer line.

(c) Notwithstanding the allocation under paragraph (b), the commissioner shall distribute the reimbursements equally between the metropolitan area and greater Minnesota.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 35. Minnesota Statutes 2012, section 473F.08, is amended by adding a subdivision to read:

**Subd. 3c. Bloomington computation.** Effective for property taxes payable in 2014 through taxes payable in 2023, after the Hennepin County auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add \$4,000,000 to the city of Bloomington's areawide portion of the levy. The total areawide portion of the levy for the city of Bloomington, including the additional \$4,000,000 certified pursuant to this subdivision shall be certified by the Hennepin County auditor to the administrative auditor pursuant to subdivision 5. The Hennepin County auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. The additional distribution to the city of Bloomington under this subdivision terminates effective for taxes payable year 2023.

**EFFECTIVE DATE.** This section is effective for taxes payable years 2014 through 2023.

Sec. 36. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243, article 6, section 9, Laws 2000, chapter 490, article 6, section 15, and Laws 2008, chapter 154, article 2, section 30, is amended to read:

Sec. 3. **TAX; PAYMENT OF EXPENSES.**

(a) The tax levied by the hospital district under Minnesota Statutes, section 447.34, must not be levied at a rate that exceeds the amount authorized to be levied under that section. The proceeds of the tax may be used for all purposes of the hospital district, except as provided in paragraph (b).

(b) 0.015 percent of taxable market value of the tax in paragraph (a) may be used solely by the Cook ambulance service and the Orr ambulance service for the purpose of capital expenditures as it relates to:

(1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance service and not;

(2) attached and portable equipment for use in and for the ambulances; and

(3) parts and replacement parts for maintenance and repair of the ambulances.

The money may not be used for administrative, operation, or salary expenses.

(c) The part of the levy referred to in paragraph (b) must be administered by the Cook Hospital and passed on in equal amounts directly to the Cook area ambulance service board and the city of Orr to be held in trust until funding for a new ambulance is needed by either the Cook ambulance service or the Orr ambulance service used for the purposes in paragraph (b).

Sec. 37. Laws 1999, chapter 243, article 6, section 11, is amended to read:

**Sec. 11. CEMETERY LEVY FOR SAWYER BY CARLTON COUNTY.**

~~Subdivision 1. Levy authorized.~~ Notwithstanding other law to the contrary, the Carlton county board of commissioners may annually levy in and for the unorganized township of Sawyer an amount up to \$1,000 annually for cemetery purposes, beginning with taxes payable in 2000 and ending with taxes payable in 2009.

~~Subd. 2. Effective date.~~ This section is effective June 1, 1999, without local approval.

**EFFECTIVE DATE.** This section applies to taxes payable in 2014 and thereafter, and is effective the day after the Carlton county board of commissioners and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 38. Laws 2008, chapter 366, article 5, section 33, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in 2009, and is repealed effective for taxes levied in ~~2013~~ 2018, payable in ~~2014~~ 2019, and thereafter.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

Sec. 39. Laws 2010, chapter 389, article 1, section 12, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for assessment years 2010 ~~and 2011~~ through 2016, for taxes payable in 2011 ~~and 2012~~ through 2017.

**EFFECTIVE DATE.** This section is effective for assessment years 2012 through 2016.

Sec. 40. **REIMBURSEMENT FOR PROPERTY TAX ABATEMENTS; APPROPRIATION.**

Subdivision 1. **Reimbursement.** The commissioner of revenue shall reimburse taxing jurisdictions for property tax abatements granted in Hennepin County under Laws 2011, First Special Session chapter 7, article 5, section 13, notwithstanding the time limits contained in that section. The reimbursements must be made to each taxing jurisdiction pursuant to the certification of the Hennepin County auditor.

Subd. 2. **Appropriation.** In fiscal year 2014 only, \$336,000 is appropriated to the commissioner of revenue from the general fund to make the payments required in this section.

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

**Sec. 41. ST. PAUL BALL PARK, PROPERTY TAX EXEMPTION; SPECIAL ASSESSMENT.**

Any real or personal property acquired, owned, leased, controlled, used, or occupied by the city of St. Paul for the primary purpose of providing a ball park for a minor league baseball team is declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and is exempt from ad valorem taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. In determining the special benefit received by the properties, no possible use of any of the properties in any manner different from their intended use for providing a minor league ballpark at the time may be considered. 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 and another person for uses related to the purposes of the operation of the ballpark and related parking facilities is exempt from taxation regardless of the length of the lease or use agreement. This section, insofar as it provides an exemption or special treatment, does not apply to any real property that is leased for residential, business, or commercial development or other purposes different from those necessary to the provision and operation of the ball park.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 42. PUBLIC ENTERTAINMENT FACILITY; PROPERTY TAX EXEMPTION; SPECIAL ASSESSMENT.**

Any real or personal property acquired, owned, leased, controlled, used, or occupied by the city of Minneapolis for the primary purpose of providing an arena for a professional basketball team is declared to be acquired, owned, leased, controlled, used, and occupied for public, governmental, and municipal purposes, and is exempt from ad valorem taxation by the state or any political subdivision of the state, provided that the properties are subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. In determining the special benefit received by the properties, no possible use of any of the properties in any manner different from their intended use for providing a professional basketball arena at the time may be considered. 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 and another person for uses related to the purposes of the operation of the arena and related parking facilities is exempt from taxation regardless of the length of the lease or use agreement. This section, insofar as it provides an exemption or special treatment, does not apply to any real property that is leased for residential, business, or commercial

development, or for other purposes different from those necessary to the provision and operation of the arena.

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

**Sec. 43. PUBLIC ENTERTAINMENT FACILITY; CONSTRUCTION MANAGER AT RISK.**

(a) For any real or personal property acquired, owned, leased, controlled, used, or occupied by the city of Minneapolis for the primary purpose of providing an arena for a professional basketball team, the city of Minneapolis may contract for construction, materials, supplies, and equipment in accordance with Minnesota Statutes, section 471.345, except that the city may employ or contract with persons, firms, or corporations to perform one or more or all of the functions of an engineer, architect, construction manager, or program manager with respect to all or any part of a project to renovate, refurbish, and remodel the arena under either the traditional design-bid-build or construction manager at risk, or a combination thereof.

(b) The city may prepare a request for proposals for one or more of the functions described in paragraph (a). The request must be published in a newspaper of general circulation. The city may prequalify offerors by issuing a request for qualifications, in advance of the request for proposals, and select a short list of responsible offerors to submit proposals.

(c) As provided in the request for proposals, the city may conduct discussions and negotiations with responsible offerors in order to determine which proposal is most advantageous to the city and to negotiate the terms of an agreement. In conducting discussions, there shall be no disclosure of any information derived from proposals submitted by competing offerors and the content of all proposals is nonpublic data under Minnesota Statutes, chapter 13, until such time as a notice to award a contract is given by the city.

(d) Upon agreement on the guaranteed maximum price, the construction manager or program manager may enter into contracts with subcontractors for labor, materials, supplies, and equipment for the renovation project through the process of public bidding, except that the construction manager or program manager may, with the consent of the city:

(1) narrow the listing of eligible bidders to those that the construction manager or program manager determines to possess sufficient expertise to perform the intended functions;

(2) award contracts to the subcontractors that the construction manager or program manager determines provide the best value under a request for proposals, as described in Minnesota Statutes, section 16C.28, subdivision 1, paragraph (a), clause (2)(c), that are not required to be the lowest responsible bidder; and

(3) for work the construction manager or program manager determines to be critical to the completion schedule, perform work with its own forces without soliciting competitive bids or proposals, if the construction manager or program manager provides evidence of competitive pricing.

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

**Sec. 44. MORATORIUM ON CHANGES IN ASSESSMENT PRACTICE.**

(a) An assessor may not deviate from current practices or policies used generally in assessing or determining the taxable status of property used in the production of biofuels, wine, beer, distilled beverages, or dairy products.

(b) An assessor may not change the taxable status of any existing property involved in the industrial processes identified in paragraph (a), unless the change is made as a result of a change in the use of property, or to correct an error. For currently taxable properties, the assessor may change the estimated market value of the property.

**EFFECTIVE DATE.** This section is effective for assessment years 2013 and 2014 only.

**Sec. 45. STUDY AND REPORT ON CERTAIN PROPERTY USED IN BUSINESS AND PRODUCTION.**

In order to provide the legislature with information and recommendations related to the past, present, and future options for assessment of property used in business and production activities, the commissioner of revenue with the cooperation of the commissioners of agriculture and economic development must study the impact of alternative interpretations and application related to the real and personal property provisions contained in Minnesota Statutes, section 272.03, subdivisions 1 and 2. The commissioner must report a summary of findings and recommendations to the chairs and ranking minority members of the agriculture, energy, and tax committees of the senate and house of representatives by February 1, 2014. The commissioner shall provide for the involvement and participation stakeholders from the business and production industry in the study and recommendations. The study and recommendations shall include, but not be limited to:

(1) the past and present tax application to process in the production of a product;

(2) exemption from real property for process components of production such as tanks or containment vessels or other devices wherein a molecular, chemical, or biological change occurs such that the intended output from the production process is a different substance from that which was introduced into the tanks, vessels, or other devices and removal of a tank, device or vessel from the process that would stop or harm the production of the final intended product;

(3) definitions for process equipment;

(4) the potential economic and competitive impact in relation to other midwestern states;

(5) the impact on state and local taxes from 2009 to the present and into the future;

(6) the past, present, and future impact on business and production industries;

(7) impact on Minnesota's renewable energy goal attainment; and

(8) other elements considered important for legislative consideration.

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

**Sec. 46. REENROLLMENT; SUSTAINABLE FOREST INCENTIVE PROGRAM.**

A person who elected to terminate participation in the sustainable forest incentive program, as provided in Laws 2011, First Special Session chapter 7, article 6, section 12, may reenroll lands for which the claimant terminated participation. A person must apply for reenrollment under this section within 60 days after the effective date of this section.

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

Sec. 47. **PROPERTY TAX SAVINGS REPORT.**

(a) In addition to the certification of its proposed property tax levy under Minnesota Statutes, section 275.065, each city that has a population over 500 and each county shall also include the amount of sales and use tax paid, or was estimated to be paid, in 2012.

(b) At the time the notice of the proposed property taxes is mailed as required under Minnesota Statutes, section 275.065, subdivision 3, the county treasurer shall also include a separate statement providing a list of sales and use tax certified by the county and cities within their jurisdiction.

(c) At the public hearing required under Minnesota Statutes, section 275.065, subdivision 3, the county and city must discuss the estimated savings realized to their budgets that resulted from the sales tax exemption authorized under Minnesota Statutes, section 297A.70, subdivision 2, and how those savings will be used for property tax levy reductions, fee reductions, and other purposes as deemed appropriate.

Reasonable costs of preparing the notice required in this section must be apportioned between taxing jurisdictions as follows:

(1) one-half is allocated to the county; and

(2) one-half is allocated among the cities.

The amount allocated in clause (2) must be further apportioned among all the cities in the proportion that the number of parcels in the city bears to the number of parcels in all the cities that have populations over 500.

**EFFECTIVE DATE.** This section is effective the day following final enactment, for taxes levied in 2013 and payable in 2014.

Sec. 48. **METROPOLITAN FISCAL DISPARITIES WORKING GROUP.**

(a) The commissioner of revenue shall convene a working group of interested individuals to examine the issues faced by local governments that are required to pay for services which are otherwise generally provided throughout the seven-county metropolitan area by the Metropolitan Council. The commissioner of revenue shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair, but must meet at least three times during the legislative interim. Members of the working group shall serve without compensation. The commissioner of revenue must provide administrative support to the working group.

(b) The working group may make its advisory recommendations to the chairs of house of representatives and senate tax committees on or before February 1, 2014, at which time the working group shall expire.

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

Sec. 49. **REPEALER.**

Minnesota Statutes 2012, section 275.025, subdivision 4, is repealed.

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

## ARTICLE 3

## EDUCATION AIDS AND LEVIES

Section 1. Minnesota Statutes 2012, section 124D.11, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** (a) General education revenue must be paid to a charter school as though it were a district. The general education revenue for each adjusted ~~marginal-cost~~ pupil unit is the state average general education revenue per pupil unit, plus the referendum equalization aid allowance in the pupil's district of residence, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times ~~.0485~~ .0465, calculated without basic skills revenue, extended time revenue, ~~alternative teacher compensation revenue~~, equity revenue, pension adjustment revenue, transition revenue, education advancement revenue, and transportation sparsity revenue, plus basic skills revenue, extended time revenue, ~~basic alternative teacher compensation aid according to section 126C.10, subdivision 34~~, equity revenue, pension adjustment revenue, and transition revenue as though the school were a school district. The general education revenue for each extended time ~~marginal-cost~~ pupil unit equals \$4,378 \$4,722.

(b) ~~Notwithstanding paragraph (a), for charter schools in the first year of operation, general education revenue shall be computed using the number of adjusted pupil units in the current fiscal year.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 2. **[124D.862] ACHIEVEMENT AND INTEGRATION REVENUE.**

Subdivision 1. **Eligibility.** A school district is eligible for achievement and integration revenue under this section if the district has a biennial achievement and integration plan approved by the department under section 124D.861. Priority for funding must be given to eligible school districts that include methods that have been effective in reducing disparities in student achievement in the district's biennial plan.

Subd. 2. **Achievement and integration revenue.** (a) For fiscal year 2014, initial achievement and integration revenue for an eligible district equals the lesser of the district's expenditure for the fiscal year under its budget according to subdivision 1a or the greater of: (1) 90 percent of the district's integration revenue for fiscal year 2013 under Minnesota Statutes 2012, section 124D.86, or (2) the sum of: (i) \$327 times the district's adjusted pupil units for the prior fiscal year computed using the pupil unit weights effective under section 126C.05 for fiscal year 2015 and later, times the district's enrollment of protected students as a percent of its total enrollment on October 1 of the prior fiscal year, plus (ii) \$100 times the district's adjusted pupil units for the prior fiscal year computed using the pupil unit weights effective under section 126C.05 for fiscal year 2015 and later times the district's enrollment of protected students as a percent of its total enrollment on October 1 of the prior fiscal year times the district's focus rating for the prior fiscal year under Minnesota's 2012 Elementary and Secondary Education Act flexibility request.

(b) For fiscal year 2015 and later, initial achievement and integration revenue for an eligible district equals the lesser of the district's expenditure for the fiscal year under its budget according to subdivision 1a or the greater of: (1) 63 percent of the district's integration revenue for fiscal year 2013 under Minnesota Statutes 2012, section 124D.86, or (2) the sum of: (i) \$327 times the district's adjusted pupil units for the prior fiscal year computed using the pupil unit weights effective under



section 126C.05 for fiscal year 2015 and later, times the district's enrollment of protected students as a percent of its total enrollment on October 1 of the prior fiscal year, plus (ii) \$100 times the district's adjusted pupil units for the prior fiscal year computed using the pupil unit weights effective under section 126C.05 for fiscal year 2015 and later, times the district's enrollment of protected students as a percent of its total enrollment on October 1 of the prior fiscal year times the district's focus rating for the prior fiscal year under Minnesota's 2012 Elementary and Secondary Education Act flexibility request.

(c) In each year, .02 percent of each district's initial achievement and integration revenue is transferred to the Department of Education for the oversight and accountability activities required under this section and section 124D.861.

(d) A district that did not meet its achievement goals established in section 124D.861 for the previous biennium must report to the commissioner the reasons why the goals were not met. The district must submit a two-year improvement plan to achieve the unmet goals from its achievement and integration plan. A district that does not meet its goals in the improvement plan must have its initial achievement and integration revenue reduced by 20 percent for the current year.

(e) Any revenue saved by the reductions in paragraph (d) must be proportionately reallocated on a per adjusted pupil unit basis to all districts that met their achievement goals in the previous biennium.

Subd. 3. **Achievement and integration aid.** A district's achievement and integration aid for fiscal year 2014 and later equals the difference between the district's achievement and integration revenue and its achievement and integration levy.

Subd. 4. **Achievement and integration levy.** For fiscal year 2014 and later, a district may levy an amount equal to 30 percent of the district's achievement and integration revenue as defined in subdivision 2. The Department of Education must adjust the levy for taxes payable in 2014 by the difference between the levy under this section and the amount levied by the district under Laws 2011, First Special Session chapter 11, article 2, section 49, paragraph (f).

Subd. 5. **Revenue reserved.** Integration revenue received under this section must be reserved and used only for the programs authorized in subdivision 6.

Subd. 6. **Revenue uses.** At least 80 percent of a district's achievement and integration revenue received under this section must be used for innovative and integrated learning environments, family engagement activities, and other approved programs providing direct services to students. Up to 20 percent of the revenue may be used for professional development and staff development activities, and not more than ten percent of this share of the revenue may be used for administrative expenditures.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 3. Minnesota Statutes 2012, section 126C.10, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** (a) For fiscal years 2013 and 2014, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, gifted and talented revenue, small schools revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation

sparsity revenue, total operating capital revenue, equity revenue, alternative teacher compensation revenue, and transition revenue.

(b) For fiscal year 2015 and later, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, gifted and talented revenue, declining enrollment revenue, small schools revenue, basic supplemental revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, education advancement revenue, equity revenue, pension adjustment revenue, safe schools revenue, and transition revenue.

Sec. 4. Minnesota Statutes 2012, section 126C.10, subdivision 27, is amended to read:

Subd. 27. **District equity index.** (a) A district's equity index equals the greater of zero or the ratio of the sum of the district equity gap amount to the regional equity gap amount \$1,600 minus the district's referendum revenue under section 126C.17, subdivision 4, per adjusted pupil unit to \$1,600.

(b) A charter school's equity index equals the greater of zero or the ratio of \$1,600 minus the school's general education revenue attributable to referendum equalization aid under section 124D.11, subdivision 1, per adjusted pupil unit to \$1,600.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 5. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 37. **Education advancement revenue.** The education advancement revenue for each district equals the advancement allowance times the adjusted pupil units for the school year. The advancement allowance for fiscal year 2015 and later years is \$300.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 6. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 39. **Education advancement levy.** To obtain education advancement revenue, a district may levy an amount not more than the product of its education advancement revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident pupil unit to the education advancement revenue equalizing factor. The education advancement revenue equalizing factor equals \$785,000. If a district adopts a board resolution to levy less than the permitted levy, the district's education advancement aid shall be reduced proportionately.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 7. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 40. **Education advancement aid.** For fiscal year 2015 and later, a school district's education advancement aid is the product of: (1) the difference between the district's education advancement revenue and the education advancement levy; times (2) the ratio of the actual amount levied to the permitted levy.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 8. Minnesota Statutes 2012, section 126C.13, is amended by adding a subdivision to read:

Subd. 3c. **General education levy; districts off the formula.** (a) If the amount of the general education levy for a district exceeds the district's general education revenue, excluding equity revenue, transition revenue, and education advancement revenue, the amount of the general education levy must be limited to the district's general education revenue, excluding equity revenue, transition revenue, and education advancement revenue.

(b) A levy made according to this subdivision shall also be construed to be the levy made according to subdivision 3b.

Sec. 9. Minnesota Statutes 2012, section 126C.13, subdivision 4, is amended to read:

Subd. 4. **General education aid.** (a) For fiscal years ~~2007~~ 2013 and later 2014 only, a district's general education aid is the sum of the following amounts:

(1) general education revenue, excluding equity revenue, total operating capital revenue, alternative teacher compensation revenue, and transition revenue;

(2) operating capital aid under section 126C.10, subdivision 13b;

(3) equity aid under section 126C.10, subdivision 30;

(4) alternative teacher compensation aid under section 126C.10, subdivision 36;

(5) transition aid under section 126C.10, subdivision 33;

(6) shared time aid under section 126C.01, subdivision 7;

(7) referendum aid under section 126C.17, subdivisions 7 and 7a; and

(8) online learning aid according to section 124D.096.

(b) For fiscal year 2015 and later, a district's general education aid equals:

(1) general education revenue, excluding equity revenue, transition revenue, and education advancement revenue, minus the general education levy, multiplied times the ratio of the actual amount of general education levied to the permitted general education levy; plus

(2) equity aid under section 126C.10, subdivision 30; plus

(3) transition aid under section 126C.10, subdivision 33; plus

(4) education advancement aid under section 126C.10, subdivision 40; plus

(5) shared time aid under section 126C.10, subdivision 7; plus

(6) referendum aid under section 126C.17, subdivisions 7 and 7a; plus

(7) online learning aid under section 124D.096.

Sec. 10. Minnesota Statutes 2012, section 126C.17, is amended to read:

#### **126C.17 REFERENDUM REVENUE.**

Subdivision 1. **Referendum allowance.** (a) ~~For fiscal year 2003 and later, a district's initial referendum revenue allowance equals the sum of the allowance under section 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later, plus the referendum conversion allowance~~

approved under subdivision 13, minus \$415. For districts with more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to the referendum conversion allowance and next to the authority with the earliest expiration date. A district's initial referendum revenue allowance may not be less than zero.

(b) For fiscal year 2003, a district's referendum revenue allowance equals the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and December 30, 2001, for fiscal year 2003 and later.

(c) For fiscal year 2004 and later, a district's referendum revenue allowance equals the sum of:

(1) the product of (i) the ratio of the resident marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05, to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal year 2003 and later, plus

(2) any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 after May 30, 2003, for fiscal year 2005 and later.

(a) A district's initial referendum allowance for fiscal year 2015 equals the result of the following calculations:

(1) multiply the referendum allowance the district would have received for fiscal year 2015 under section 126C.17, subdivision 1, based on elections held before July 1, 2013, by the resident marginal cost pupil units the district would have counted for fiscal year 2015 under section 126C.05;

(2) add to the result of clause (1) the adjustment the district would have received under section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013;

(3) divide the result of clause (2) by the district's adjusted pupil units for fiscal year 2015, notwithstanding section 126C.05, subdivision 1, paragraph (d), calculated as though a kindergarten pupil not included in section 126C.05, subdivision 1, paragraph (c), is counted as 0.55 pupil units, and subtract \$300; and

(4) if the result of clause (3) is less than zero, set the allowance to zero.

(b) A district's referendum allowance equals the sum of the district's initial referendum allowance for fiscal year 2015, plus any additional referendum allowance per adjusted pupil unit authorized after June 30, 2013, minus any allowances expiring in fiscal year 2016 or later. For a district with more than one referendum allowance for fiscal year 2015 under section 126C.17, the allowance calculated under paragraph (a) must be divided into components such that the same percentage of the district's allowance expires at the same time as the old allowances would have expired under section 126C.17.

Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal year 2007, 2015 and later, a district's referendum allowance must not exceed the greater of:

(1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177 times the annual inflationary increase as calculated under paragraph (b) plus (ii) its referendum conversion allowance for fiscal year 2003, minus (iii) \$215;

~~(2) the greater of (i): 26 percent of the formula allowance or (ii) \$1,294 times is the base referendum amount calculated in paragraph (b) minus \$300. A district's referendum allowance under this subdivision must not be less than zero.~~

~~(b) The base referendum amount is the annual inflationary increase as calculated under paragraph (b); or times the greatest of:~~

~~(1) \$1,845;~~

~~(2) the sum of the referendum revenue the district would have received for fiscal year 2015 under section 126C.17, subdivision 4, based on elections held before July 1, 2013, and the adjustment the district would have received under section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015, notwithstanding section 126C.05, subdivision 1, paragraph (d), calculated as though a kindergarten pupil not included in section 126C.05, subdivision 1, paragraph (c), is counted as 0.55 pupil units; or~~

~~(3) the product of the referendum allowance limit the district would have received for fiscal year 2015 under section 126C.17, subdivision 2, and the resident marginal cost pupil units the district would have received for fiscal year 2015 under section 126C.05, subdivision 6, plus the adjustment the district would have received under section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015, notwithstanding section 126C.05, subdivision 1, paragraph (d), calculated as though a kindergarten pupil not included in section 126C.05, subdivision 1, paragraph (c), is counted as 0.55 pupil units; or~~

~~(3) (4) for a newly reorganized district created after July 1, 2006 2013, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost adjusted pupil units for the year preceding reorganization.~~

~~(b) (c) For purposes of this subdivision, for fiscal year 2005 2016 and later, "inflationary increase" means one plus the percentage change in the Consumer Price Index for urban consumers, as prepared by the United States Bureau of Labor Standards, for the current fiscal year to fiscal year 2004 2015. For fiscal years 2009 year 2016 and later, for purposes of paragraph (a), clause (1) (3), the inflationary increase equals the inflationary increase for fiscal year 2008 plus one-fourth of the percentage increase in the formula allowance for that year compared with the formula allowance for fiscal year 2008 2015.~~

Subd. 3. **Sparsity exception.** A district that qualifies for sparsity revenue under section 126C.10 is not subject to a referendum allowance limit.

Subd. 4. **Total referendum revenue.** The total referendum revenue for each district equals the district's referendum allowance times the resident marginal cost adjusted pupil units for the school year.

Subd. 5. **Referendum equalization revenue.** (a) For fiscal year 2003 and later, A district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue.

(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's resident marginal cost adjusted pupil units for that year.

(c) For fiscal year 2006, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$500. For fiscal year 2007, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$600.

For fiscal year 2008 and later, A district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or ~~\$700~~ \$775.

(d) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's ~~resident marginal cost~~ adjusted pupil units for that year.

(e) For fiscal year 2006, a district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent of the formula allowance, minus the district's first tier referendum equalization allowance. For fiscal year 2007 and later, A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or ~~26~~ 25 percent of the formula allowance, minus the district's first tier referendum equalization allowance.

(f) Notwithstanding paragraph (e), the second tier referendum allowance for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum allowance under subdivision 1 minus the district's first tier referendum equalization allowance.

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

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident ~~marginal cost~~ pupil unit to ~~\$476,000~~ \$538,200.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident ~~marginal cost~~ pupil unit to ~~\$270,000~~ \$259,415.

Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

(b) If a district's actual levy for first or second tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed ~~26~~ 25 percent of the formula allowance times the district's ~~resident marginal cost~~ adjusted pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of education, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the

referendum allowance exceeding \$415 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy amount otherwise determined, and must be paid to the district each year that the referendum authority remains in effect, is renewed, or new referendum authority is approved. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid after the subtraction must not be less than zero.

**Subd. 7b. Referendum aid guarantee.** (a) Notwithstanding subdivision 7, a district's referendum equalization aid for fiscal year 2015 must not be less than the sum of the referendum equalization aid the district would have received for fiscal year 2015 under section 126C.17, subdivision 7, and the adjustment the district would have received under section 127A.47, subdivision 7, paragraphs (a), (b), and (c).

(b) Notwithstanding subdivision 7, referendum equalization aid for fiscal year 2016 and later, for a district qualifying for additional aid under paragraph (a) for fiscal year 2015, must not be less than the product of (1) the district's referendum equalization aid for fiscal year 2015, times (2) the lesser of one or the ratio of the district's referendum revenue for that school year to the district's referendum revenue for fiscal year 2015, times (3) the lesser of one or the ratio of the district's referendum market value used for fiscal year 2015 referendum equalization calculations to the district's referendum market value used for that year's referendum equalization calculations.

**Subd. 8. Unequalized referendum levy.** Each year, a district may levy an amount equal to the difference between its total referendum revenue according to subdivision 4 and its referendum equalization revenue according to subdivision 5.

**Subd. 9. Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per ~~resident marginal cost adjusted~~ pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per ~~resident marginal cost adjusted~~ pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually by the rate of inflation. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per ~~resident marginal cost adjusted~~ pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of ....., School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per ~~resident marginal cost~~ adjusted pupil unit times the ~~resident marginal cost~~ adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per resident marginal cost pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the



board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

Subd. 10. **School referendum levy; market value.** A school referendum levy must be levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3. Any referendum levy amount subject to the requirements of this subdivision must be certified separately to the county auditor under section 275.07.

Subd. 11. **Referendum date.** (a) Except for a referendum held under paragraph (b), any referendum under this section held on a day other than the first Tuesday after the first Monday in November must be conducted by mail in accordance with section 204B.46. Notwithstanding subdivision 9, paragraph (b), to the contrary, in the case of a referendum conducted by mail under this paragraph, the notice required by subdivision 9, paragraph (b), must be prepared and delivered by first-class mail at least 20 days before the referendum.

(b) In addition to the referenda allowed in subdivision 9, clause (a), the commissioner may grant authority to a district to hold a referendum on a different day if the district is in statutory operating debt and has an approved plan or has received an extension from the department to file a plan to eliminate the statutory operating debt.

(c) The commissioner must approve, deny, or modify each district's request for a referendum levy on a different day within 60 days of receiving the request from a district.

Subd. 13. **Referendum conversion allowance.** A school district that received supplemental or transition revenue in fiscal year 2002 may convert its supplemental revenue conversion allowance and transition revenue conversion allowance to additional referendum allowance under subdivision 1 for fiscal year 2003 and thereafter. A majority of the school board must approve the conversion at a public meeting before November 1, 2001. For a district with other referendum authority, the referendum conversion allowance approved by the board continues until the portion of the district's other referendum authority with the earliest expiration date after June 30, 2006, expires. For a district with no other referendum authority, the referendum conversion allowance approved by the board continues until June 30, 2012.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

**Sec. 11. DIRECTION TO THE COMMISSIONER.**

In computing the reduction to a school district's referendum allowance, the commissioner of education must first reduce a district's referendum allowance with the earliest expiration date and then, if necessary, reduce additional referendum authority allowances based on the next earliest expiration date.

**Sec. 12. OPERATING REFERENDUM FREEZE, FISCAL YEAR 2015.**

Notwithstanding Minnesota Statutes, section 126C.17, subdivision 9, a school district may not authorize an increase to its operating referendum in fiscal year 2015. A school district may reauthorize an operating referendum that is expiring in fiscal year 2015. If a school district asks the voters to reauthorize operating referendum authority that is expiring in fiscal year 2015, it may request a reauthorization of that expiring authority minus \$300.

**Sec. 13. CURRENT YEAR AID PERCENTAGE; APPROPRIATION ADJUSTMENTS.**

(a) Notwithstanding Minnesota Statutes, section 127A.45, subdivision 2, paragraph (d), in fiscal year 2014 and later, the commissioner of education shall reduce the current year aid payment percentage under Minnesota Statutes, section 127A.45, subdivision 2, paragraph (d), by 0.2.

(b) For fiscal year 2014 and later, the commissioner of education shall adjust all appropriations in 2013 Senate File No. 453, if enacted, that are calculated based on a current year aid payment percentage and a final adjustment payment to reflect the current year aid payment percentage, under Minnesota Statutes, section 127A.45, subdivision 2, paragraph (d), as modified by paragraph (a).

**Sec. 14. APPROPRIATIONS.**

**Subdivision 1. Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education for the fiscal years designated and are in addition to any amounts appropriated in any other bill for the same purpose.

**Subd. 2. General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

<u>\$36,460,000</u>	<u>....</u>	<u>2014</u>
<u>\$54,765,000</u>	<u>....</u>	<u>2015</u>

The 2014 appropriation includes \$0 for fiscal year 2013 and \$36,460,000 for fiscal year 2014.

The 2015 appropriation includes \$12,185,000 for fiscal year 2014 and \$42,580,000 for fiscal year 2015.

**ARTICLE 4**  
**SPECIAL TAXES**

Section 1. Minnesota Statutes 2012, section 237.52, subdivision 3, is amended to read:

Subd. 3. **Collection.** Every provider of services capable of originating a TRS call, including cellular communications and other nonwire access services, in this state shall, except as provided in subdivision 3a, collect the charges established by the commission under subdivision 2 and transfer amounts collected to the commissioner of public safety in the same manner as provided in section 403.11, subdivision 1, paragraph (d). The commissioner of public safety must deposit the receipts in the fund established in subdivision 1.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 2. Minnesota Statutes 2012, section 237.52, is amended by adding a subdivision to read:

Subd. 3a. **Fee for prepaid wireless telecommunications service.** The fee established in subdivision 2 does not apply to prepaid wireless telecommunications services as defined in section 403.02, subdivision 17b, which are instead subject to the prepaid wireless telecommunications access Minnesota fee established in section 403.161, subdivision 1, paragraph (b). Collection, remittance, and deposit of prepaid wireless telecommunications access Minnesota fees are governed by sections 403.161 and 403.162.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 3. Minnesota Statutes 2012, section 270B.01, subdivision 8, is amended to read:

Subd. 8. **Minnesota tax laws.** For purposes of this chapter only, unless expressly stated otherwise, "Minnesota tax laws" means:

(1) the taxes, refunds, and fees administered by or paid to the commissioner under chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24), 290, 290A, 291, 295, 297A, 297B, and 297H, and 403, or any similar Indian tribal tax administered by the commissioner pursuant to any tax agreement between the state and the Indian tribal government, and includes any laws for the assessment, collection, and enforcement of those taxes, refunds, and fees; and

(2) section 273.1315.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 4. Minnesota Statutes 2012, section 270B.12, subdivision 4, is amended to read:

Subd. 4. **Department of Public Safety.** The commissioner may disclose return information to the Department of Public Safety for the purpose of and to the extent necessary to administer section sections 270C.725 and 403.16 to 403.162.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 5. Minnesota Statutes 2012, section 270C.03, subdivision 1, is amended to read:

Subdivision 1. **Powers and duties.** The commissioner shall have and exercise the following powers and duties:

- (1) administer and enforce the assessment and collection of taxes;
- (2) make determinations, corrections, and assessments with respect to taxes, including interest, additions to taxes, and assessable penalties;
- (3) use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments;
- (4) investigate the tax laws of other states and countries, and formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of state revenue laws and to secure just and equal taxation and improvement in the system of state revenue laws;
- (5) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;
- (6) execute and administer any agreement with the secretary of the treasury or the Bureau of Alcohol, Tobacco, Firearms and Explosives in the Department of Justice of the United States or a representative of another state regarding the exchange of information and administration of the state revenue laws;
- (7) require town, city, county, and other public officers to report information as to the collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the commissioner, in such form as the commissioner may prescribe;
- (8) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority;

(9) authorize the participation in audits performed by the Multistate Tax Commission. For the purposes of chapter 270B, the Multistate Tax Commission will be considered to be a state for the purposes of auditing corporate sales, excise, and income tax returns.

(10) maintain toll-free telephone access for taxpayer assistance for calls from locations within the state; and

~~(10)~~ (11) exercise other powers and authority and perform other duties required of or imposed upon the commissioner by law.

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

Sec. 6. Minnesota Statutes 2012, 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 arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 256.9658, 290.92, and 297E.02, and the applicable penalties and interest on those taxes.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 287.05, is amended by adding a subdivision to read:

Subd. 10. **Hennepin and Ramsey County.** For properties located in Hennepin and Ramsey County, the county may impose an additional mortgage registry tax as defined in sections 383A.80 and 383B.80.

**EFFECTIVE DATE.** This section is effective for all deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 8. **[287.40] HENNEPIN AND RAMSEY COUNTY.**

For properties located in Hennepin or Ramsey County, the county may impose an additional deed tax as defined in sections 383A.80 and 383B.80.

**EFFECTIVE DATE.** This section is effective for all deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 9. **[295.61] SPORTS MEMORABILIA GROSS RECEIPTS TAX.**

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

(b) "Commissioner" means the commissioner of revenue.

(c) "Sale" means a transfer of title or possession of tangible personal property, whether absolutely or conditionally.

(d) "Sports memorabilia" means items available for sale to the public that are sold under a license granted by any professional or Collegiate Division I sports league or association, a team that is a franchise of a professional sports league or association, or a team that is an affiliate or subsidiary of a professional sports league or association, including:

(1) one-of-a-kind items related to sports figures, teams, or events;

- (2) trading cards;
- (3) photographs;
- (4) clothing;
- (5) sports event licensed items;
- (6) sports equipment; and
- (7) similar items, but not food or beverage items.

(e) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in section 297A.61, subdivision 9, for the purpose of reselling the property to a third party. Wholesale does not mean a sale to a wholesaler.

(f) "Wholesaler" means any person making wholesale sales of sports memorabilia to purchasers in the state.

Subd. 2. **Imposition.** A tax is imposed on each sale at wholesale of sports memorabilia equal to 13 percent of the gross revenues from the sale.

Subd. 3. **Quarterly returns.** Each wholesaler must file quarterly returns and make payments by April 18 for the quarter ending March 31; July 18 for the quarter ending June 30; October 18 for the quarter ending September 30; and January 18 of the following calendar year for the quarter ending December 31.

Subd. 4. **Compensating use tax.** If the tax is not paid under subdivision 2, a compensating tax is imposed on a retailer or possessor for sale of sports memorabilia in the state. The rate of tax equals the rate under subdivision 2 and must be paid by the retailer or possessor for sale of the items.

Subd. 5. **Allocation for youth sports.** Five percent of the revenue collected under subdivision 2 is appropriated to the commissioner for grants to counties for youth and amateur sports.

Subd. 6. **Administrative provisions.** Unless specifically provided otherwise by this section, the relevant audit, assessment, refund, penalty, interest, enforcement, collection remedies, appeal, and administrative provisions of chapters 270C and 289A apply to taxes imposed under this section.

Subd. 7. **Disposition of revenues.** The commissioner shall deposit the revenues from the tax, less the amount allocated in under subdivision 5, in the general fund.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 10. Minnesota Statutes 2012, section 296A.09, subdivision 2, is amended to read:

Subd. 2. **Jet fuel and special fuel tax imposed.** There is imposed an excise tax of ~~the same rate~~ 15 cents per gallon as the aviation gasoline on all jet fuel or special fuel received, sold, stored, or withdrawn from storage in this state, for use as substitutes for aviation gasoline and not otherwise taxed as gasoline. Jet fuel is defined in section 296A.01, subdivision 8.

**EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales and purchases made on or after that date.

Sec. 11. Minnesota Statutes 2012, section 296A.17, subdivision 3, is amended to read:

Subd. 3. **Refund on graduated basis.** Any person who has directly or indirectly paid the excise tax on aviation gasoline or special fuel for aircraft use ~~provided for by this chapter~~ under subdivision 2, and the airflight property tax under section 270.72, shall, as to all such aviation gasoline and special fuel received, stored, or withdrawn from storage by the person in this state in any calendar year and not sold or otherwise disposed of to others, or intended for sale or other disposition to others, on which such tax has been so paid, be entitled to the following graduated reductions in such tax for that calendar year, to be obtained by means of the following refunds:

(1) on each gallon of such aviation gasoline or special fuel up to 50,000 gallons, all but five cents per gallon;

(2) on each gallon of such aviation gasoline or special fuel above 50,000 gallons and not more than 150,000 gallons, all but two cents per gallon;

(3) on each gallon of such aviation gasoline or special fuel above 150,000 gallons and not more than 200,000 gallons, all but one cent per gallon;

(4) on each gallon of such aviation gasoline or special fuel above 200,000, all but one-half cent per gallon.

**EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales and purchases made on or after that date.

Sec. 12. Minnesota Statutes 2012, section 297A.82, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** (a) The following transactions are exempt from the tax imposed in this chapter to the extent provided.

(b) The purchase or use of aircraft previously registered in Minnesota by a corporation or partnership is exempt if the transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code.

(c) The sale to or purchase, storage, use, or consumption by a licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654 is exempt, if the aircraft is resold while the permit is in effect.

(d) Air flight equipment when sold to, or purchased, stored, used, or consumed by airline companies, as defined in section 270.071, subdivision 4, is exempt. For purposes of this subdivision, "air flight equipment" includes airplanes and parts necessary for the repair and maintenance of such air flight equipment, and flight simulators, but does not include airplanes with a gross weight of less than 30,000 pounds that are used on intermittent or irregularly timed flights.

(e) Sales of, and the storage, distribution, use, or consumption of aircraft, as defined in section 360.511 and approved by the Federal Aviation Administration, and which the seller delivers to a purchaser outside Minnesota or which, without intermediate use, is shipped or transported outside Minnesota by the purchaser are exempt, but only if the purchaser is not a resident of Minnesota and provided that the aircraft is not thereafter returned to a point within Minnesota, except in the course of interstate commerce or isolated and occasional use, and will be registered in another state or country upon its removal from Minnesota. This exemption applies even if the purchaser takes possession of the aircraft in Minnesota and uses the aircraft in the state exclusively for training purposes for a period not to exceed ten days prior to removing the aircraft from this state.

(f) The sale or purchase of the following items that relate to aircraft operated under Federal Aviation Regulations, Parts 91 and 135, and associated installation charges: equipment and parts necessary for repair and maintenance of aircraft; and equipment and parts to upgrade and improve aircraft.

**EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales and purchases made on or after that date.

Sec. 13. Minnesota Statutes 2012, section 297A.82, is amended by adding a subdivision to read:

**Subd. 4a. Deposit in state airports fund.** Tax revenue collected from the sale or purchase of an aircraft taxable under this chapter must be deposited in the state airports fund, established in section 360.017.

**EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales and purchases made on or after that date.

Sec. 14. Minnesota Statutes 2012, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) A tax is imposed on all lawful gambling other than (1) paper or electronic pull-tab deals or games; (2) tipboard deals or games; (3) electronic linked bingo; and (4) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of 8.5 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid.

(b) A tax is imposed on the conduct of paper pull-tabs, at the rate of 9 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed under this paragraph applies only to an organization that conducts lawful gambling in a location where at least 50 percent of its annual gross receipts are received from paper bingo as of January 1, 2013.

(c) The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.62 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

(d) The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 15. Minnesota Statutes 2012, section 297E.02, subdivision 6, is amended to read:

Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under subdivision 1, a tax is imposed on the combined receipts of the organization. As used in this section, "combined net receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of paper bingo, raffles, and paddle wheels, as defined in section 297E.01, subdivision 8, and less the net prizes actually paid, other than prizes actually paid for paper bingo, raffles, and paddle wheels, for the fiscal year. The combined net receipts of an organization are subject to a tax computed according to the following schedule:

If the combined net receipts for the fiscal year are:	The tax is:
Not over \$87,500	nine percent

Over \$87,500, but not over \$122,500	\$7,875 plus 18 percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$14,175 plus 27 percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$23,625 plus 36 percent of the amount over \$157,500

(b) On or before April 1, 2016, the commissioner shall estimate the total amount of revenue, including interest and penalties, that will be collected for fiscal year 2016 from taxes imposed under this chapter. If the amount estimated by the commissioner equals or exceeds \$94,800,000, the commissioner shall certify that effective July 1, 2016, the rates under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a notice to that effect in the State Register and notify each taxpayer by June 1, 2016. If the rates under this section apply, the combined net receipts of an organization are subject to a tax computed according to the following schedule:

If the combined net receipts for the fiscal year are:	The tax is:
Not over \$87,500	8.5 percent
Over \$87,500, but not over \$122,500	\$7,438 plus 17 percent of the amount over \$87,500, but not over \$122,500
Over \$122,500, but not over \$157,500	\$13,388 plus 25.5 percent of the amount over \$122,500, but not over \$157,500
Over \$157,500	\$22,313 plus 34 percent of the amount over \$157,500

(c) Gross receipts derived from sports-themed tipboards are exempt from taxation under this section. For purposes of this paragraph, a sports-themed tipboard means a sports-themed tipboard as defined in section 349.12, subdivision 34, under which the winning numbers are determined by the numerical outcome of a professional sporting event.

(d) If an organization conducts lawful gambling in a location where, as of January 1, 2013, at least 50 percent of its annual gross receipts are derived from paper bingo, the organization is exempt from taxation under this subdivision with respect to its receipts from paper pull-tabs.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 16. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision to read:

Subd. 9b. **Little cigar.** "Little cigar" means any roll for smoking made in whole or in part of tobacco if the product is wrapped in a substance containing tobacco other than natural leaf tobacco, uses an integrated cellulose acetate or other similar filter, and weighs not more than 4-1/2 pounds per thousand.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 17. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision to read:



Subd. 10b. **Moist snuff.** "Moist snuff" means any finely cut, ground, or powdered smokeless tobacco that is intended to be placed or dipped in the mouth.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 18. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision to read:

Subd. 13a. **Premium cigar.** "Premium cigar" means any cigar that is hand-constructed and hand-rolled, has a wrapper that is made entirely from whole tobacco leaf, has a filler and binder that is made entirely of tobacco, except for adhesives or other materials used to maintain size, texture, or flavor, and has a wholesale price of no less than \$2.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 19. Minnesota Statutes 2012, section 297F.01, subdivision 19, is amended to read:

Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product containing, made, or derived from tobacco that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by any other means, or any component, part, or accessory of a tobacco product, including, but not limited to, cigars; little cigars; cheroots; stogies; periques; granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings, cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not include cigarettes as defined in this section. Tobacco products excludes any tobacco product that has been approved by the United States Food and Drug Administration for sale as a tobacco cessation product, as a tobacco dependence product, or for other medical purposes, and is being marketed and sold solely for such an approved purpose.

(b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4, tobacco products includes a premium cigar, as defined in subdivision 13a.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 20. Minnesota Statutes 2012, section 297F.05, subdivision 1, is amended to read:

Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers, at the following rates:

(1) on cigarettes weighing not more than three pounds per thousand, ~~24~~ 108.5 mills, or 10.85 cents, on each such cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, ~~48~~ 217 mills, or 21.7 cents, on each such cigarette.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 21. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision to read:

Subd. 1a. **Annual indexing.** (a) Each year the commissioner shall adjust the tax rates under subdivision 1, including any adjustment made in prior years under this subdivision, by multiplying the mill rates for the current calendar year by an adjustment factor. The adjustment factor equals the in-lieu sales tax rate that applies to the following calendar year divided by the in-lieu sales tax rate

for the current calendar year. For purposes of this subdivision, "in-lieu sales tax rate" means the tax rate established under section 297F.25, subdivision 1, rounded to 1/100 of one cent per cigarette.

(b) The commissioner shall publish the resulting rate by November 1 and the rate applies to sales made on or after January 1 of the following year.

(c) The determination of the commissioner under this subdivision is not a rule and is not subject to the Administrative Procedure Act in chapter 14.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 22. Minnesota Statutes 2012, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** (a) Except as provided in subdivision 3a, a tax is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor, at the rate of 35 90 percent of the wholesale sales price of the tobacco products. The tax is imposed at the time the distributor:

(1) brings, or causes to be brought, into this state from outside the state tobacco products for sale;

(2) makes, manufactures, or fabricates tobacco products in this state for sale in this state; or

(3) ships or transports tobacco products to retailers in this state, to be sold by those retailers.

(b) Notwithstanding paragraph (a), a minimum tax equal to the rate imposed on a pack of 20 cigarettes weighing not more than three pounds per thousand, as established under subdivision 1, and adjusted by subdivision 1a, is imposed on each container of moist snuff.

For purposes of this subdivision, a "container" means the smallest consumer-size can, package, or other container that is marketed or packaged by the manufacturer, distributor, or retailer for separate sale to a retail purchaser.

(c) Notwithstanding paragraph (a), for little cigars, the tax on each little cigar shall be equal to the tax imposed per cigarette under subdivision 1, clause (1), and adjusted by subdivision 1a, and any successor provision taxing cigarettes.

**EFFECTIVE DATE.** This section is effective July 1, 2013, except the minimum tax under paragraph (b) is effective January 1, 2014.

Sec. 23. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision to read:

Subd. 3a. **Rates; tobacco.** (a) A tax is imposed upon all premium cigars in this state and upon any person engaged in business as a tobacco product distributor, at the lesser of:

(1) the rate of 70 percent of the wholesale sales price of the premium cigars; or

(2) \$3.50 per premium cigar.

(b) The tax imposed under paragraph (a) is imposed at the time the tobacco products distributor:

(1) brings, or causes to be brought, into this state from outside the state premium cigars for sale;

(2) makes, manufactures, or fabricates premium cigars in this state for sale in this state; or

(3) ships or transports premium cigars to retailers in this state, to be sold by those retailers.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 24. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

Subd. 4. **Use tax; tobacco products.** (a) Except as provided in subdivision 4a, a tax is imposed upon the use or storage by consumers of tobacco products in this state, and upon such consumers, at the rate of ~~35~~ 90 percent of the cost to the consumer of the tobacco products or the minimum tax under subdivision 3, paragraph (b), whichever is greater.

(b) Notwithstanding paragraph (a), for little cigars, the tax on each little cigar shall be equal to the tax imposed per cigarette under subdivision 1, clause (1), and any successor provision taxing cigarettes.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 25. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision to read:

Subd. 4a. **Use tax; premium cigars.** A tax is imposed upon the use or storage by consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

- (1) the rate of 70 percent of the cost to the consumer of the premium cigars; or
- (2) \$3.50 per premium cigar.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 26. Minnesota Statutes 2012, section 297F.24, subdivision 1, is amended to read:

Subdivision 1. **Fee imposed.** (a) A fee is imposed upon the sale of nonsettlement cigarettes in this state, upon having nonsettlement cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers of nonsettlement cigarettes. The fee equals a rate of ~~1.75~~ 2.5 cents per cigarette.

(b) The purpose of this fee is to:

- (1) ensure that manufacturers of nonsettlement cigarettes pay fees to the state that are comparable to costs attributable to the use of the cigarettes;
- (2) prevent manufacturers of nonsettlement cigarettes from undermining the state's policy of discouraging underage smoking by offering nonsettlement cigarettes at prices substantially below the cigarettes of other manufacturers; and
- (3) fund such other purposes as the legislature determines appropriate.

Sec. 27. Minnesota Statutes 2012, section 297F.25, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this state. The tax is equal to 6.5 percent of the weighted average retail price and must be expressed in cents per pack rounded to the nearest one-tenth of a cent. The weighted average retail price must be determined annually, with new rates published by November 1, and effective for sales on or after January 1 of the following year. The weighted average retail price must be established by surveying cigarette retailers statewide in a manner and time determined by the commissioner. The commissioner shall make an inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The commissioner shall use the inflation factor

for the calendar year in which the new tax rate takes effect. If the survey indicates that the average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then the commissioner shall not make an inflation adjustment. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

~~(b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the tax calculation of the weighted average retail price for the sales of cigarettes from August 1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average retail price per pack of 20 cigarettes from the most recent survey by the percentage change in a weighted average of the presumed legal prices for cigarettes during the year after completion of that survey, as reported and published by the Department of Commerce under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3) adjusting for expected inflation. The rate must be published by May 1 and is effective for sales after July 31. If the weighted average of the presumed legal prices indicates that the average retail price of cigarettes has not increased relative to the average retail price in the most recent survey, then no inflation adjustment must be made for any period that a rate change in section 297F.05, subdivision 1, is enacted after the current effective January 1 rate and prior to the following January 1, the commissioner of revenue shall make a proportionate adjustment to the sales tax rate. For packs of cigarettes with other than 20 cigarettes, the sales tax must be adjusted proportionally.~~

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 28. Minnesota Statutes 2012, section 325F.781, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given, unless the language or context clearly provides otherwise.

(b) "Consumer" means an individual who purchases, receives, or possesses tobacco products for personal consumption and not for resale.

(c) "Delivery sale" means:

(1) a sale of tobacco products to a consumer in this state when:

(i) the purchaser submits the order for the sale by means of a telephonic or other method of voice transmission, the mail or any other delivery service, or the Internet or other online service; or

(ii) the tobacco products are delivered by use of the mail or other delivery service; or

(2) a sale of tobacco products that satisfies the criteria in clause (1), item (i), regardless of whether the seller is located inside or outside of the state.

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

(d) "Delivery service" means a person, including the United States Postal Service, that is engaged in the commercial delivery of letters, packages, or other containers.

(e) "Distributor" means a person, whether located inside or outside of this state, other than a retailer, who sells or distributes tobacco products in the state. Distributor does not include a tobacco products manufacturer, export warehouse proprietor, or importer with a valid permit under United

States Code, title 26, section 5712 (1997), if the person sells or distributes tobacco products in this state only to distributors who hold valid and current licenses under the laws of a state, or to an export warehouse proprietor or another manufacturer. Distributor does not include a common or contract carrier that is transporting tobacco products under a proper bill of lading or freight bill that states the quantity, source, and destination of tobacco products, or a person who ships tobacco products through this state by common or contract carrier under a bill of lading or freight bill.

(f) "Retailer" means a person, whether located inside or outside this state, who sells or distributes tobacco products to a consumer in this state.

(g) "Tobacco products" means:

- (1) cigarettes, as defined in section 297F.01, subdivision 3; ~~and~~
- (2) smokeless tobacco as defined in section 325F.76; and
- (3) premium cigars as defined in section 297F.01, subdivision 13a.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 29. Minnesota Statutes 2012, section 349.166, is amended to read:

**349.166 EXCLUSIONS; EXEMPTIONS.**

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

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

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

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

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

(c) Raffles may be conducted by an organization without registering with the board if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$1,500 or, if the organization is a 501(c)(3) organization, if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$50,000.

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

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

~~(1) the organization conducts lawful gambling on five or fewer days in a calendar year;~~

~~(2) the organization does not award more than \$50,000 in prizes for lawful gambling in a calendar year;~~

~~(3) (2) the organization submits a board-prescribed application and pays a fee of \$50 to the board for each gambling occasion, and receives an exempt permit number from the board. If the application is postmarked or received less than 30 days before the gambling occasion, the fee is \$100 for that application. The application must include the date and location of the occasion, the types of lawful gambling to be conducted, and the prizes to be awarded;~~

~~(4) (3) the organization notifies the local government unit 30 days before the lawful gambling occasion, or 60 days for an occasion held in a city of the first class;~~

~~(5) (4) the organization purchases all gambling equipment and supplies from a licensed distributor; and~~

~~(6) (5) the organization reports to the board, on a single-page form prescribed by the board, within 30 days of each gambling occasion, the gross receipts, prizes, expenses, expenditures of net profits from the occasion, and the identification of the licensed distributor from whom all gambling equipment was purchased.~~

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

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

(d) Organizations that qualify to conduct exempt raffles under paragraph (a), are exempt from section 349.173, paragraph (b), clause (2), if the raffle tickets are sold only in combination with an organization's membership or a ticket for an organization's membership dinner and are not included with any other raffle conducted under the exempt permit.

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

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

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 30. Minnesota Statutes 2012, section 360.531, is amended to read:

**360.531 TAXATION.**

Subdivision 1. **In lieu tax.** All aircraft using the air space overlying the state of Minnesota or the airports thereof, except as set forth in section 360.55, shall be taxed in lieu of all other taxes thereon, on the basis and at the rate for the period January 1, 1966, to June 30, 1967, and for each fiscal year as follows.

Subd. 2. **Rate.** The tax shall be ~~at the rate of one percent of value; provided that the minimum tax on an aircraft subject to the provisions of sections 360.511 to 360.67 shall not be less than 25 percent of the tax on said aircraft computed on its base price or \$50 whichever is the higher.~~ as follows:

<u>Base Price</u>	<u>Tax</u>
<u>Under \$499,999</u>	<u>\$100</u>
<u>\$500,000 to \$999,999</u>	<u>\$200</u>
<u>\$1,000,000 to \$2,499,999</u>	<u>\$2,000</u>
<u>\$2,500,000 to \$4,999,999</u>	<u>\$4,000</u>
<u>\$5,000,000 to \$7,499,999</u>	<u>\$7,500</u>
<u>\$7,500,000 to \$9,999,999</u>	<u>\$10,000</u>
<u>\$10,000,000 to \$12,499,999</u>	<u>\$12,500</u>
<u>\$12,500,000 to \$14,999,999</u>	<u>\$15,000</u>
<u>\$15,000,000 to \$17,499,999</u>	<u>\$17,500</u>
<u>\$17,500,000 to \$19,999,999</u>	<u>\$20,000</u>
<u>\$20,000,000 to \$22,499,999</u>	<u>\$22,500</u>
<u>\$22,500,000 to \$24,999,999</u>	<u>\$25,000</u>
<u>\$25,000,000 to \$27,499,999</u>	<u>\$27,500</u>
<u>\$27,500,000 to \$29,999,999</u>	<u>\$30,000</u>
<u>\$30,000,000 to \$39,999,999</u>	<u>\$50,000</u>
<u>\$40,000,000 and over</u>	<u>\$75,000</u>

Subd. 3. **First year of life.** "First year of life" means the year the aircraft was manufactured.

Subd. 4. **Base price for taxation.** For the purpose of fixing a base price for taxation ~~from which depreciation in value at a fixed percent per annum can be counted, such~~ , the base price is defined as follows:

(a) The base price for taxation of an aircraft shall be the manufacturer's list price.

(b) The commissioner shall have authority to fix the base value for taxation purposes of any aircraft of which no such similar or corresponding model has been manufactured, and of any rebuilt or foreign aircraft, any aircraft on which a record of the list price is not available, or any military aircraft converted for civilian use, using as a basis for ~~such~~ valuation the list price of aircraft with

comparable performance characteristics, and taking into consideration the age and condition of the aircraft.

Subd. 5. **Similarity of corresponding model.** Models shall be deemed similar if substantially alike and of the same make. Models shall be deemed to be corresponding models for the purpose of taxation under sections 360.54 to 360.67 if of the same make and having approximately the same weight and type of frame and the same style and size of motor.

~~Subd. 6. **Depreciation.** After the first year of aircraft life the base value for taxation purposes shall be reduced as follows: ten percent the second year, and 15 percent the third and each succeeding year thereafter, but in no event shall such tax be reduced below the minimum.~~

Subd. 7. **Prorating tax.** When an aircraft first becomes subject to taxation during the period for which the tax is to be paid, the tax on it shall be for the remainder of that period, prorated on a monthly basis of 1/12 of the annual tax for each calendar month counting the month during which it becomes subject to the tax as the first month of such period.

Subd. 8. **Tax, fiscal year.** Every aircraft subject to the provisions of sections 360.511 to 360.67 which has at any time since April 19, 1945, used the air space overlying the state of Minnesota or the airports thereof shall be taxed for the period from January 1, 1966, through June 30, 1967, and for each fiscal year thereafter in which it is so used. Any aircraft which does not use the air space overlying the state of Minnesota or the airports thereof at any time during the period of January 1, 1966, to and including June 30, 1967, or at any time during any fiscal year thereafter shall not be subject to the tax provided by sections 360.511 to 360.67 for such period. Rebuilt aircraft shall be subject to the tax provided by sections 360.511 to 360.67 for that portion of the aforesaid periods remaining after the aircraft has been rebuilt, prorated on a monthly basis.

Subd. 9. **Assessed as personal property in certain cases.** Aircraft subject to taxation under the provisions of sections 360.54 to 360.67 shall not be assessed as personal property and shall be subject to no tax except as provided for by these sections. Aircraft not subject to taxation as provided in these sections, but subject to taxation as personal property within the state of Minnesota shall be assessed and valued at 33-1/3 percent of the market value thereof and taxed at the rate and in the manner provided by law for the taxation of ordinary personal property. If the person against whom any tax has been levied on the ad valorem basis because of any aircraft shall, during the calendar year for which such ad valorem tax is levied, be also taxed under provisions of these sections, then and in that event, upon proper showing, the commissioner of revenue shall grant to the person against whom said ad valorem tax was levied, such reduction or abatement of net tax capacity or taxes as was occasioned by the so-called ad valorem tax imposed. If the ad valorem tax upon any aircraft has been assessed against a dealer in new and used aircraft, and the tax imposed by these sections for the required period is thereafter paid by the owner, then and in that event, upon proper showing, the commissioner of revenue, upon the application of said dealer, shall grant to such dealer against whom said ad valorem tax was levied such reduction or abatement of net tax capacity or taxes as was occasioned by the so-called ad valorem tax imposed.

**EFFECTIVE DATE.** This section is effective July 1, 2014, and applies to aircraft tax due on or after that date.



Sec. 31. Minnesota Statutes 2012, section 360.66, is amended to read:

**360.66 STATE AIRPORTS FUND.**

Subdivision 1. **Tax credited to fund.** The proceeds of the tax imposed on aircraft under sections ~~360.54~~ 360.531 to 360.67 and all fees and penalties provided for therein shall be collected by the commissioner and paid into the state treasury and credited to the state airports fund created by other statutes of this state.

Subd. 2. **Reimbursement for expenses.** There shall be transferred by the commissioner of management and budget each year from the state airports fund to the general fund in the state treasury the amount expended from the latter fund for expenses of administering the provisions of sections ~~360.54~~ 360.531 to 360.67.

**EFFECTIVE DATE.** This section is effective July 1, 2014, and applies to aircraft tax due on or after that date.

Sec. 32. Minnesota Statutes 2012, section 383A.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, ~~2013~~ 2023.

**EFFECTIVE DATE.** This section is effective for all deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 33. Minnesota Statutes 2012, section 383B.80, subdivision 4, is amended to read:

Subd. 4. **Expiration.** The authority to impose the tax under this section expires January 1, ~~2013~~ 2023.

**EFFECTIVE DATE.** This section is effective for all deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 34. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision to read:

Subd. 17b. **Prepaid wireless telecommunications service.** "Prepaid wireless telecommunications service" means a wireless telecommunications service that allows the caller to dial 911 to access the 911 system, which service must be paid for in advance and is:

(1) sold in predetermined units or dollars of which the number declines with use in a known amount; or

(2) provides unlimited use for a predetermined time period.

The inclusion of nontelecommunications services, including the download of digital products delivered electronically, content, and ancillary services, with a prepaid wireless telephone service does not preclude that service from being considered a prepaid wireless telephone service under this chapter.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 35. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision to read:

Subd. 20a. **Wireless telecommunications service.** "Wireless telecommunications service" means a commercial mobile radio service, as that term is defined in United States Code, title 47,

section 332, subsection (d), including all broadband personal communication services, wireless radio telephone services, and geographic area specialized mobile radio licensees, that offer real-time, two-way voice service interconnected with the public switched telephone network.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 36. Minnesota Statutes 2012, section 403.02, subdivision 21, is amended to read:

Subd. 21. **Wireless telecommunications service provider.** "Wireless telecommunications service provider" means a provider of ~~commercial mobile radio services, as that term is defined in United States Code, title 47, section 332, subsection (d), including all broadband personal communications services, wireless radio telephone services, geographic area specialized and enhanced specialized mobile radio services, and incumbent wide area specialized mobile radio licensees, that offers real-time, two-way voice service interconnected with the public switched telephone network and that is doing business in the state of Minnesota~~ wireless telecommunications service.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 37. Minnesota Statutes 2012, section 403.06, subdivision 1a, is amended to read:

Subd. 1a. **Biennial budget; annual financial report.** The commissioner shall prepare a biennial budget for maintaining the 911 system. By December 15 of each year, the commissioner shall submit a report to the legislature detailing the expenditures for maintaining the 911 system, the 911 fees collected, the balance of the 911 fund, ~~and the 911-related administrative expenses of the commissioner, and of a separate accounting of E911 fees from prepaid wireless customers.~~ The commissioner is authorized to expend money that has been appropriated to pay for the maintenance, enhancements, and expansion of the 911 system.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 38. Minnesota Statutes 2012, section 403.11, subdivision 1, is amended to read:

Subdivision 1. **Emergency telecommunications service fee; account.** (a) Each customer of a wireless or wire-line switched or packet-based telecommunications service provider connected to the public switched telephone network that furnishes service capable of originating a 911 emergency telephone call is assessed a fee based upon the number of wired or wireless telephone lines, or their equivalent, to cover the costs of ongoing maintenance and related improvements for trunking and central office switching equipment for 911 emergency telecommunications service, to offset administrative and staffing costs of the commissioner related to managing the 911 emergency telecommunications service program, to make distributions provided for in section 403.113, and to offset the costs, including administrative and staffing costs, incurred by the State Patrol Division of the Department of Public Safety in handling 911 emergency calls made from wireless phones.

(b) Money remaining in the 911 emergency telecommunications service account after all other obligations are paid must not cancel and is carried forward to subsequent years and may be appropriated from time to time to the commissioner to provide financial assistance to counties for the improvement of local emergency telecommunications services. The improvements may include providing access to 911 service for telecommunications service subscribers currently without access and upgrading existing 911 service to include automatic number identification,

local location identification, automatic location identification, and other improvements specified in revised county 911 plans approved by the commissioner.

(c) The fee may not be less than eight cents nor more than 65 cents a month until June 30, 2008, not less than eight cents nor more than 75 cents a month until June 30, 2009, not less than eight cents nor more than 85 cents a month until June 30, 2010, and not less than eight cents nor more than 95 cents a month on or after July 1, 2010, for each customer access line or other basic access service, including trunk equivalents as designated by the Public Utilities Commission for access charge purposes and including wireless telecommunications services. With the approval of the commissioner of management and budget, the commissioner of public safety shall establish the amount of the fee within the limits specified and inform the companies and carriers of the amount to be collected. When the revenue bonds authorized under section 403.27, subdivision 1, have been fully paid or defeased, the commissioner shall reduce the fee to reflect that debt service on the bonds is no longer needed. The commissioner shall provide companies and carriers a minimum of 45 days' notice of each fee change. The fee must be the same for all customers, except that the fee imposed under this subdivision does not apply to prepaid wireless telecommunications service, which is instead subject to the fee imposed under section 403.161, subdivision 1, paragraph (a).

(d) The fee must be collected by each wireless or wire-line telecommunications service provider subject to the fee. Fees are payable to and must be submitted to the commissioner monthly before the 25th of each month following the month of collection, except that fees may be submitted quarterly if less than \$250 a month is due, or annually if less than \$25 a month is due. Receipts must be deposited in the state treasury and credited to a 911 emergency telecommunications service account in the special revenue fund. The money in the account may only be used for 911 telecommunications services.

(e) This subdivision does not apply to customers of interexchange carriers.

(f) The installation and recurring charges for integrating wireless 911 calls into enhanced 911 systems are eligible for payment by the commissioner if the 911 service provider is included in the statewide design plan and the charges are made pursuant to contract.

(g) Competitive local exchanges carriers holding certificates of authority from the Public Utilities Commission are eligible to receive payment for recurring 911 services.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 39. Minnesota Statutes 2012, section 403.11, is amended by adding a subdivision to read:

Subd. 6. **Report.** (a) Beginning September 1, 2013, and continuing semiannually thereafter, each wireless telecommunications service provider shall report to the commissioner, based on the mobile telephone number, both the total number of prepaid wireless telecommunications subscribers sourced to Minnesota and the total number of wireless telecommunications subscribers sourced to Minnesota. The report must be filed on the same schedule as Federal Communications Commission Form 477.

(b) The commissioner shall make a standard form available to all wireless telecommunications service providers for submitting information required to compile the report required under this subdivision.

(c) The information provided to the commissioner under this subdivision is considered trade secret data under section 13.37 and may only be used for purposes of administering this chapter.

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

Sec. 40. **[403.16] DEFINITIONS.**

Subdivision 1. **Scope.** For the purposes of sections 403.16 to 403.164, the terms defined in this section have the meanings given them.

Subd. 2. **Consumer.** "Consumer" means a person who purchases prepaid wireless telecommunications service in a retail transaction.

Subd. 3. **Department.** "Department" means the Department of Revenue.

Subd. 4. **Prepaid wireless E911 fee.** "Prepaid wireless E911 fee" means the fee that is required to be collected by a seller from a consumer as established in section 403.161, subdivision 1, paragraph (a).

Subd. 5. **Prepaid wireless telecommunications access Minnesota fee.** "Prepaid wireless telecommunications access Minnesota fee" means the fee that is required to be collected by a seller from a consumer as established in section 403.161, subdivision 1, paragraph (b).

Subd. 6. **Provider.** "Provider" means a person that provides prepaid wireless telecommunications service under a license issued by the Federal Communications Commission.

Subd. 7. **Retail transaction.** "Retail transaction" means the purchase of prepaid wireless telecommunications service from a seller for any purpose other than resale.

Subd. 8. **Seller.** "Seller" means a person who sells prepaid wireless telecommunications service to another person.

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

Sec. 41. **[403.161] PREPAID WIRELESS FEES IMPOSED; COLLECTION; REMITTANCE.**

Subdivision 1. **Fees imposed.** (a) A prepaid wireless E911 fee of 80 cents per retail transaction is imposed on prepaid wireless telecommunications service until the fee is adjusted as an amount per retail transaction under subdivision 6.

(b) A prepaid wireless telecommunications access Minnesota fee, in the amount of the monthly charge provided for in section 237.52, subdivision 2, is imposed on each retail transaction for prepaid wireless telecommunications service until the fee is adjusted as an amount per retail transaction under subdivision 6.

Subd. 2. **Exemption.** The fees established under subdivision 1 are not imposed on a minimal amount of prepaid wireless telecommunications service that is sold with a prepaid wireless device and is charged a single nonitemized price, and a seller may not apply the fees to such a transaction. For purposes of this subdivision, a minimal amount of service means an amount of service denominated as either ten minutes or less or \$5 or less.

Subd. 3. **Fee collected.** The prepaid wireless E911 and telecommunications access Minnesota fees must be collected by the seller from the consumer for each retail transaction occurring in this

state. The amount of each fee must be combined into one amount, which must be separately stated on an invoice, receipt, or other similar document that is provided to the consumer by the seller, or otherwise disclosed to the consumer.

Subd. 4. **Sales and use tax treatment.** For purposes of this section, a retail transaction conducted in person by a consumer at a business location of the seller must be treated as occurring in this state if that business location is in this state, and any other retail transaction must be treated as occurring in this state if the retail transaction is treated as occurring in this state for purposes of the sales and use tax as specified in section 297A.669, subdivision 3, paragraph (c).

Subd. 5. **Remittance.** The prepaid wireless E911 and telecommunications access Minnesota fees are the liability of the consumer and not of the seller or of any provider, except that the seller is liable to remit all fees that the seller collects from consumers as provided in section 403.162, including all fees that the seller is deemed to collect in which the amount of the fee has not been separately stated on an invoice, receipt, or other similar document provided to the consumer by the seller.

Subd. 6. **Exclusion for calculating other charges.** The combined amount of the prepaid wireless E911 and telecommunications access Minnesota fees collected by a seller from a consumer must not be included in the base for measuring any tax, fee, surcharge, or other charge that is imposed by this state, any political subdivision of this state, or any intergovernmental agency.

Subd. 7. **Fee changes.** (a) The prepaid wireless E911 and telecommunications access Minnesota fee must be proportionately increased or reduced upon any change to the fee imposed under section 403.11, subdivision 1, paragraph (c), after July 1, 2013, or the fee imposed under section 237.52, subdivision 2, as applicable.

(b) The department shall post notice of any fee changes on its Web site at least 30 days in advance of the effective date of the fee changes. It is the responsibility of sellers to monitor the department's Web site for notice of fee changes.

(c) Fee changes are effective 60 days after the first day of the first calendar month after the commissioner of public safety or the Public Utilities Commission, as applicable, changes the fee.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 42. **[403.162] ADMINISTRATION OF PREPAID WIRELESS E911 FEES.**

Subdivision 1. **Remittance.** Prepaid wireless E911 and telecommunications access Minnesota fees collected by sellers must be remitted to the commissioner of revenue at the times and in the manner provided by chapter 297A with respect to the general sales and use tax. The commissioner of revenue shall establish registration and payment procedures that substantially coincide with the registration and payment procedures that apply in chapter 297A.

Subd. 2. **Seller's fee retention.** A seller may deduct and retain three percent of prepaid wireless E911 and telecommunications access Minnesota fees collected by the seller from consumers.

Subd. 3. **Audit; appeal.** The audit and appeal procedures applicable under chapter 297A apply to any fee imposed under section 403.161.

Subd. 4. **Procedures for resale transactions.** The commissioner of revenue shall establish procedures by which a seller of prepaid wireless telecommunications service may document that

a sale is not a retail transaction. These procedures must substantially coincide with the procedures for documenting sale for resale transactions as provided in chapter 297A.

Subd. 5. **Fees deposited.** (a) The commissioner of revenue shall, based on the relative proportion of the prepaid wireless E911 fee and the prepaid wireless telecommunications access Minnesota fee imposed per retail transaction, divide the fees collected in corresponding proportions. Within 30 days of receipt of the collected fees, the commissioner shall:

(1) deposit the proportion of the collected fees attributable to the prepaid wireless E911 fee in the 911 emergency telecommunications service account in the special revenue fund; and

(2) deposit the proportion of collected fees attributable to the prepaid wireless telecommunications access Minnesota fee in the telecommunications access fund established in section 237.52, subdivision 1.

(b) The department may deduct and retain an amount, not to exceed two percent of collected fees, to reimburse its direct costs of administering the collection and remittance of prepaid wireless E911 fees and prepaid wireless telecommunications access Minnesota fees.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 43. **[403.163] LIABILITY PROTECTION FOR SELLERS AND PROVIDERS.**

(a) A provider or seller of prepaid wireless telecommunications service is not liable for damages to any person resulting from or incurred in connection with providing any lawful assistance in good faith to any investigative or law enforcement officer of the United States, this or any other state, or any political subdivision of this or any other state.

(b) In addition to the protection from liability provided by paragraphs (a) and (b), section 403.08, subdivision 11, applies to sellers and providers.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 44. **[403.164] EXCLUSIVITY OF PREPAID WIRELESS E911 FEE.**

The prepaid wireless E911 fee imposed by section 403.161 is the only E911 funding obligation imposed with respect to prepaid wireless telecommunications service in this state, and no tax, fee, surcharge, or other charge may be imposed by this state, any political subdivision of this state, or any intergovernmental agency, for E911 funding purposes, upon any provider, seller, or consumer with respect to the sale, purchase, use, or provision of prepaid wireless telecommunications service.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 45. **FLOOR STOCKS TAX.**

(a) A floor stocks cigarette tax is imposed on every person engaged in the business in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's representative of cigarettes, on the stamped cigarettes and unaffixed stamps in the person's possession or under the person's control at 12:01 a.m. on July 1, 2013. The tax is imposed at the following rates:

(1) on cigarettes weighing not more than three pounds per thousand, 47 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, 94 mills on each cigarette.

(b) Each distributor, on or before July 10, 2013, shall file a return with the commissioner of revenue, in the form the commissioner prescribes, showing the stamped cigarettes and unaffixed stamps on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on the cigarettes and unaffixed stamps.

(c) Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative, on or before July 10, 2013, shall file a return with the commissioner of revenue, in the form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1, 2013, and the amount of tax due on the cigarettes.

(d) The tax imposed by this section is due and payable on or before September 4, 2013, and after that date bears interest at the rate of one percent per month.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

**Sec. 46. TAXES AND FEES PAID BY INDIANS AND INDIAN TRIBES.**

**Subdivision 1. Health impact fees imposed from 2005 through 2009.** (a) The commissioner of revenue shall recompute all cigarette and tobacco products excise tax refunds and payments for periods after July 31, 2005, but before January 1, 2010, that were made to Indian tribes under agreements entered into under Minnesota Statutes, section 270C.19.

(b) In making the recomputation for each year, the commissioner must (1) use a per capita amount, as that phrase is used in the agreements, equal to the sum of (i) the average statewide per capita cigarette and tobacco products excise tax paid during the applicable state fiscal year plus (ii) the statewide average per capita health impact fee paid on cigarette and tobacco products during the applicable state fiscal year, and (2) add the health impact fees collected on cigarettes and tobacco products delivered onto the reservation to the total cigarette and tobacco products excise tax collected on cigarettes and tobacco products delivered onto the reservation to determine the tax base to share under the agreements.

(c) The additional payments to each tribe payable under this section are equal to the amount determined under the recomputation for the tribe minus the amount previously paid as a cigarette and tobacco products excise tax or health impact fee refund or payment to the tribe under any agreement entered into under Minnesota Statutes, section 270C.19.

(d) The commissioner shall compute the additional payments required under this section based on information available to the commissioner. The tribe does not need to file a claim for payment.

(e) The additional payments under this subdivision must only be paid to a tribe that has entered into an agreement under Minnesota Statutes, section 270C.19, subdivision 5, that covers health impact fees imposed on cigarettes and tobacco products delivered onto the reservation after December 31, 2009.

**Subd. 2. Limited authority to enter into health impact fee agreements.** (a) Notwithstanding Minnesota Statutes, section 270C.19, or any other law, the commissioner must not enter into any agreement covering health impact fees imposed on cigarettes and tobacco products sold, purchased, or delivered onto a reservation before January 1, 2010.

(b) Notwithstanding Minnesota Statutes, section 270C.19, or any other law, the commissioner is not authorized to enter into any agreement covering the health impact fee imposed on cigarettes and tobacco products sold, purchased, or delivered onto a reservation after December 31, 2009.

Subd. 3. **Payments to tribes under existing agreements.** (a) The commissioner must not make refunds and payments of health impact fees required under any agreement entered into under Minnesota Statutes, section 270C.19, subdivision 5, for any period after the health impact fee has been repealed.

(b) The commissioner must adjust all annual cigarette and tobacco products excise tax per capita amounts under existing tax agreements entered into under Minnesota Statutes, section 270C.19, subdivisions 1 and 2, to \$95, effective for refunds due for the quarter ending September 30, 2013. This amount may be changed upon mutual agreement of the parties to the agreement to more accurately reflect taxes paid on the reservation by tribal members.

Subd. 4. **Appropriation.** An amount necessary to make refunds and payments under this section is appropriated to the commissioner from the general fund.

**EFFECTIVE DATE.** This section is effective the day following final enactment, except that subdivision 2, paragraph (b), is effective January 2, 2014.

Sec. 47. **REPORT.**

On or before June 30, 2016, and every four years thereafter, the commissioner of transportation, in consultation with the commissioner of revenue, shall prepare and submit to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over transportation policy and budget, a report that identifies the amount and sources of annual revenues attributable to each type of aviation tax, along with annual expenditures from the state airports fund, and any other transfers out of the fund, during the previous four years. The report must include draft legislation for any recommended statutory changes to ensure the future adequacy of the state airports fund.

**EFFECTIVE DATE.** This section is effective July 1, 2014, and applies to aircraft tax due on or after that date.

Sec. 48. **ARMER GRANTS.**

\$1,500,000 in fiscal year 2014 and \$1,500,000 in fiscal year 2015 is appropriated from the 911 account of the state government special revenue fund to the commissioner of public safety for grants to counties to reimburse for the sales tax costs associated with upgrading public safety radio systems prior to January 1, 2013. The commissioner of public safety shall give preference to counties that did not receive state or federal grants to upgrade their public safety radio systems. This is a onetime appropriation.

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 49. **TOBACCO TAX COLLECTION REPORT.**

Subdivision 1. **Report to legislature.** (a) The commissioner of revenue shall report to the 2014 legislature on the tobacco tax collection system, including recommendations to improve compliance under the excise tax for both cigarettes and other tobacco products. The purpose of the report is to provide information and guidance to the legislature on improvements to the tobacco tax collection system to:

(1) provide a unified system of collecting both the cigarette and other tobacco taxes, regardless of category, size, or shape, that ensures the highest reasonable rates of tax collection;



(2) discourage tax evasion; and

(3) help to prevent illegal sale of tobacco products, which may make these products more accessible to youth.

(b) In the report, the commissioner shall:

(1) provide a detailed review of the present excise tax collection and compliance system as it applies to both cigarettes and other tobacco products. This must include an assessment of the levels of compliance for each category of products and the effect of the stamping requirement on compliance for each category of products and the effect of the stamping requirement on compliance rates for cigarettes relative to other tobacco products. It also must identify any weaknesses in the system;

(2) survey the methods of collection and enforcement used by other states or nations, including identifying and discussing emerging best practices that ensure tracking of both cigarettes and other tobacco products and result in the highest rates of tax collection and compliance. These best practices must consider high-technology alternatives, such as use of bar codes, radio-frequency identification tags, or similar mechanisms for tracking compliance;

(3) evaluate the adequacy and effectiveness of the existing penalties and other sanctions for noncompliance;

(4) evaluate the adequacy of the resources allocated by the state to enforce the tobacco tax and prevention laws; and

(5) make recommendations on implementation of a comprehensive tobacco tax collection system for Minnesota that can be implemented by January 1, 2014, including:

(i) recommendations on the specific steps needed to institute and implement the new system, including estimates of the state's costs of doing so and any additional personnel requirements;

(ii) recommendations on methods to recover the cost of implementing the system from the industry;

(iii) evaluation of the extent to which the proposed system is sufficiently flexible and adaptable to adjust to modifications in the construction, packaging, formatting, and marketing of tobacco products by the industry; and

(iv) recommendations to modify existing penalties or to impose new penalties or other sanctions to ensure compliance with the system.

Subd. 2. **Due date.** The report required by subdivision 1 is due January 1, 2014.

Subd. 3. **Procedure.** The report required under this section must be made in the manner provided under Minnesota Statutes, section 3.195. In addition, copies must be provided to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over taxation.

Subd. 4. **Appropriation.** (a) \$100,000 is appropriated from the general fund to the commissioner of revenue for fiscal year 2014 for the cost of preparing the report under subdivision 1.

(b) The appropriation under this subdivision is a onetime appropriation and is not included in the base budget.

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

Sec. 50. **REPEALER.**

Minnesota Statutes 2012, sections 16A.725; 256.9658; 290.171; 290.173; and 290.174, are repealed.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

**ARTICLE 5**

**INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

Section 1. **[116J.3738] QUALIFIED EXPANSIONS OF GREATER MINNESOTA BUSINESSES.**

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

(b) "Agricultural processing facility" means one or more facilities or operations that transform, package, sort, or grade livestock or livestock products, agricultural commodities, or plants or plant products into goods that are used for intermediate or final consumption including goods for nonfood use, and surrounding property.

(c) "Business" means an individual, corporation, partnership, limited liability company, association, or any other entity engaged in operating a trade or business located in greater Minnesota.

(d) "City" means a statutory or home rule charter city.

(e) "Greater Minnesota" means the area of the state that excludes the metropolitan area, as defined in section 473.121, subdivision 2.

(f) "Qualified business" means a business that satisfies the requirements of subdivision 2, has been certified under subdivision 3, and has not been terminated under subdivision 5.

Subd. 2. **Qualified business.** (a) A business is a qualified business if it satisfies the requirement of this paragraph and is not disqualified under the provisions of paragraph (b). To qualify, the business must:

(1) have operated its trade or business in a city or cities in greater Minnesota for at least one year before applying under subdivision 3;

(2) pay or agree to pay in the future each employee compensation, including benefits not mandated by law, that on an annualized basis equal at least 120 percent of the federal poverty level for a family of four;

(3) plan and agree to expand its employment in one or more cities in greater Minnesota by the minimum number of employees required under subdivision 3, paragraph (c); and

(4) received certification from the commissioner under subdivision 3 that it is a qualified business.

(b) A business is not a qualified business if it is either:

(1) primarily engaged in making retail sales to purchasers who are physically present at the business's location or locations in greater Minnesota; or

(2) a public utility, as defined in section 336B.01.

(c) The requirements in paragraph (a) that the business' operations and expansion be located in a city do not apply to an agricultural processing facility.

Subd. 3. **Certification of qualified business.** (a) A business may apply to the commissioner for certification as a qualified business under this section. The commissioner shall specify the form of the application, the manner and times for applying, and the information required to be included in the application. The commissioner may impose an application fee in an amount sufficient to defray the commissioner's cost of processing certifications. A business must file a copy of its application with the chief clerical officer of the city at the same it applies to the commissioner. For an agricultural processing facility located outside the boundaries of a city, the business must file a copy of the application with the county auditor.

(b) The commissioner shall certify each business as a qualified business that:

(1) satisfies the requirements of subdivision 2;

(2) the commissioner determines would not expand its operations in greater Minnesota without the tax incentives available under subdivision 4; and

(3) enters a business subsidy agreement with the commissioner that pledges to satisfy the minimum expansion requirements of paragraph (c) within three years or less following execution of the agreement.

The commissioner must act on an application within 60 days after its filing. Failure by the commissioner to take action within the 60-day period is deemed approval of the application.

(c) The following minimum expansion requirements apply, based on the number of employees of the business at locations in greater Minnesota:

(1) a business that employees 50 or fewer full-time equivalent employees in greater Minnesota when the agreement is executed must increase its employment by five or more full-time equivalent employees;

(2) a business that employees more than 50 but fewer than 200 full-time equivalent employees in greater Minnesota when the agreement is executed must increase the number of its full-time equivalent employees in greater Minnesota by at least ten percent; or

(3) a business that employees 200 or more full-time equivalent employees in greater Minnesota when the agreement is executed must increase its employment by at least 21 full-time equivalent employees.

(d) The city, or a county for an agricultural processing facility located outside the boundaries of a city, in which the business proposes to expand its operations may file comments supporting or opposing the application with the commissioner. The comments must be filed within 30 days after receipt by the city of the application and may include a notice of any contribution the city or county intends to make to encourage or support the business expansion, such as the use of tax increment financing, property tax abatement, additional city or county services, or other financial assistance.

(e) Certification of a qualified business is effective for the 12-year period beginning on the first day of the calendar month immediately following execution of the business subsidy agreement.

Subd. 4. **Available tax incentives.** A qualified business is entitled to one or more of the following tax incentives as provided under its business subsidy agreement with the commissioner:

(1) a sales tax exemption, as provided in section 297A.68, subdivision 44, for purchases made during the period the business was certified as a qualified business under this section; and

(2) the jobs credit, as provided in section 290.0682, effective for taxable years beginning during a calendar year in which certification of the business as a qualified business applies under this section.

Subd. 5. **Termination of status as a qualified business.** (a) The commissioner shall put in place a system for monitoring and ensuring that each certified business meets within three years or less the minimum expansion requirement in its business subsidy agreement and continues to satisfy those requirements for the rest of the duration of the certification under subdivision 3. This system must include regular reporting by the business to the commissioner of its baseline and current employment levels and any other information the commissioner determines may be useful to ensure compliance and for legislative evaluation of the effectiveness of the tax incentives.

(b) A business ceases to be a qualified business and to qualify for the sales tax exemption under section 297A.68, subdivision 49, under this subdivision upon the earlier of the following dates:

(1) the end of the duration of its designation under subdivision 3, paragraph (e), effective as provided under this subdivision or other provision of law for the tax incentive; or

(2) the date the commissioner finds that the business has breached its business subsidy agreement and failed to satisfy the minimum expansion required by subdivision 3 and its agreement.

(c) A business may contest the commissioner's finding that it breached its business subsidy agreement under paragraph (b), clause (2), under the contested case procedures in the Administrative Procedure Act, chapter 14.

(d) The commissioner, after consulting with the commissioner of revenue, may waive a breach of the business subsidy agreement and permit continued receipt of tax incentives, if the commissioner determines that termination of the tax incentives is not in the best interest of the state or the local government units and the business' breach of the agreement is a result of circumstances beyond its control including, but not limited to:

(1) a natural disaster;

(2) unforeseen industry trends;

(3) a decline in economic activity in the overall or greater Minnesota economy; or

(4) loss of a major supplier or customer of the business.

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

Sec. 2. Minnesota Statutes 2012, section 116J.8737, subdivision 1, is amended to read:

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

(b) "Qualified small business" means a business that has been certified by the commissioner under subdivision 2.

(c) "Qualified investor" means an investor who has been certified by the commissioner under subdivision 3.

(d) "Qualified fund" means a pooled angel investment network fund that has been certified by the commissioner under subdivision 4.

(e) "Qualified investment" means a cash investment in a qualified small business of a minimum of:

- (1) \$10,000 in a calendar year by a qualified investor; or
- (2) \$30,000 in a calendar year by a qualified fund.

A qualified investment must be made in exchange for common stock, a partnership or membership interest, preferred stock, debt with mandatory conversion to equity, or an equivalent ownership interest as determined by the commissioner.

(f) "Family" means a family member within the meaning of the Internal Revenue Code, section 267(c)(4).

(g) "Pass-through entity" means a corporation that for the applicable taxable year is treated as an S corporation or a general partnership, limited partnership, limited liability partnership, trust, or limited liability company and which for the applicable taxable year is not taxed as a corporation under chapter 290.

(h) "Intern" means a student of an accredited institution of higher education, or a former student who has graduated in the past six months from an accredited institution of higher education, who is employed by a qualified small business in a nonpermanent position for a duration of nine months or less that provides training and experience in the primary business activity of the business.

(i) "Qualified greater Minnesota business" means a qualified small business that is also certified by the commissioner as a qualified greater Minnesota business under subdivision 2, paragraph (h).

(j) "Liquidation event" means a conversion of qualified investment for cash, cash and other consideration, or any other form of equity or debt interest.

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

Sec. 3. Minnesota Statutes 2012, section 116J.8737, subdivision 2, is amended to read:

Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply to the commissioner for certification as a qualified small business for a calendar year. In addition, the business' application may request certification as a qualified greater Minnesota business under paragraph (h). The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of \$150. Application fees are deposited in the small business investment tax credit administration account in the special revenue fund. The application for certification for 2010 must be made available on the department's Web site by August 1, 2010. Applications for subsequent years' certification must be made available on the department's Web site by November 1 of the preceding year.

(b) Within 30 days of receiving an application for certification under this subdivision, the commissioner must either certify the business as satisfying the conditions required of a qualified small business or a qualified greater Minnesota business, request additional information from the business, or reject the application for certification. If the commissioner requests additional information from the business, the commissioner must either certify the business or reject the application within 30 days of receiving the additional information. If the commissioner neither certifies the business nor rejects the application within 30 days of receiving the original application or within 30 days of receiving the additional information requested, whichever is later, then the application is deemed rejected, and the commissioner must refund the \$150 application fee. A business that applies for certification and is rejected may reapply.

(c) To receive certification as a qualified small business, a business must satisfy all of the following conditions:

- (1) the business has its headquarters in Minnesota;
- (2) at least 51 percent of the business's employees are employed in Minnesota, and 51 percent of the business's total payroll is paid or incurred in the state;
- (3) the business is engaged in, or is committed to engage in, innovation in Minnesota in one of the following as its primary business activity:
  - (i) using proprietary technology to add value to a product, process, or service in a qualified high-technology field;
  - (ii) researching or developing a proprietary product, process, or service in a qualified high-technology field; or
  - (iii) researching, developing, or producing a new proprietary technology for use in the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;
- (4) other than the activities specifically listed in clause (3), the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;
- (5) the business has fewer than 25 employees;
- (6) the business must pay its employees annual wages of at least 175 percent of the federal poverty guideline for the year for a family of four and must pay its interns annual wages of at least 175 percent of the federal minimum wage used for federally covered employers, except that this requirement must be reduced proportionately for employees and interns who work less than full-time, and does not apply to an executive, officer, or member of the board of the business, or to any employee who owns, controls, or holds power to vote more than 20 percent of the outstanding securities of the business;
- (7) the business has not been in operation for more than ten years;
- (8) the business has not previously received private equity investments of more than \$4,000,000;  
and
- (9) the business is not an entity disqualified under section 80A.50, paragraph (b), clause (3); and

(10) the business has not issued securities that are traded on a public exchange.

(d) In applying the limit under paragraph (c), clause (5), the employees in all members of the unitary business, as defined in section 290.17, subdivision 4, must be included.

(e) In order for a qualified investment in a business to be eligible for tax credits, the business:

(1) the business must have applied for and received certification for the calendar year in which the investment was made prior to the date on which the qualified investment was made;

(2) must not have issued securities that are traded on a public exchange;

(3) must not issue securities that are traded on a public exchange within 180 days after the date on which the qualified investment was made; and

(4) must not have a liquidation event within 180 days after the date on which a qualified investment was made.

(f) The commissioner must maintain a list of qualified small businesses and qualified greater Minnesota businesses certified under this subdivision for the calendar year and make the list accessible to the public on the department's Web site.

(g) For purposes of this subdivision, the following terms have the meanings given:

(1) "qualified high-technology field" includes aerospace, agricultural processing, renewable energy, energy efficiency and conservation, environmental engineering, food technology, cellulosic ethanol, information technology, materials science technology, nanotechnology, telecommunications, biotechnology, medical device products, pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar fields; ~~and~~

(2) "proprietary technology" means the technical innovations that are unique and legally owned or licensed by a business and includes, without limitation, those innovations that are patented, patent pending, a subject of trade secrets, or copyrighted; and

(3) "greater Minnesota" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

(h) To receive certification as a qualified greater Minnesota business, a business must satisfy all of the requirements of paragraph (c) and must satisfy the following conditions:

(1) the business has its headquarters in greater Minnesota; and

(2) at least 51 percent of the business's employees are employed in greater Minnesota, and 51 percent of the business's total payroll is paid or incurred in greater Minnesota.

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

Sec. 4. Minnesota Statutes 2012, section 116J.8737, subdivision 5, is amended to read:

Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a credit equal to 25 percent of the qualified investment in a qualified small business.

Investments made by a pass-through entity qualify for a credit only if the entity is a qualified fund. The commissioner must not allocate more than \$11,000,000 in credits to qualified investors or qualified funds for taxable years beginning after December 31, 2009, and before January 1, 2011,

and must not allocate more than \$12,000,000 in credits per year for taxable years beginning after December 31, 2010, and before January 1, ~~2015~~ 2013, or more than \$17,000,000 in credits per year for taxable years beginning after December 31, 2012, and before January 1, 2016. Any portion of a taxable year's credits that is not allocated by the commissioner does not cancel and may be carried forward to subsequent taxable years until all credits have been allocated.

(b) The commissioner may not allocate more than a total maximum amount in credits for a taxable year to a qualified investor for the investor's cumulative qualified investments as an individual qualified investor and as an investor in a qualified fund; for married couples filing joint returns the maximum is \$250,000, and for all other filers the maximum is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits over all taxable years for qualified investments in any one qualified small business.

(c) The commissioner may not allocate a credit to a qualified investor either as an individual qualified investor or as an investor in a qualified fund if the investor receives more than 50 percent of the investor's gross annual income from the qualified small business in which the qualified investment is proposed. A member of the family of an individual disqualified by this paragraph is not eligible for a credit under this section. For a married couple filing a joint return, the limitations in this paragraph apply collectively to the investor and spouse. For purposes of determining the ownership interest of an investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal Revenue Code apply.

(d) Applications for tax credits for 2010 must be made available on the department's Web site by September 1, 2010, and the department must begin accepting applications by September 1, 2010. Applications for subsequent years must be made available by November 1 of the preceding year.

(e) Qualified investors and qualified funds must apply to the commissioner for tax credits. Tax credits must be allocated to qualified investors or qualified funds in the order that the tax credit request applications are filed with the department. The commissioner must approve or reject tax credit request applications within 15 days of receiving the application. The investment specified in the application must be made within 60 days of the allocation of the credits. If the investment is not made within 60 days, the credit allocation is canceled and available for reallocation. A qualified investor or qualified fund that fails to invest as specified in the application, within 60 days of allocation of the credits, must notify the commissioner of the failure to invest within five business days of the expiration of the 60-day investment period.

(f) All tax credit request applications filed with the department on the same day must be treated as having been filed contemporaneously. If two or more qualified investors or qualified funds file tax credit request applications on the same day, and the aggregate amount of credit allocation claims exceeds the aggregate limit of credits under this section or the lesser amount of credits that remain unallocated on that day, then the credits must be allocated among the qualified investors or qualified funds who filed on that day on a pro rata basis with respect to the amounts claimed. The pro rata allocation for any one qualified investor or qualified fund is the product obtained by multiplying a fraction, the numerator of which is the amount of the credit allocation claim filed on behalf of a qualified investor and the denominator of which is the total of all credit allocation claims filed on behalf of all applicants on that day, by the amount of credits that remain unallocated on that day for the taxable year.

(g) A qualified investor or qualified fund, or a qualified small business acting on their behalf, must notify the commissioner when an investment for which credits were allocated has been made,



and the taxable year in which the investment was made. A qualified fund must also provide the commissioner with a statement indicating the amount invested by each investor in the qualified fund based on each investor's share of the assets of the qualified fund at the time of the qualified investment. After receiving notification that the investment was made, the commissioner must issue credit certificates for the taxable year in which the investment was made to the qualified investor or, for an investment made by a qualified fund, to each qualified investor who is an investor in the fund. The certificate must state that the credit is subject to revocation if the qualified investor or qualified fund does not hold the investment in the qualified small business for at least three years, consisting of the calendar year in which the investment was made and the two following years. The three-year holding period does not apply if:

(1) the investment by the qualified investor or qualified fund becomes worthless before the end of the three-year period;

(2) 80 percent or more of the assets of the qualified small business is sold before the end of the three-year period;

(3) the qualified small business is sold before the end of the three-year period; or

(4) the qualified small business's common stock begins trading on a public exchange before the end of the three-year period.

(h) The commissioner must notify the commissioner of revenue of credit certificates issued under this section.

**EFFECTIVE DATE.** This section is effective the day following final enactment for taxable years beginning after December 31, 2012.

Sec. 5. Minnesota Statutes 2012, section 116J.8737, is amended by adding a subdivision to read:

Subd. 5a. **Promotion of credit in greater Minnesota.** (a) By July 1, 2013, the commissioner shall develop a plan to increase awareness of and use of the credit for investments in greater Minnesota businesses with a target goal that a minimum of 30 percent of the credit will be awarded for those investments during the second half of calendar year 2013 and for each full calendar year thereafter. Beginning with the legislative report due on March 15, 2014, under subdivision 9, the commissioner shall report on its plan under this subdivision and the results achieved.

(b) If the target goal of 30 percent under paragraph (a) is not achieved for the six-month period ending on December 31, 2013, the credit percentage under subdivision 5, paragraph (a), is increased to 40 percent for a qualified investment made after December 31, 2013, in a greater Minnesota business. This paragraph does not apply and the credit percentage for all qualified investments is the rate provided under subdivision 5 for any calendar year beginning after a calendar year for which the commissioner determines the 30 percent target has been satisfied. The commissioner shall timely post notification of changes in the credit rate under this paragraph on the department's Web site.

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

Sec. 6. Minnesota Statutes 2012, section 116J.8737, subdivision 7, is amended to read:

Subd. 7. **Revocation of credits.** (a) If the commissioner determines that a qualified investor or qualified fund did not meet the three-year holding period required in subdivision 5, paragraph

(g), any credit allocated and certified to the investor or fund is revoked and must be repaid by the investor.

(b) If the commissioner determines that a business did not meet the employment and payroll requirements in subdivision 2, paragraph (c), clause (2), or paragraph (h), as applicable, in any of the five calendar years following the year in which an investment in the business that qualified for a tax credit under this section was made, the business must repay the following percentage of the credits allowed for qualified investments in the business:

Year following the year in which the investment was made:	Percentage of credit required to be repaid:
First	100%
Second	80%
Third	60%
Fourth	40%
Fifth	20%
Sixth and later	0

(c) The commissioner must notify the commissioner of revenue of every credit revoked and subject to full or partial repayment under this section.

(d) For the repayment of credits allowed under this section and section 290.0692, a qualified small business, qualified investor, or investor in a qualified fund must file an amended return with the commissioner of revenue and pay any amounts required to be repaid within 30 days after becoming subject to repayment under this section.

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

Sec. 7. Minnesota Statutes 2012, section 116J.8737, subdivision 9, is amended to read:

Subd. 9. **Report to legislature.** Beginning in 2011, the commissioner must annually report by March 15 to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes and economic development in the senate and the house of representatives, in compliance with sections 3.195 and 3.197, on the tax credits issued under this section. The report must include:

- (1) the number and amount of the credits issued;
- (2) the recipients of the credits;
- (3) for each qualified small business, its location, line of business, and if it received an investment resulting in certification of tax credits;
- (4) the total amount of investment in each qualified small business resulting in certification of tax credits;
- (5) for each qualified small business that received investments resulting in tax credits, the total amount of additional investment that did not qualify for the tax credit;
- (6) the number and amount of credits revoked under subdivision 7;

(7) the number and amount of credits that are no longer subject to the three-year holding period because of the exceptions under subdivision 5, paragraph (g), clauses (1) to (4); ~~and~~

(8) the number of qualified small businesses that are women or minority-owned; and

(9) any other information relevant to evaluating the effect of these credits.

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

Sec. 8. Minnesota Statutes 2012, section 116J.8737, subdivision 12, is amended to read:

Subd. 12. **Sunset.** This section expires for taxable years beginning after December 31, ~~2014~~ 2015, except that reporting requirements under subdivision 6 and revocation of credits under subdivision 7 remain in effect through ~~2016~~ 2017 for qualified investors and qualified funds, and through ~~2018~~ 2019 for qualified small businesses, reporting requirements under subdivision 9 remain in effect through ~~2019~~ 2020, and the appropriation in subdivision 11 remains in effect through ~~2018~~ 2019.

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

Sec. 9. **[136A.129] GREATER MINNESOTA INTERNSHIP PROGRAM.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given to them.

(b) "Eligible employer" means a taxpayer under section 290.01 with employees located in greater Minnesota.

(c) "Eligible institution" means a Minnesota public postsecondary institution or a Minnesota private, nonprofit, baccalaureate degree-granting college or university.

(d) "Eligible student" means a student enrolled in an eligible institution who has completed one-half of the credits necessary for the respective degree or certification.

(e) "Greater Minnesota" means the area of the state outside of the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright.

Subd. 2. **Program established.** The Office of Higher Education shall administer a greater Minnesota internship program through eligible institutions to provide credit at the eligible institution for internships and tax credits for eligible employers who hire interns for employment in greater Minnesota. The purpose of the program is to encourage Minnesota businesses to:

(1) employ and provide valuable experience to Minnesota students; and

(2) foster long-term relationships between the students and greater Minnesota employers.

Subd. 3. **Program components.** (a) An intern must be an eligible student who has been admitted to a major program that is related to the intern experience as determined by the eligible institution.

(b) To participate in the program, an eligible institution must:

(1) enter into written agreements with eligible employers to provide internships that are at least 12 weeks long and located in greater Minnesota;

(2) determine that the work experience of the internship is related to the eligible student's course of study; and

(3) provide academic credit for the successful completion of the internship or ensure that it fulfills requirements necessary to complete a vocational technical education program.

(c) To participate in the program, an eligible employer must enter into a written agreement with an eligible institution specifying that the intern:

(1) would not have been hired without the tax credit described in subdivision 4;

(2) did not work for the employer in the same or a similar job prior to entering the agreement;

(3) does not replace an existing employee;

(4) has not previously participated in the program;

(5) will be employed at a location in greater Minnesota;

(6) will be paid at least minimum wage for a minimum of 16 hours per week for a period of at least 12 weeks; and

(7) will be supervised and evaluated by the employer.

(d) Participating eligible institutions and eligible employers must report annually to the office. The report must include at least the following:

(1) the number of interns hired;

(2) the number of hours and weeks worked by interns; and

(3) the compensation paid to interns.

(e) An internship required to complete an academic program does not qualify for the greater Minnesota internship program under this section.

Subd. 4. **Tax credit allowed.** An employer is entitled to a tax credit as provided in section 290.06, subdivision 3b. The office shall allocate tax credits authorized in subdivision 4 to eligible institutions. The office shall determine relevant criteria to allocate the tax credits including the geographic distribution of credits to work locations outside the metropolitan area. Any credits allocated to an institution but not used may be reallocated to eligible institutions. The office shall allocate a portion of the administrative fee under section 290.06, subdivision 36, to participating eligible institutions for their administrative costs.

Subd. 5. **Reports to the legislature.** (a) By February 1, 2015, the office and the Department of Revenue shall report to the legislature on the greater Minnesota internship program. The report must include at least the following:

(1) the number and dollar amount of credits allowed;

(2) the number of interns employed under the program; and

(3) the cost of administering the program.

(b) By February 1, 2016, the office and the Department of Revenue shall report to the legislature with an analysis of the effectiveness of the program in stimulating businesses to hire interns and in

assisting participating interns in finding permanent career positions. This report must include the number of students who participated in the program who were subsequently employed full-time by the employer.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2013.

Sec. 10. Minnesota Statutes 2012, 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, 2012.

Sec. 11. Minnesota Statutes 2012, 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, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) 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;

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(10) 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, 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); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

(11) 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 under United States Code, title 10; or the authority of the United Nations;

(12) 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;

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, 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);

(15) 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;

(16) 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); and

(17) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c); and

(18) in the year that the expenditures are made for railroad track maintenance, as defined in section 45G(d) of the Internal Revenue Code, in the case of a shareholder of a corporation that is an S corporation or a partner in a partnership, an amount equal to the credit awarded pursuant to section 45G(a) of the Internal Revenue Code. The subtraction shall be reduced to an amount equal to the percentage of the shareholder's or partner's share of the net income of the S corporation or partnership.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 12. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

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



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

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

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

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

~~(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);~~

~~(12) (11) the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code;~~

~~(13) (12) the amount of net income excluded under section 114 of the Internal Revenue Code;~~

~~(14) (13) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;~~

~~(15) (14) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;~~

~~(16) (15) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;~~

~~(17) (16) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;~~

~~(18) (17) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;~~

~~(19) (18) 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;~~

~~(24)~~ (19) for taxable years beginning before January 1, 2010, 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)~~ (20) 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, 2012.

Sec. 13. Minnesota Statutes 2012, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the 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)~~ (10) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

~~(12)~~ (11) the amount of disability access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

~~(13)~~ (12) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

~~(14)~~ (13) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

~~(15)~~ (14) 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;

~~(16)~~ (15) 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 303(b) of Public Law 110-343;

~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The resulting delayed depreciation cannot be less than zero;

~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth of the amount of the addition; and

~~(19)~~ (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 19c, clause ~~(25)~~ (20); and

(19) in the year that the expenditures are made for railroad track maintenance, as defined in section 45G(d) of the Internal Revenue Code, an amount equal to the credit awarded pursuant to section 45G(a) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 14. Minnesota Statutes 2012, section 290.06, subdivision 1, is amended to read:

Subdivision 1. **Computation, corporations.** The franchise tax imposed upon corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.0 percent.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 15. Minnesota Statutes 2012, 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~~ \$35,480, 5.35 percent;
- (2) On all over ~~\$25,680~~ \$35,480, but not over ~~\$102,030~~ \$140,960, 7.05 percent;
- (3) On all over ~~\$102,030~~ \$140,960, ~~7.85~~ 9.4 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~~ \$24,270, 5.35 percent;
- (2) On all over ~~\$17,570~~ \$24,270, but not over ~~\$57,710~~ \$79,730, 7.05 percent;
- (3) On all over ~~\$57,710~~ \$79,730, ~~7.85~~ 9.4 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~~ \$29,880, 5.35 percent;
- (2) On all over ~~\$21,630~~ \$29,880, but not over ~~\$86,910~~ \$120,070, 7.05 percent;
- (3) On all over ~~\$86,910~~ \$120,070, ~~7.85~~ 9.4 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), (13), and (16) to (18), 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 (8), (9), (13), (14), (16), and (17), 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), (13), and (16) to (18), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (8), (9), (13), (14), (16), and (17).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 16. Minnesota Statutes 2012, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, ~~2000~~ 2013, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2012, and before January 1, ~~2001~~ 2014. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~" "2012" shall be substituted for the word "1992." For ~~2001~~ 2014, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2012, to the 12 months ending on August 31, ~~2000~~ 2013, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 17. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision to read:

**Subd. 36. Greater Minnesota internship credit.** (a) A taxpayer may take a credit against the tax due under this chapter equal to the lesser of:

(1) 40 percent of the compensation paid to an intern qualifying under the program established under section 136A.129, but not to exceed \$2,000 per intern; or

(2) the amount certified by the Office of Higher Education under section 136A.129 to the taxpayer.

(b) Credits allowed to a partnership, a limited liability company taxed as a partnership, an S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's income for the taxable year.

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

(d) The amount necessary to:

(1) pay claims for the refund provided in this subdivision; and

(2) an amount equal to one percent of the total amount of the credits authorized under this subdivision for an administrative fee for the Office of Higher Education and participating eligible

institutions is appropriated from the general fund to the commissioner of revenue, not to exceed \$2,020,000.

The commissioner of revenue shall transfer the amount of the administrative fee to the Office of Higher Education.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2013.

Sec. 18. Minnesota Statutes 2012, section 290.0677, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed; current military service.** (a) An individual is allowed a credit against the tax due under this chapter equal to \$59 for each month or portion thereof that the individual was in active military service in a designated area after September 11, 2001, and before January 1, 2009, while a Minnesota domiciliary.

(b) An individual is allowed a credit against the tax due under this chapter equal to ~~\$120~~ \$200 for each month or portion thereof that the individual was in active military service in a designated area after December 31, 2008, while a Minnesota domiciliary.

(c) For active service performed after September 11, 2001, and before December 31, 2006, the individual may claim the credit in the taxable year beginning after December 31, 2005, and before January 1, 2007.

(d) For active service performed after December 31, 2006, the individual may claim the credit for the taxable year in which the active service was performed.

(e) If an individual entitled to the credit died prior to January 1, 2006, the individual's estate or heirs at law, if the individual's probate estate has closed or the estate was not probated, may claim the credit.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 19. Minnesota Statutes 2012, section 290.0677, subdivision 1a, is amended to read:

Subd. 1a. **Credit allowed; past military service.** (a) A qualified individual is allowed a credit against the tax imposed under this chapter for past military service. The credit equals ~~\$750~~ \$1,500. The credit allowed under this subdivision is reduced by ten percent of adjusted gross income in excess of \$30,000, but in no case is the credit less than zero.

(b) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 20. Minnesota Statutes 2012, section 290.0677, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Designated area" means a:

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



- (2) qualified hazardous duty area, designated in Public Law; or
- (3) location certified by the U. S. Department of Defense as eligible for combat zone tax benefits due to the location's direct support of military operations.

(c) "Active military service" means active duty service in any of the United States armed forces, the National Guard, or reserves.

(d) "Qualified individual" means an individual who has:

(1) ~~either (i)~~ met one of the following criteria:

(i) has served at least 20 years in the military or;

(ii) has a service-connected disability rating of 100 percent for a total and permanent disability;  
or

(iii) has been determined by the military to be eligible for compensation from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, or 12733; and

(2) separated from military service before the end of the taxable year.

(e) "Adjusted gross income" has the meaning given in section 61 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 21. Minnesota Statutes 2012, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or shareholders in a corporation treated as an "S" corporation under section 290.9725 are allowed a credit against the tax computed under this chapter for the taxable year equal to:

(a) ten percent of the first \$2,000,000 of the excess (if any) of

(1) the qualified research expenses for the taxable year, over

(2) the base amount; and

(b) ~~2.5~~ 4.5 percent on all of such excess expenses over \$2,000,000.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 22. Minnesota Statutes 2012, section 290.0681, subdivision 1, is amended to read:

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

(b) "Account" means the historic credit administration account in the special revenue fund.

(c) "Office" means the State Historic Preservation Office of the Minnesota Historical Society.

(d) "Project" means rehabilitation of a certified historic structure, as defined in section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is allowed a federal credit ~~under section 47(a)(2) of the Internal Revenue Code.~~

(e) "Society" means the Minnesota Historical Society.

(f) "Federal credit" means the credit allowed under section 47(a)(2) of the Internal Revenue Code.

(g) "Placed in service" has the meaning used in section 47 of the Internal Revenue Code.

(h) "Qualified rehabilitation expenditures" has the meaning given in section 47 of the Internal Revenue Code.

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

Sec. 23. Minnesota Statutes 2012, section 290.0681, subdivision 3, is amended to read:

Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this section, the developer of a project must apply to the office before the rehabilitation begins. The application must contain the information and be in the form prescribed by the office. The office may collect a fee for application of up to ~~\$5,000~~ 0.5 percent of qualified rehabilitation expenditures, up to \$45,000, based on estimated qualified rehabilitation ~~expenses~~ expenditures, to offset costs associated with personnel and administrative expenses related to administering the credit and preparing the economic impact report in subdivision 9. Application fees are deposited in the account. The application must indicate if the application is for a credit or a grant in lieu of the credit or a combination of the two and designate the taxpayer qualifying for the credit or the recipient of the grant.

(b) Upon approving an application for credit, the office shall issue allocation certificates that:

(1) verify eligibility for the credit or grant;

(2) state the amount of credit or grant anticipated with the project, with the credit amount equal to 100 percent and the grant amount equal to 90 percent of the federal credit anticipated in the application;

(3) state that the credit or grant allowed may increase or decrease if the federal credit the project receives at the time it is placed in service is different than the amount anticipated at the time the allocation certificate is issued; and

(4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer or grant recipient is entitled to receive the credit or grant at the time the project is placed in service, provided that date is within three calendar years following the issuance of the allocation certificate.

(c) The office, in consultation with the commissioner ~~of revenue~~, shall determine if the project is eligible for a credit or a grant under this section and must notify the developer in writing of its determination. Eligibility for the credit is subject to review and audit by the commissioner ~~of revenue~~.

(d) The federal credit recapture and repayment requirements under section 50 of the Internal Revenue Code do not apply to the credit allowed under this section.

(e) Any decision of the office under paragraph (c) may be challenged as a contested case under chapter 14. The contested case proceeding must be initiated within 45 days of the date of written notification by the office.

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

Sec. 24. Minnesota Statutes 2012, section 290.0681, subdivision 4, is amended to read:

Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which the office has issued an allocation certificate must notify the office when the project is placed in service. Upon verifying that the project has been placed in service, and was allowed a federal credit, the office must issue a credit certificate to the taxpayer designated in the application or must issue a grant to the recipient designated in the application. Credit certificates will be issued on a first come, first served basis according to the date and time of verification required under this clause. The credit certificate must state the amount of the credit.

(2) The credit amount equals the federal credit allowed for the project.

(3) The grant amount equals 90 percent of the federal credit allowed for the project.

(b) The recipient of a credit certificate may assign the certificate to another taxpayer, which is then allowed the credit under this section or section 2971.20, subdivision 3. An assignment is not valid unless the assignee notifies the commissioner within 30 days of the date that the assignment is made. The commissioner shall prescribe the forms necessary for notifying the commissioner of the assignment of a credit certificate and for claiming a credit by assignment.

(c) Credits passed through to partners, members, shareholders, or owners pursuant to subdivision 5 are not an assignment of a credit certificate under this subdivision.

(d) A grant agreement between the office and the recipient of a grant may allow the grant to be issued to another individual or entity.

**EFFECTIVE DATE.** Paragraph (a) is effective beginning fiscal year 2016. Paragraph (b) is effective the day following final enactment.

Sec. 25. Minnesota Statutes 2012, section 290.0681, subdivision 5, is amended to read:

Subd. 5. **Partnerships; multiple owners.** Credits granted to a partnership, a limited liability company taxed as a partnership, S corporation, or multiple owners of property are passed through to the partners, members, shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

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

Sec. 26. Minnesota Statutes 2012, section 290.0681, subdivision 7, is amended to read:

Subd. 7. **Appropriations.** (a) An amount sufficient to pay the refunds authorized under this section is appropriated to the commissioner from the general fund, not to exceed \$15,000,000 per fiscal year.

(b) Subject to the limitation in paragraph (a), an amount sufficient to pay the grants authorized under this section is appropriated to the society from the general fund.

(c) Amounts in the account are appropriated to the society for costs associated with personnel and administrative expenses related to administering the credit for historic structure rehabilitation in this section, for refunding application fees under subdivision 3, and for costs associated with preparing the determination of economic impact report required in subdivision 9.

**EFFECTIVE DATE.** This section is effective beginning fiscal year 2016.

Sec. 27. Minnesota Statutes 2012, section 290.0681, subdivision 10, is amended to read:

Subd. 10. **Sunset.** This section expires after fiscal year ~~2015~~ 2021, except that the office's authority to issue credit certificates under subdivision 4 based on allocation certificates that were issued before fiscal year ~~2016~~ 2022 remains in effect through ~~2018~~ 2024, and the reporting requirements in subdivision 9 remain in effect through the year following the year in which all allocation certificates have either been canceled or resulted in issuance of credit certificates, or ~~2019~~ 2025, whichever is earlier.

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

Sec. 28. **[290.0682] JOBS CREDIT; GREATER MINNESOTA BUSINESS EXPANSIONS.**

Subdivision 1. **Credit allowed.** If authorized by its business subsidy agreement, a qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

(1) lesser of:

(i) the greater Minnesota payroll for the taxable year, less the greater Minnesota payroll for the base year; or

(ii) the total Minnesota payroll for the taxable year, less the total Minnesota payroll for the base year; minus

(2)(i) \$35,000 multiplied by (ii) the number of full-time equivalent employees that the qualified business employs in greater Minnesota for the taxable year, minus the number of full-time equivalent employees the business employed in greater Minnesota in the base year, but not less than zero.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the qualified business was certified under section 116J.3738.

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Greater Minnesota" has the meaning given in section 116J.3738.

(e) "Greater Minnesota payroll" is that portion of the payroll factor under section 290.191 that represents:

(1) wages or salaries paid to an individual for services performed in greater Minnesota; plus

(2) wages or salaries paid to individuals working from offices within greater Minnesota if their employment requires them to work outside of greater Minnesota and the work is incidental to the work performed by the individual within greater Minnesota; less

(3) the amount of compensation attributable to any employee whose wages or salary are included in clause (1) or (2) that exceeds \$125,000.

(f) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(g) "Qualified business" means a qualified business certified under section 116J.3738, subdivision 3.

Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31, 2014, the dollar amounts in subdivision 1, clause (2), and subdivision 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under this chapter, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund, not to exceed \$5,000,000 in a taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2013.

Sec. 29. **[290.0683] CLOTHING SALES TAX CREDIT.**

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

(b) "Income" has the meaning given in section 290.067, subdivision 2a.

(c) "Dependent" has the meaning given in section 152 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** A taxpayer is allowed a refundable credit against the tax imposed under this chapter. The credit is equal to \$60 for a married couple filing a joint return, and \$30 for all other filers, plus \$30 for the first dependent claimed on the return, \$15 for each of the second and third dependents claimed on the return, \$10 for the fourth dependent claimed on the return, and \$5 for each subsequent dependent.

Subd. 3. **Limitations.** The credit allowed in this section is reduced by \$10 for every \$1,000 of income in excess of 200 percent of the federal poverty guidelines.

Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 30. Minnesota Statutes 2012, 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), (13), and (16) to (18);

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;

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (6), (8) to (14), ~~and (16)~~, and (18); and

(5) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

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

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 31. Minnesota Statutes 2012, section 290.0921, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

- (1) ~~5.8~~ 5.3 percent of Minnesota alternative minimum taxable income; over
- (2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 32. Minnesota Statutes 2012, section 290.0921, subdivision 3, is amended to read:

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

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

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

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(+5)~~ (14), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(+7)~~ (16), is allowed as a depreciation deduction in determining alternative minimum taxable income.

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

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

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

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

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

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

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

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

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

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

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9), ~~or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (10).~~

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

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

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 33. Minnesota Statutes 2012, section 290.0922, subdivision 1, is amended to read:

Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without regard to this section, the franchise tax imposed on a corporation required to file under section 289A.08,



subdivision 3, other than a corporation treated as an "S" corporation under section 290.9725 for the taxable year includes a tax equal to the following amounts:

If the sum of the corporation's Minnesota property, payrolls, and sales or receipts is:

the tax equals:

		<u>500,000</u>	
	less than	\$ <u>930,000</u>	\$ 0
		<u>500,000</u>	<u>100</u>
\$	<u>930,000</u> to	\$ <u>1,869,999</u>	\$ <u>190</u>
		<u>1,000,000</u>	<u>300</u>
\$	<u>1,870,000</u> to	\$ <u>9,339,999</u>	\$ <u>560</u>
		<u>5,000,000</u>	<u>1,000</u>
\$	<u>9,340,000</u> to	\$ <u>18,679,999</u>	\$ <u>1,870</u>
		<u>10,000,000</u>	<u>2,000</u>
\$	<u>18,680,000</u> to	\$ <u>37,359,999</u>	\$ <u>3,740</u>
		<u>20,000,000</u>	<u>5,000</u>
\$	<u>37,360,000</u> or more		\$ <u>9,340</u>

(b) A tax is imposed for each taxable year on a corporation required to file a return under section 289A.12, subdivision 3, that is treated as an "S" corporation under section 290.9725 and on a partnership required to file a return under section 289A.12, subdivision 3, other than a partnership that derives over 80 percent of its income from farming. The tax imposed under this paragraph is due on or before the due date of the return for the taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe the return to be used for payment of this tax. The tax under this paragraph is equal to the following amounts:

If the sum of the S corporation's or partnership's Minnesota property, payrolls, and sales or receipts is:

the tax equals:

		<u>500,000</u>	
	less than	\$ <u>930,000</u>	\$ 0
		<u>500,000</u>	<u>100</u>
\$	<u>930,000</u> to	\$ <u>1,869,999</u>	\$ <u>190</u>
		<u>1,000,000</u>	<u>300</u>
\$	<u>1,870,000</u> to	\$ <u>9,339,999</u>	\$ <u>560</u>
		<u>5,000,000</u>	<u>1,000</u>
\$	<u>9,340,000</u> to	\$ <u>18,679,999</u>	\$ <u>1,870</u>
		<u>10,000,000</u>	<u>2,000</u>
\$	<u>18,680,000</u> to	\$ <u>37,359,999</u>	\$ <u>3,740</u>
		<u>20,000,000</u>	<u>5,000</u>
\$	<u>37,360,000</u> or more		\$ <u>9,340</u>

(c) The commissioner shall adjust the dollar amounts of both the tax and the property, payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the year 2012 must be substituted for the year 1992. For 2014, the commissioner shall determine the percentage change from the 12 months ending on August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent year, from the 12 months ending on August 31, 2012, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision is not a rule subject to the Administrative Procedure Act contained in chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts that end in \$5, the amount is rounded up to the nearest \$10 amount and for threshold amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 34. Minnesota Statutes 2012, section 290.095, subdivision 2, is amended to read:

Subd. 2. **Defined and limited.** (a) The term "net operating loss" as used in this section shall mean a net operating loss as defined in section 172(c) of the Internal Revenue Code, with the modifications specified in subdivision 4. The deductions provided in section 290.21 ~~and the modification provided in section 290.01, subdivision 19d, clause (10)~~; cannot be used in the determination of a net operating loss.

(b) The term "net operating loss deduction" as used in this section means the aggregate of the net operating loss carryovers to the taxable year, computed in accordance with subdivision 3. The provisions of section 172(b) of the Internal Revenue Code relating to the carryback of net operating losses, do not apply.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 35. Minnesota Statutes 2012, section 290.17, subdivision 4, is amended to read:

Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence

a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) ~~The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business; except that the income and apportionment factors of a foreign corporation, foreign partnership, or other foreign entity, that are included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which is not part of a unitary business and which is required to file a return under this chapter shall file on a separate return basis. The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).~~

~~(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.~~

~~Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:~~

~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and~~

~~(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (10), shall not be allowed.~~

~~If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.~~

~~(h) (g) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be~~

included only the income and apportionment factors of domestic corporations or other domestic entities ~~other than foreign operating corporations~~ that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business; except that the income and apportionment factors of a foreign corporation, foreign partnership, or other foreign entity, that is included in the federal taxable income, as defined in section 63 of the Internal Revenue Code as amended through the date named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or individual must be included in determining net income and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20.

~~(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (10), shall not be disallowed.~~

~~(j)~~ (h) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph ~~(h)~~ (g) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph ~~(h)~~ (g) in the denominators of the apportionment formula. All sales of the unitary business made within this state pursuant to section 290.191 or 290.20 must be included on the combined report of a corporation or other entity that is a member of the unitary business and is subject to the jurisdiction of this state to impose tax under this chapter.

~~(k)~~ (i) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 36. Minnesota Statutes 2012, section 290.191, subdivision 5, is amended to read:

Subd. 5. **Determination of sales factor.** For purposes of this section, the following rules apply in determining the sales factor.

(a) The sales factor includes all sales, gross earnings, or receipts received in the ordinary course of the business, except that the following types of income are not included in the sales factor:

(1) interest;

(2) dividends;

(3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

(4) sales of property used in the trade or business, except sales of leased property of a type which is regularly sold as well as leased; and

(5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue Code or sales of stock; and

~~(6) royalties, fees, or other like income of a type which qualify for a subtraction from federal taxable income under section 290.01, subdivision 19d, clause (10).~~

(b) Sales of tangible personal property are made within this state if the property is received by a purchaser at a point within this state, and the taxpayer is taxable in this state, regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination of the property.

(c) Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of the sale.

(d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine, fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is licensed by a state or political subdivision to resell this property only within the state of ultimate destination, the sale is made in that state.

(e) Sales made by or through a corporation that is qualified as a domestic international sales corporation under section 992 of the Internal Revenue Code are not considered to have been made within this state.

(f) Sales, rents, royalties, and other income in connection with real property is attributed to the state in which the property is located.

(g) Receipts from the lease or rental of tangible personal property, including finance leases and true leases, must be attributed to this state if the property is located in this state and to other states if the property is not located in this state. Receipts from the lease or rental of moving property including, but not limited to, motor vehicles, rolling stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts factor to the extent that the property is used in this state. The extent of the use of moving property is determined as follows:

(1) A motor vehicle is used wholly in the state in which it is registered.

(2) The extent that rolling stock is used in this state is determined by multiplying the receipts from the lease or rental of the rolling stock by a fraction, the numerator of which is the miles traveled within this state by the leased or rented rolling stock and the denominator of which is the total miles traveled by the leased or rented rolling stock.

(3) The extent that an aircraft is used in this state is determined by multiplying the receipts from the lease or rental of the aircraft by a fraction, the numerator of which is the number of landings of the aircraft in this state and the denominator of which is the total number of landings of the aircraft.

(4) The extent that a vessel, mobile equipment, or other mobile property is used in the state is determined by multiplying the receipts from the lease or rental of the property by a fraction, the numerator of which is the number of days during the taxable year the property was in this state and the denominator of which is the total days in the taxable year.

(h) Royalties and other income not described in paragraph (a), clause (6), received for the use of or for the privilege of using intangible property, including patents, know-how, formulas, designs, processes, patterns, copyrights, trade names, service names, franchises, licenses, contracts, customer lists, or similar items, must be attributed to the state in which the property is used by the purchaser. If the property is used in more than one state, the royalties or other income must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the royalties or other income must be excluded from both the numerator and the denominator. Intangible property is used in this state if the purchaser uses the intangible property or the rights therein in the regular course of its business operations in this state, regardless of the location of the purchaser's customers.

(i) Sales of intangible property are made within the state in which the property is used by the purchaser. If the property is used in more than one state, the sales must be apportioned to this state pro rata according to the portion of use in this state. If the portion of use in this state cannot be determined, the sale must be excluded from both the numerator and the denominator of the sales factor. Intangible property is used in this state if the purchaser used the intangible property in the regular course of its business operations in this state.

(j) Receipts from the performance of services must be attributed to the state where the services are received. For the purposes of this section, receipts from the performance of services provided to a corporation, partnership, or trust may only be attributed to a state where it has a fixed place of doing business. If the state where the services are received is not readily determinable or is a state where the corporation, partnership, or trust receiving the service does not have a fixed place of doing business, the services shall be deemed to be received at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the services shall be deemed to be received at the office of the customer to which the services are billed.

(k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts from management, distribution, or administrative services performed by a corporation or trust for a fund of a corporation or trust regulated under United States Code, title 15, sections 80a-1 through 80a-64, must be attributed to the state where the shareholder of the fund resides. Under this paragraph, receipts for services attributed to shareholders are determined on the basis of the ratio of: (1) the average of the outstanding shares in the fund owned by shareholders residing within Minnesota at the beginning and end of each year; and (2) the average of the total number of outstanding shares in the fund at the beginning and end of each year. Residence of the shareholder, in the case of an individual, is determined by the mailing address furnished by the shareholder to the fund. Residence of the shareholder, when the shares are held by an insurance company as a depositor for the insurance company policyholders, is the mailing address of the policyholders. In the case of an insurance company holding the shares as a depositor for the insurance company policyholders, if the mailing address of the policyholders cannot be determined by the taxpayer, the receipts must be excluded from both the numerator and denominator. Residence of other shareholders is the mailing address of the shareholder.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 37. Minnesota Statutes 2012, section 290.21, subdivision 4, is amended to read:

Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) the remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989;

(ii) the remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code; or

(iii) the remaining 20 percent of the dividends if the dividends are received from a property and casualty insurer as defined under section 60A.60, subdivision 8, which is a member of an affiliated group of corporations as defined by the Internal Revenue Code and either: (A) the dividend is eliminated in consolidation under Treasury Regulation 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted under an election under section 243(b) of the Internal Revenue Code.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision does not apply to a dividend received from a real estate investment trust as defined in section 856 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 38. Minnesota Statutes 2012, section 297G.04, subdivision 2, is amended to read:

Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

- (1) the liability for tax; or
- (2) \$115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than ~~100,000~~ 250,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

**EFFECTIVE DATE.** This section is effective for determinations based on calendar year 2012 production and thereafter.

Sec. 39. Minnesota Statutes 2012, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after



marketable ores are produced, unless the expenses are included in gross income. The allowable deductions from a mine or plant that mines and produces more than one mineral, metal, or energy resource must be determined separately for the purposes of computing the deduction in section 290.01, subdivision 19c, clause (9). These deductions may be combined on one occupation tax return to arrive at the deduction from gross income for all production.

(b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d, clauses (7) and (10), are not used to determine taxable income.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 40. Laws 2010, chapter 216, section 11, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2009, for certified historic structures for which qualified costs of rehabilitation are first paid under construction contracts entered into after May 1, 2010 rehabilitation expenditures are first paid by the developer or taxpayer after May 1, 2010, for rehabilitation that occurs after May 1, 2010, provided that the application under subdivision 3 is submitted before the project is placed in service.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies retroactively for taxable years beginning after December 31, 2009, and for certified historic structures placed in service after May 1, 2010, but the office may not issue certificates allowed under the change to this section until July 1, 2013.

Sec. 41. **CLOTHING SALES TAX CREDIT; TAX YEAR 2013.**

For tax year 2013 only, the credit calculated under Minnesota Statutes, section 290.0683, is the credit under Minnesota Statutes, section 290.0683, subdivision 2, after limitations imposed under Minnesota Statutes, section 290.0683, subdivision 3, multiplied by one-half.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 42. **REPEALER.**

Minnesota Statutes 2012, sections 290.01, subdivision 6b; and 290.0921, subdivision 7, are repealed.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

## ARTICLE 6

### ESTATE TAXES

Section 1. Minnesota Statutes 2012, section 291.03, subdivision 8, is amended to read:

Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code, or a trust whose present beneficiaries are all family members as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property ~~from upon the death of the decedent and satisfies the requirement under subdivision 9, clause (6) (7), or subdivision 10, clause (4) (5), for the property.~~

(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 2. Minnesota Statutes 2012, section 291.03, subdivision 9, is amended to read:

Subd. 9. **Qualified small business property.** Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. ~~The decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469 of the Internal Revenue Code during the taxable year that ended before the date of the decedent's death.~~ Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death. For purposes of this subdivision, an ownership interest includes the interest the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

(3) During the taxable year that ended before the decedent's death, the trade or business must not have been a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and the decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the taxable year that ended before the decedent's death.

(4) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

~~(4) (5)~~ (5) The property does not consist of cash ~~or~~ cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business. For property consisting of shares of stock or other ownership interests in an entity, the amount value of cash ~~or~~ cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business held by the corporation or other entity must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.

~~(5) (6)~~ (6) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent. In the case of a sole proprietor, if the property replaced similar property within the three-year period, the replacement property will be treated as having been owned for the three-year period ending on the date of death of the decedent.

~~(6) A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.~~

(7) For three years following the date of death of the decedent, the trade or business is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code, and a family member materially participates in the operation of the trade or business within the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other provision provided by United States Treasury Department regulation that substitutes material participation in prior taxable years for material participation in the three years following the date of death of the decedent.

(8) The estate and the qualified heir elect to treat the property as qualified small business property and agree, in the form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 3. Minnesota Statutes 2012, section 291.03, subdivision 10, is amended to read:

Subd. 10. **Qualified farm property.** Property satisfying all of the following requirements is qualified farm property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of a farm meeting the requirements of agricultural land as defined in section 500.24, subdivision 2, paragraph (g), and is owned by a person or entity that is either not subject to or is in compliance with section 500.24, and was classified for property tax purposes as the homestead of the decedent or the decedent's spouse or both under section 273.124, and as class 2a property under section 273.13, subdivision 23.

(3) For property taxes payable in the taxable year of the decedent's death, the decedent's interest in the property was classified as the homestead of the decedent, the decedent's spouse, or both under section 273.124 and as class 2a property under section 273.13, subdivision 23.

(4) The decedent continuously owned the property, including property the decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for the three-year period ending on the date of death of the decedent either by ownership of the agricultural land or pursuant to holding an interest in an entity that is not subject to or is in compliance with section 500.24.

~~(4) A family member continuously uses the property in the operation of the trade or business~~  
(5) The property is classified for property tax purposes as class 2a property under section 273.13, subdivision 23, for three years following the date of death of the decedent.

~~(5) (6) The estate and the qualified heir elect to treat the property as qualified farm property and agree, in a form prescribed by the commissioner, to pay the recapture tax under subdivision 11, if applicable.~~

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 4. Minnesota Statutes 2012, section 291.03, subdivision 11, is amended to read:

Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in the qualified property, other than by a disposition to a family member, or a family member ceases to ~~use the qualified property which was acquired or passed from the decedent~~ satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir replaces qualified small business property excluded under subdivision 9 with similar property, then the qualified heir will not be treated as having disposed of an interest in the qualified property.

(b) The amount of the additional tax equals the amount of the exclusion claimed by the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

(c) The additional tax under this subdivision is due on the day which is six months after the date of the disposition or cessation in paragraph (a).

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

## ARTICLE 7

### SALES AND USE TAXES; LOCAL SALES TAXES

Section 1. Minnesota Statutes 2012, section 16C.03, subdivision 18, is amended to read:

Subd. 18. **Contracts with foreign vendors.** (a) The commissioner and other agencies to which this section applies and the legislative branch of government shall, subject to paragraph (d), cancel a contract for goods or services from a vendor or an affiliate of a vendor or suspend or debar a vendor or an affiliate of a vendor from future contracts upon notification from the commissioner of revenue that the vendor or an affiliate of the vendor has not registered to collect the sales and use tax imposed under chapter 297A on its sales in Minnesota or to a destination in Minnesota. This subdivision shall not apply to state colleges and universities, the courts, and any agency in the judicial branch of government. For purposes of this subdivision, the term "affiliate" means any person or entity that is controlled by, or is under common control of, a vendor through stock ownership or other affiliation.

(b) ~~Beginning January 1, 2006,~~ Each vendor or affiliate of a vendor selling goods or services, subject to tax under chapter 297A, to an agency or the legislature must register with the commissioner of revenue as provided in section 297A.83, and comply with all legal requirements imposed on a person maintaining a place of business in this state, including the requirement to collect and remit sales and use tax on all taxable sales to customers in the state, and provide its Minnesota sales and use tax business identification number, upon request, to show that the vendor is registered to collect Minnesota sales or use tax.

(c) The commissioner of revenue shall periodically provide to the commissioner and the legislative branch a list of vendors who have not registered to collect Minnesota sales and use tax and who are subject to being suspended or debarred as vendors or having their contracts canceled.

(d) The provisions of this subdivision may be waived by the commissioner or the legislative branch when the vendor is the single source of such goods or services, in the event of an emergency, or when it is in the best interests of the state as determined by the commissioner in consultation with the commissioner of revenue. Such consultation is not a disclosure violation under chapter 270B.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 2. Minnesota Statutes 2012, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision. In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy;

(4) dietary supplements; and

(5) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes:

(1) the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise; and

(2) the receipt of custom computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, exhibitions, recreational areas, or professional athletic events, including the rental of box seats and suites at professional athletic

events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities. "Exhibitions" means trade shows, boat shows, home shows, garden shows, and other similar events;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice and including accommodations intermediary services provided in connection with other services provided under this clause;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction; and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block. For purposes of this clause, "road construction" means construction of:

(i) public roads;

(ii) cartways; and

(iii) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign; and

(6) services as provided in this clause:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting services and pest control and exterminating services;

(iv) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization or any organization at the direction of a county for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota Department of Corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements; ~~but excluding veterinary and horse boarding services.~~

~~In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of the preceding sentence, "affiliated group of corporations" means those entities that would be classified as members of an affiliated group as defined under United States Code, title 26, section 1504, disregarding the exclusions in section 1504(b).~~

~~For purposes of clause (5), "road construction" means construction of (1) public roads, (2) cartways, and (3) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign.~~

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ancillary services associated with telecommunication services, ~~cable and pay~~ television services, ~~and direct satellite services.~~ Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 59B.02, subdivision 11.

(l) A sale and a purchase includes the furnishing for a consideration of specified digital products or other digital products and granting the right for a consideration to use specified digital products or other digital products on a temporary or permanent basis and regardless of whether the purchaser is required to make continued payments for such right. Wherever the term "tangible personal property" is used in this chapter, other than in subdivisions 10 and 38, the provisions also apply to specified digital products, or other digital products, unless specifically provided otherwise or the context indicates otherwise.

(m) A sale and purchase includes:

(1) any service performed for the care, cleansing, beautification, or alteration of the appearance of the body, skin, nails, or hair, or in the enhancement of personal relaxation, appearance, or health, but excluding mortuary services;

(2) repair labor for:

(i) farm machinery as defined under section 297A.61, subdivision 12;

(ii) motor vehicles as defined under section 297B.01, subdivision 11, except for motor vehicles sold at wholesale auction at an auto auction facility; and

(iii) any other tangible personal property;

(3) warehousing or storage services for tangible personal property excluding storage of farm products, refrigerated food, and electronic data; and

(4) the furnishing for consideration of documents prepared in connection with any legal proceeding, including a trial hearing, deposition, arbitration, or mediation, except for such documents prepared for a public defender or a public defender corporation under chapter 611.

(n) A sale and purchase also is the personal services of event planning, dating services, personal shopping, personal concierge services, or personal or household organizing services.

(o) In applying the provisions of this chapter, the terms "tangible personal property" and "retail sale" include taxable services listed in paragraph (g), clause (6), items (i) to (vi) and (viii), and paragraphs (m) and (n), and the provision of these taxable services, unless specifically provided otherwise.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 3. Minnesota Statutes 2012, section 297A.61, subdivision 4, is amended to read:

Subd. 4. **Retail sale.** (a) A "retail sale" means:



(1) any sale, lease, or rental of tangible personal property for any purpose, other than resale, sublease, or subrent of items by the purchaser in the normal course of business as defined in subdivision 21; and

(2) any sale of a service enumerated in subdivision 3, for any purpose other than resale by the purchaser in the normal course of business as defined in subdivision 21.

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

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

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

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

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

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

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

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

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

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 11, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed.

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

(m) A sale of a bundled transaction in which one or more of the products included in the bundle is a taxable product is a retail sale, except that if one of the products is a telecommunication

service, ancillary service, Internet access, or audio or video programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

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

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

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

(n) A sale of motor vehicle repair paint and materials by a motor vehicle repair or body shop business is a retail sale and the sales tax is imposed on the gross receipts from the retail sale of the paint and materials. The motor vehicle repair or body shop that purchases motor vehicle repair paint and motor vehicle repair materials for resale must either:

(1) separately state each item of paint and each item of materials, and the sales price of each, on the invoice to the purchaser; or

(2) in order to calculate the sales price of the paint and materials, use a method which estimates the amount and monetary value of the paint and materials used in the repair of the motor vehicle by multiplying the number of labor hours by a rate of consideration for the paint and materials used in the repair of the motor vehicle following industry standard practices that fairly calculate the gross receipts from the retail sale of the motor vehicle repair paint and motor vehicle repair materials. An industry standard practice fairly calculates the gross receipts if the sales price of the paint and materials used or consumed in the repair of a motor vehicle equals or exceeds the purchase price paid by the motor vehicle repair or body shop business. Under clause (1), the invoice must either separately state the "paint and materials" as a single taxable item, or separately state "paint" as a taxable item and "materials" as a taxable item. This clause does not apply to wholesale transactions at an auto auction facility.

(o) A sale of specified digital products or other digital products to an end user with or without rights of permanent use and regardless of whether rights of use are conditioned upon continued payment by the purchaser is a retail sale. When a digital code has been purchased that relates to specified digital products or other digital products, the subsequent receipt of or access to the related specified digital products or other digital products is not a retail sale.

(p) A payment made to an electric cooperative or public utility for contribution in aid of construction is a contract for improvement to real property and is not a retail sale.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 4. Minnesota Statutes 2012, section 297A.61, subdivision 10, is amended to read:

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

(b) Tangible personal property does not include:

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

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

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

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

(5) specified digital products, or other digital products, transferred electronically, except that prewritten computer software delivered electronically is tangible personal property.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 5. Minnesota Statutes 2012, section 297A.61, subdivision 17a, is amended to read:

Subd. 17a. **Delivered electronically.** "Delivered electronically" means delivered to the purchaser by means other than tangible storage media ~~and, unless the context indicates otherwise, applies to the delivery of computer software. Computer software is not considered delivered electronically to a purchaser simply because the purchaser has access to the product.~~

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

Sec. 6. Minnesota Statutes 2012, section 297A.61, subdivision 25, is amended to read:

Subd. 25. **Cable Pay television service.** "Cable Pay television service" means the transmission of video, audio, or other programming service to purchasers, and the subscriber interaction, if any, required for the selection or use of the programming service, regardless of whether the programming is transmitted over facilities owned or operated by the cable service provider or over facilities owned or operated by one or more dealers of communications services. The term includes point-to-multipoint distribution direct to home satellite services by which programming is transmitted or broadcast by microwave or other equipment directly to the subscriber's premises, or any similar or comparable method of service. The term includes ~~basic, extended, premium, all programming services, including subscriptions, digital video recorders, pay-per-view, digital, and music services.~~

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 7. Minnesota Statutes 2012, section 297A.61, subdivision 38, is amended to read:

Subd. 38. **Bundled transaction.** (a) "Bundled transaction" means the retail sale of two or more products when the products are otherwise distinct and identifiable, and the products are sold for one nonitemized price. As used in this subdivision, "product" includes tangible personal property, services, intangibles, and digital goods, including specified digital products or other digital products, but does not include real property or services to real property. A bundled transaction does not include

the sale of any products in which the sales price varies, or is negotiable, based on the selection by the purchaser of the products included in the transaction.

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

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

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

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

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

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

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

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

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

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

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

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

(e) For purposes of this subdivision, "purchase price" means the measure subject to use tax on purchases made by the seller, and "de minimis" means that the seller's purchase price or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products. Sellers shall use either the purchase price or the sales price of the products to determine if the taxable products are de minimis. Sellers must not use a combination of the purchase price and

sales price of the products to determine if the taxable products are de minimis. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 8. Minnesota Statutes 2012, section 297A.61, subdivision 45, is amended to read:

Subd. 45. **Ring tone.** "Ring tone" means a digitized sound file that is downloaded onto a device and that may be used to alert the customer of a ~~telecommunication service~~ with respect to a communication. A ring tone does not include ring back tones or other digital audio files that are not stored on the purchaser's communication device.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 9. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 49. **Motor vehicle repair paint and motor vehicle repair materials.** "Motor vehicle repair paint" means a substance composed of solid matter suspended in a liquid medium and applied as a protective or decorative coating to the surface of a motor vehicle in order to restore the motor vehicle to its original condition, and includes primer, body paint, clear coat, and paint thinner used to paint motor vehicles, as defined in section 297B.01. "Motor vehicle repair materials" means items, other than motor vehicle repair paint or motor vehicle parts, that become a part of a repaired motor vehicle or are consumed in repairing the motor vehicle at retail, and include abrasives, battery water, body filler or putty, bolts and nuts, brake fluid, buffing pads, chamois, cleaning compounds, degreasing compounds, glaze, grease, grinding discs, hydraulic jack oil, lubricants, masking tape, oxygen and acetylene, polishes, rags, razor blades, sandpaper, sanding discs, scuff pads, sealer, solder, solvents, striping tape, tack cloth, thinner, waxes, and welding rods. Motor vehicle repair materials do not include items that are not used directly on the motor vehicle, such as floor dry that is used to clean the shop, or cleaning compounds and rags that are used to clean tools, equipment, or the shop and are not used to clean the motor vehicle.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 10. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 50. **Digital audio works.** "Digital audio works" means works that result from a fixation of a series of musical, spoken, or other sounds, that are transferred electronically. Digital audio works includes such items as the following which may either be prerecorded or live: songs, music, readings of books or other written materials, speeches, ring tones, or other sound recordings. Digital audio works does not include audio greeting cards sent by electronic mail. Unless the context provides otherwise, in this chapter digital audio works includes the digital code, or a subscription to or access to a digital code, for receiving, accessing, or otherwise obtaining digital audio works.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 11. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 51. **Digital audiovisual works.** "Digital audiovisual works" means a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any, that are transferred electronically. Digital audiovisual works includes such items as motion pictures, movies, musical videos, news and entertainment, and live events. Digital audiovisual works does not include video greeting cards sent by electronic mail. Unless the

context provides otherwise, in this chapter digital audiovisual works includes the digital code, or a subscription to or access to a digital code, for receiving, accessing, or otherwise obtaining digital audiovisual works.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 12. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 52. **Digital books.** "Digital books" means any literary works, other than digital audiovisual works or digital audio works, expressed in words, numbers, or other verbal or numerical symbols or indicia so long as the product is generally recognized in the ordinary and usual sense as a "book." It includes works of fiction and nonfiction and short stories. It does not include periodicals, magazines, newspapers, or other news or information products, chat rooms, or weblogs. Unless the context provides otherwise, in this chapter digital books includes the digital code, or a subscription to or access to a digital code, for receiving, accessing, or otherwise obtaining digital books.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 13. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 53. **Digital code.** "Digital code" means a code which provides a purchaser with a right to obtain one or more specified digital products or other digital products. A digital code may be transferred electronically, such as through electronic mail, or it may be transferred on a tangible medium, such as on a plastic card, a piece of paper or invoice, or imprinted on another product. A digital code is not a code that represents a stored monetary value that is deducted from a total as it is used by the purchaser, and it is not a code that represents a redeemable card, gift card, or gift certificate that entitles the holder to select a digital product of an indicated cash value. The end user of a digital code is any purchaser except one who receives the contractual right to redistribute a digital product which is the subject of the transaction.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 14. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 54. **Other digital products.** "Other digital products" means the following items when transferred electronically:

- (1) greeting cards;
- (2) finished artwork available for reproduction, display, or similar purposes;
- (3) video or electronic games;
- (4) periodicals;
- (5) magazines; and
- (6) other news or information products, excluding newspapers.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 15. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 55. **Specified digital products.** "Specified digital products" means digital audio works, digital audiovisual works, and digital books that are transferred electronically to a customer.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 16. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

Subd. 56. **Transferred electronically.** "Transferred electronically" means obtained by the purchaser by means other than tangible storage media. For purposes of this subdivision, it is not necessary that a copy of the product be physically transferred to the purchaser. A product will be considered to have been transferred electronically to a purchaser if the purchaser has access to the product.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 17. Minnesota Statutes 2012, section 297A.62, subdivision 1, is amended to read:

Subdivision 1. **Generally.** Except as otherwise provided in subdivision 3 or in this chapter, a sales tax of ~~6.5~~ 5.675 percent 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.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 18. Minnesota Statutes 2012, section 297A.62, subdivision 1a, is amended to read:

Subd. 1a. **Constitutionally required sales tax increase.** Except as otherwise provided in subdivision 3 or in this chapter, an additional sales tax of ~~0.375~~ 0.325 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.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 19. Minnesota Statutes 2012, section 297A.64, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** A tax is imposed on the lease or rental in this state for not more than 28 days of a passenger automobile as defined in section 168.002, subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as defined in section 168.002, subdivision 26. The rate of tax is ~~6.2~~ 9.05 percent of the sales price. The tax applies whether or not the vehicle is licensed in the state.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 20. Minnesota Statutes 2012, section 297A.65, is amended to read:

#### **297A.65 LOTTERY TICKETS; IN LIEU TAX.**

Sales of state lottery tickets are exempt from the tax imposed under section 297A.62. The State Lottery must on or before the 20th day of each month transmit to the commissioner of revenue an amount equal to the gross receipts from the sale of lottery tickets for the previous month multiplied by ~~the a tax rate under section 297A.62, subdivision 1 of 6.5 percent.~~ 6.5 percent. The resulting payment is in lieu of the sales tax that otherwise would be imposed by this chapter. The commissioner shall deposit the money transmitted as provided by section 297A.94 and the money must be treated as other proceeds of the sales tax. For purposes of this section, "gross receipts" means the proceeds of

the sale of tickets before deduction of a commission or other compensation paid to the vendor or retailer for selling tickets.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 21. Minnesota Statutes 2012, section 297A.66, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) ~~To the extent allowed by the United States Constitution and the laws of the United States, A~~ "retailer maintaining a place of business in this state," or a similar term, means a retailer:

(1) ~~having or maintaining within this state, directly or by a subsidiary or an affiliate, an office, place of distribution, sales or sample room or place, warehouse, or other place of business; or~~

(2) ~~having~~ utilizing a representative, including, but not limited to, an ~~affiliate~~, agent, salesperson, canvasser, or solicitor operating in this state under the authority of the retailer ~~or its subsidiary~~, for any purpose, including the repairing, selling, delivering, installing, or soliciting of orders for the retailer's goods or services, or the leasing of tangible personal property located in this state, whether the place of business or agent, representative, ~~affiliate~~, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the retailer, ~~subsidiary, or affiliate~~ is authorized to do business in this state.

(b) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service or a for-hire carrier.

(c) A retailer shall be presumed to be "maintaining a place of business in this state" if:

(1) any person, other than a person acting in the person's capacity as a common carrier, that has substantial nexus with this state:

(i) sells a similar line of products as the retailer and does so under the same or a similar business name;

(ii) maintains an office, distribution facility, warehouse or storage place, or similar place of business in the state to facilitate the delivery of property or services sold by the retailer to the retailer's customers;

(iii) uses trademarks, service marks, or trade names in the state that are substantially the same or substantially similar to those used by the retailer;

(iv) delivers, installs, assembles, or performs maintenance services for the retailer's customers within the state;

(v) facilitates the retailer's delivery of property to customers in the state by allowing the retailer's customers to pick up property sold by the retailer at an office, distribution facility, warehouse, storage space, or similar place of business maintained by the person in the state;

(vi) conducts any other activities in the state that are significantly associated with the retailer's ability to establish and maintain a market in the state for the retailer's sales; or

(2) any affiliated person has substantial nexus with the state.



(d) The presumptions in paragraph (c) may be rebutted by demonstrating that the activities of the person or affiliated person in the state are not significantly associated with the retailer's ability to establish or maintain a market in this state for the retailer's sales.

(e) "Affiliated person" means any person that is a member of the same controlled group of corporations, as defined in section 1563(a) of the Internal Revenue Code as the retailer, or any other entity that, notwithstanding its form of organization, bears the same ownership relationship to the retailer as a corporation that is a member of the same controlled group of corporations as defined in section 1563(a) of the Internal Revenue Code.

(f) "Solicitor" means a person, whether an independent contractor or other representative, who directly or indirectly solicits business for the retailer.

(1) A retailer is presumed to have a solicitor in this state if it enters into an agreement with one or more persons under which the person, for a commission or other consideration, while within this state directly or indirectly refers potential customers, whether by a link on an Internet Web site, by telemarketing, by an in-person oral presentation, or otherwise, to the retailer, if the cumulative gross receipts from the sales by the retailer to customers in the state who are referred to the retailer by all persons within this state with this type of an agreement with the retailer is in excess of \$10,000 during the preceding 12 months.

(2) The presumption in clause (1) may be rebutted by submitting proof that the persons with whom the retailer has an agreement did not engage in any activity within the state that was significantly associated with the retailer's ability to establish or maintain the retailer's market in the state during the preceding 12 months. Such proof may consist of sworn written statements from all of the persons within this state with whom the retailer has an agreement stating that they did not engage in any solicitation in this state on behalf of the retailer during the preceding year, provided that such statements were provided and obtained in good faith.

(3) Nothing in this section shall be construed to narrow the scope of the terms "agent," "salesperson," "canvasser," or "other representative" for purposes of subdivision 1, paragraph (a).

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 22. Minnesota Statutes 2012, section 297A.66, subdivision 3, is amended to read:

~~Subd. 3. **Retailer not maintaining place of business in this state.** (a) To the extent allowed by the United States Constitution and the laws of the United States, a retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall collect sales and use taxes and remit them to the commissioner under section 297A.77, if the retailer engages in the regular or systematic soliciting of sales from potential customers in this state by:~~

~~(1) distribution, by mail or otherwise, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;~~

~~(2) display of advertisements on billboards or other outdoor advertising in this state;~~

~~(3) advertisements in newspapers published in this state;~~

~~(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;~~

~~(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition in which this state is included as part of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;~~

~~(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota but which is sold over the counter in Minnesota or by subscription to Minnesota residents;~~

~~(7) advertisements broadcast on a radio or television station located in Minnesota; or~~

~~(8) any other solicitation by telegraphy, telephone, computer database, cable, optic, microwave, or other communication system.~~

~~This paragraph (a) must be construed without regard to the state from which distribution of the materials originated or in which they were prepared.~~

~~(b) The location within or without this state of independent vendors that provide products or services to the retailer in connection with its solicitation of customers within this state, including such products and services as creation of copy, printing, distribution, and recording, is not considered in determining whether the retailer is required to collect tax.~~

~~(c) A retailer not maintaining a place of business in this state is presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it engages in any of the activities in paragraph (a) and:~~

~~(1) makes 100 or more retail sales from outside this state to destinations in this state during a period of 12 consecutive months; or~~

~~(2) makes ten or more retail sales totaling more than \$100,000 from outside this state to destinations in this state during a period of 12 consecutive months.~~

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 23. Minnesota Statutes 2012, section 297A.66, is amended by adding a subdivision to read:

Subd. 7. **Severability.** The legislature intends that the provisions of this section are severable. If any provision contained in this bill is held invalid or unconstitutional, or its application is held invalid or unconstitutional, that finding shall not affect the other provisions or applications that can be given effect without the invalid or unconstitutional provision or application.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 24. Minnesota Statutes 2012, section 297A.665, is amended to read:

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

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

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

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

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, a seller is relieved of liability if:

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

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

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

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

(3) in the case of drop shipment sales, a seller engaged in drop shipping may claim a resale exemption based on an exemption certificate provided by its customer or reseller, or any other acceptable information available to the seller engaged in drop shipping evidencing qualification for a resale exemption, regardless of whether the customer or e-seller is registered to collect and remit sales and use tax in the state.

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

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption.

(d) A certified service provider, as defined in section 297A.995, subdivision 2, is relieved of liability under this section to the extent a seller who is its client is relieved of liability.

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

(f) If a seller claims that certain sales are exempt and does not provide the certificate, information, or proof required by paragraph (b), clause (2), within 120 days after the date of the commissioner's request for substantiation, then the exemptions claimed by the seller that required substantiation are disallowed.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 25. Minnesota Statutes 2012, section 297A.668, is amended by adding a subdivision to read:

**Subd. 6a. Multiple points of use.** (a) Notwithstanding the provisions of subdivisions 2 and 3, a business purchaser that is not a holder of a direct pay permit that purchases electronically delivered goods or services that will be concurrently available for use in more than one taxing jurisdiction may deliver to the seller in conjunction with its purchase a multiple points of use certificate disclosing this fact.

(b) Upon receipt of the multiple points of use certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

(c) The purchaser delivering the multiple points of use certificate has sole discretion to use any reasonable but consistent and uniform method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The multiple points of use certificate remains in effect for all future sales by the seller to the purchaser until it is revoked by the purchaser in writing.

(e) A holder of a direct pay permit is not required to deliver a multiple points of use certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph (c) in apportioning the tax due on electronically delivered goods or services that will be concurrently available for use in more than one taxing jurisdiction.

(f) A seller is relieved of liability if:

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

(2) within 120 days after a request for substantiation by the commissioner, the seller either:

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

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

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 26. Minnesota Statutes 2012, section 297A.67, subdivision 7, is amended to read:

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

(1) ~~prescription drugs, including over-the-counter drugs;~~

(2) single-use finger-pricking devices for the extraction of blood and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes;

(3) insulin and medical oxygen for human use, regardless of whether prescribed or sold over the counter;

(4) prosthetic devices;

(5) durable medical equipment for home use only;

(6) mobility enhancing equipment;

(7) prescription corrective eyeglasses; and

(8) kidney dialysis equipment, including repair and replacement parts.

(b) Items purchased in transactions covered by:

(1) Medicare as defined under title XVIII of the Social Security Act, United States Code, title 42, section 1395, et seq.; or

(2) Medicaid as defined under title XIX of the Social Security Act, United States Code, title 42, section 1396, et. seq.

~~(b)~~ (c) For purposes of this subdivision:

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

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

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

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

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

(i) can withstand repeated use;

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

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

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

For purposes of this clause, "repair and replacement parts" includes all components or attachments used in conjunction with the durable medical equipment, ~~but does not include including~~ repair and replacement parts which are for single patient use only.

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

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

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

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

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

~~(5)~~ (4) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

~~(6)~~ (5) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts, worn on or in the body to:

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

Prosthetic device does not include corrective eyeglasses.

~~(7)~~ (6) "Kidney dialysis equipment" means equipment that:

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

(ii) can withstand repeated use, including multiple use by a single patient, notwithstanding the provisions of clause (2).

(7) A transaction is covered by Medicare or Medicaid if any portion of the cost of the item purchased in the transaction is paid for or reimbursed by the federal government or the state of Minnesota pursuant to the Medicare or Medicaid program, by a private insurance company administering the Medicare or Medicaid program on behalf of the federal government or the state of Minnesota, or by a managed care organization for the benefit of a patient enrolled in a prepaid program that furnishes medical services in lieu of conventional Medicare or Medicaid coverage pursuant to agreement with the federal government or the state of Minnesota.

**EFFECTIVE DATE.** Changes to paragraph (a), clause (1), and paragraph (c), clause (4), are effective for sales and purchases made after June 30, 2013. Changes to paragraph (b) and paragraph (c), clauses (2) and (7), are effective retroactively for sales and purchases made after April 1, 2009. Purchasers may apply for a refund of tax paid on qualifying purchases under paragraph (b) and paragraph (c), clauses (2) and (7), made after April 1, 2009, and before July 1, 2013, in the manner provided in section 297A.75. Notwithstanding limitations on claims for refunds under section 289A.40, claims may be filed with the commissioner until June 30, 2014.

Sec. 27. Minnesota Statutes 2012, section 297A.67, is amended by adding a subdivision to read:

Subd. 7a. **Accessories and supplies.** Accessories and supplies required for the effective use of durable medical equipment for home use only or purchased in a transaction covered by Medicare or Medicaid, that are not already exempt under section 297A.67, subdivision 7, are exempt. Accessories and supplies for the effective use of a prosthetic device that are not already exempt under section 297A.67, subdivision 7, are exempt. For purposes of this subdivision "durable medical equipment," "prosthetic device," "Medicare," and "Medicaid" have the definitions given in section 297A.67, subdivision 7.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after April 1, 2009. Purchasers may apply for a refund of tax paid on qualifying purchases under this section made after April 1, 2009, and before July 1, 2013, in the manner provided in section 297A.75. Notwithstanding limitations on claims for refunds under section 289A.40, claims may be filed with the commissioner until June 30, 2014.

Sec. 28. Minnesota Statutes 2012, section 297A.68, subdivision 2, is amended to read:

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

- (1) chemicals, including chemicals used for cleaning food processing machinery and equipment;
- (2) materials, including chemicals, fuels, and electricity purchased by persons engaged in industrial production to treat waste generated as a result of the production process;
- (3) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product;
- (4) petroleum products and lubricants;
- (5) packaging materials, including returnable containers used in packaging food and beverage products;
- (6) accessory tools, equipment, and other items that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and
- (7) the following materials, tools, and equipment used in metal-casting: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, degassing lances, and base blocks.

(b) This exemption does not include:

- (1) machinery, equipment, implements, tools, accessories, appliances, contrivances and furniture and fixtures, except those listed in paragraph (a), clause (6); and
- (2) petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state.

(c) Industrial production includes, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products (whether vegetable or animal), commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity, the production of road building materials, and the research, development, design, or production of computer software. Industrial production does not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process.

(d) Industrial production does not include:

- (1) the furnishing of services listed in section 297A.61, subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii), or paragraph (m) or (n); or
- (2) the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. For purposes of this paragraph, "transportation, transmission, or distribution" does not include blending of petroleum or biodiesel fuel as defined in section 239.77.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 29. Minnesota Statutes 2012, section 297A.68, subdivision 5, is amended to read:

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

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

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

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

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
- (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;



(5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;

(6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;

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

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

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

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

(d) For purposes of this subdivision:

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

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

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

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

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

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

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

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

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

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

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

(e) Materials exempt under this section may be purchased without imposing and collecting the tax and without applying for a refund under section 297A.75, provided that:

(1) the purchaser employed not more than 80 full-time equivalent employees at any time during calendar year 2013; and

(2) if another business owns at least 20 percent of the purchaser, then the sum of the number of full-time equivalent employees employed by the purchaser and the number of full-time equivalent employees employed by any other business that owns at least 20 percent of the purchaser's business is not more than 80 full-time equivalent employees during calendar year 2013. This clause must be applied for each business that owns at least 20 percent of the purchaser.

(f) For the state's fiscal year 2016 and thereafter, all purchases exempt under this section may be purchased without imposing and collecting the tax and without applying for a refund under section 297A.75.

**EFFECTIVE DATE.** Paragraph (e) is effective for sales and purchases made after June 30, 2014, and through June 30, 2015. Paragraph (f) is effective for sales and purchases made after June 30, 2015.

Sec. 30. Minnesota Statutes 2012, section 297A.68, subdivision 10, is amended to read:

Subd. 10. **Publications; publication materials.** Tangible personal property that is used or consumed in producing any publication regularly issued at average intervals not exceeding three months is exempt, and any such publication is exempt. "Publication" includes, but is not limited to, a qualified newspaper as defined by section 331A.02, together with any supplements or enclosures. "Publication" does not include magazines and periodicals, whether sold over the counter or by subscription. Tangible personal property that is used or consumed in producing a publication does not include machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture, and fixtures used in the publication, or fuel, electricity, gas, or steam used for space heating or lighting.

Advertising contained in a publication is a nontaxable service and is exempt. Persons who publish or sell newspapers are engaging in a nontaxable service with respect to gross receipts realized from such news-gathering or news-publishing activities, including the sale of advertising.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 31. Minnesota Statutes 2012, section 297A.68, subdivision 42, is amended to read:

Subd. 42. **Qualified data centers.** (a) Purchases of enterprise information technology equipment and computer software for use in a qualified data center are exempt. The tax on purchases exempt under this paragraph must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded after June 30, 2013, in the manner provided in section 297A.75. This exemption includes enterprise information technology equipment and computer software purchased to replace or upgrade enterprise information technology equipment and computer software in a qualified data center.

(b) Electricity used or consumed in the operation of a qualified data center is exempt.

(c) For purposes of this subdivision, "qualified data center" means a facility in Minnesota:

(1) that is comprised of one or more buildings that consist in the aggregate of at least ~~30,000~~ 25,000 square feet, and that are located on a single parcel or on contiguous parcels, where the total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software is at least ~~\$50,000,000~~ \$20,000,000 within a 24-month period;

(2) that is constructed or substantially refurbished after June 30, 2012, where "substantially refurbished" means that at least ~~30,000~~ 25,000 square feet have been rebuilt or modified, ~~and,~~ including:

(i) installation of enterprise information technology equipment, environmental control, and energy efficiency improvements; and

(ii) building improvements; and

(3) that is used to house enterprise information technology equipment, where the facility has the following characteristics:

(i) uninterruptible power supplies, generator backup power, or both;

(ii) sophisticated fire suppression and prevention systems; and

(iii) enhanced security. A facility will be considered to have enhanced security if it has restricted access to the facility to selected personnel; permanent security guards; video camera surveillance; an electronic system requiring pass codes, keycards, or biometric scans, such as hand scans and retinal or fingerprint recognition; or similar security features.

In determining whether the facility has the required square footage, the square footage of the following spaces shall be included if the spaces support the operation of enterprise information technology equipment: office space, meeting space, and mechanical and other support facilities. For purposes of this subdivision, "computer software" includes, but is not limited to, software utilized or loaded at the qualified data center, including maintenance, licensing, and software customization.

(d) For purposes of this subdivision, "enterprise information technology equipment" means computers and equipment supporting computing, networking, or data storage, including servers and

routers. It includes, but is not limited to: cooling systems, cooling towers, and other temperature control infrastructure; power infrastructure for transformation, distribution, or management of electricity used for the maintenance and operation of a qualified data center, including but not limited to exterior dedicated business-owned substations, backup power generation systems, battery systems, and related infrastructure; and racking systems, cabling, and trays, which are necessary for the maintenance and operation of the qualified data center.

(e) A qualified data center may claim the exemptions in this subdivision for purchases made either within 20 years of the date of its first purchase qualifying for the exemption under paragraph (a), or by June 30, 2042, whichever is earlier.

(f) The purpose of this exemption is to create jobs in the construction and data center industries.

(g) This subdivision is effective for sales and purchases made after June 30, 2012, and before July 1, 2042.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 32. Minnesota Statutes 2012, section 297A.68, is amended by adding a subdivision to read:

**Subd. 49. Greater Minnesota business expansions.** (a) Purchases and use of tangible personal property or taxable services by a qualified business, as defined in section 116J.3738, are exempt if:

(1) the business subsidy agreement provides that the exemption under this subdivision applies;

(2) the property or services are primarily used or consumed in greater Minnesota; and

(3) the purchase was made and delivery received during the duration of the certification of the business as a qualified business under section 116J.3738.

(b) Purchase and use of construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property in greater Minnesota are exempt if the improvements after completion of construction are to be used in the conduct of the trade or business of the qualified business, as defined in section 116J.3738. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax.

(d) A qualifying business may claim an exemption under this subdivision in an amount up to \$15,000.

(e) The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75. No more than \$1,000,000 may be refunded in a fiscal year for all purchases under this subdivision. Any portion of the balance of funds allocated for refunds under this paragraph does not cancel and shall be carried forward to and available for refunds in subsequent fiscal years.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 33. Minnesota Statutes 2012, 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, local governments, 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) 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; and

~~(7) towns:~~

(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;
- (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities; or
- (5) goods or services purchased by a ~~town~~ local government as inputs to goods and services that are generally provided by a private business and the purchases would be taxable if made by a private business engaged in the same activity.

(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.

(d) As used in this subdivision, "local governments" means cities, counties, and townships.

~~(d)~~ (e) As used in this subdivision, "goods or services generally provided by a private business" include, but are not limited to, goods or services provided by liquor stores, gas and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes, and laundromats. "Goods or services generally provided by a private business" do not include housing services, sewer and

water services, wastewater treatment, ambulance and other public safety services, correctional services, chore or homemaking services provided to elderly or disabled individuals, or road and street maintenance or lighting.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 34. Minnesota Statutes 2012, 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;

(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, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except wine purchased by an established religious organization for sacramental purposes or as allowed under subdivision 9a; 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 retroactively for sales and purchases made after June 30, 2012.

Sec. 35. Minnesota Statutes 2012, section 297A.70, subdivision 5, is amended to read:

Subd. 5. **Veterans groups.** Sales to an organization of military service veterans or an auxiliary unit of an organization of military service veterans are exempt if:

(1) the organization or auxiliary unit is organized within the state of Minnesota and is exempt from federal taxation under section 501(c), clause (19), of the Internal Revenue Code; and

(2) the tangible personal property is or services are for charitable, civic, educational, or nonprofit uses and not for social, recreational, pleasure, or profit uses.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 36. Minnesota Statutes 2012, section 297A.70, subdivision 7, is amended to read:

Subd. 7. **Hospitals and, outpatient surgical centers, and critical access dental providers.** (a) Sales, except for those listed in paragraph ~~(c)~~ (d), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph ~~(c)~~ (d), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) Sales, except for those listed in paragraph (d), to a critical access dental provider are exempt, if the items purchased are used in providing critical access dental care services. For the purposes of this subdivision, "critical access dental provider" means a dentist or dental clinic designated as a critical access dental provider under section 256B.76, subdivision 4, that serve only recipients of Minnesota health care programs.

(d) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital ~~or~~, outpatient surgical center, or critical access dental provider, even though the clinic, office, or facility may be owned and operated by a hospital ~~or~~, outpatient surgical center, or critical access dental provider;

(2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, and soft drinks;

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital ~~or~~, outpatient surgical center, or critical access dental provider;

(4) building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a hospital ~~or~~, outpatient surgical center, or critical access dental provider; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

~~(d)~~ (e) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

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

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

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

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after June 30, 2007. Purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after June 30, 2007, and before July 1, 2013, in the manner provided in Minnesota Statutes, section 297A.75.

Sec. 37. Minnesota Statutes 2012, section 297A.70, is amended by adding a subdivision to read:

Subd. 9a. **Established religious orders.** Sales of lodging, prepared food, candy, soft drinks, and alcoholic beverages at noncatered events between an established religious order and an affiliated institution of higher education are exempt. For purposes of this subdivision, an institution of higher education is "affiliated" with an established religious order if members of the religious order are represented on the governing board of the institution of higher education and the two organizations share campus space and common facilities.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after June 30, 2012.

Sec. 38. Minnesota Statutes 2012, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following sales by the specified organizations for fund-raising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by a nonprofit organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;



(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of candy sold for fund-raising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 and under.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross annual receipts of the organization from fund-raising do not exceed \$10,000; and

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4.

(c) Sales of tangible personal property and services are exempt if the entire proceeds, less the necessary expenses for obtaining the property or services, will be contributed to a registered combined charitable organization described in section 43A.50, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 39. Minnesota Statutes 2012, section 297A.70, subdivision 14, is amended to read:

Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of tangible personal property or services at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of prepared food, candy, and soft drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

(6) it does not apply to fund-raising events conducted on premises leased for more than five days but less than 30 days; and

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues forgone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 40. Minnesota Statutes 2012, section 297A.70, is amended by adding a subdivision to read:

**Subd. 18. Nursing homes and boarding care homes.** (a) All sales, except those listed in paragraph (b), to 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 are exempt if the facility:

(1) is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code; and

(2) is certified to participate in the medical assistance program under title 19 of the Social Security Act, or certifies to the commissioner that it does not discharge residents due to the inability to pay.

(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;

(3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2; 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 residents of the nursing home or boarding care home.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 41. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, and privately owned infrastructure in support of the construction, improvement, or expansion of a biopharmaceutical manufacturing facility in the state are exempt if the following criteria are met:

(1) the facility is used for the manufacturing of biologics;

(2) the total capital investment made at the facility exceeds \$50,000,000; and

(3) the facility creates and maintains at least 190 full-time equivalent positions at the facility. These positions must be new jobs in Minnesota and not the result of relocating jobs that currently exist in Minnesota.

(b) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and refunded in the manner provided in section 297A.75.

(c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing facility must:

(1) initially apply to the Department of Employment and Economic Development for certification no later than one year from the final completion date of construction, improvement, or expansion of the facility; and

(2) for each year that the owner of the biopharmaceutical manufacturing facility applies for a refund, the owner must have received written certification from the Department of Employment and Economic Development that the facility has met the criteria of paragraph (a).

(d) The refund is to be paid annually at a rate of 25 percent of the total allowable refund payable to date, with the commissioner making annual payments of the remaining refund until all of the refund has been paid.

(e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are interchangeable and mean medical drugs or medicinal preparations produced using technology that uses biological systems, living organisms or derivatives of living organisms, to make or modify products or processes for specific use. The medical drugs or medicinal preparations include but are not limited to proteins, antibodies, nucleic acids, and vaccines.

**EFFECTIVE DATE.** This section is effective retroactively to capital investments made and jobs created after December 31, 2012, and effective retroactively for sales and purchases made after December 31, 2012, and before July 1, 2019.

Sec. 42. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

Subd. 46. **Research and development facilities.** Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of a research and development facility that has laboratory space of at least 400,000 square feet and utilizes both high-intensity and low-intensity laboratories, provided that the project has a total construction cost of at least \$140,000,000 within a 24-month period. The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013, and before September 1, 2015.

Sec. 43. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

Subd. 47. **Industrial measurement manufacturing and controls facility.** (a) Materials and supplies used or consumed in, capital equipment incorporated into, fixtures installed in, and privately owned infrastructure in support of the construction, improvement, or expansion of an industrial measurement manufacturing and controls facility are exempt if:

- (1) the total capital investment made at the facility is at least \$60,000,000;
  - (2) the facility employs at least 250 full-time equivalent employees that are not employees currently employed by the company in the state; and
  - (3) the Department of Employment and Economic Development determines that the expansion, remodeling, or improvement of the facility has a significant impact on the state economy.
- (b) The tax must be imposed and collected as if the rate under section 297A.62, subdivisions 1 and 1a, applied and refunded in the manner provided in section 297A.75, only after the following criteria are met:
- (1) a refund may not be issued until the owner of the facility has received certification from the Department of Employment and Economic Development that the company meets the requirements in paragraph (a); and
  - (2) to receive the refund, the owner of the industrial measurement manufacturing and controls facility must initially apply to the Department of Employment and Economic Development for certification no later than one year from the final completion date of construction, improvement, or expansion of the industrial measurement manufacturing and controls facility.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013, and before December 31, 2015.

Sec. 44. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

Subd. 48. **Retail, hotel, amusement, and office construction project.** Materials and supplies used or consumed in, and equipment incorporated into the construction or improvement of buildings and infrastructure for retail, hotel, amusement, and office use within a two square mile area with

a capital investment of at least \$250,000,000, are exempt. The tax on purchases exempt under this provision must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner provided in section 297A.75. This subdivision expires June 30, 2023.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2014, and before July 1, 2024.

Sec. 45. Minnesota Statutes 2012, 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)~~ (1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- ~~(3)~~ (2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- ~~(4)~~ (3) building materials for correctional facilities under section 297A.71, subdivision 3;
- ~~(5)~~ (4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- ~~(6)~~ (5) elevators and building materials exempt under section 297A.71, subdivision 12;
- ~~(7)~~ (6) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- ~~(8)~~ (7) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
- ~~(9)~~ (8) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
- ~~(10)~~ (9) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;
- ~~(11)~~ (10) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);
- ~~(12)~~ (11) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;
- ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41;
- ~~(14)~~ (13) materials, supplies, and equipment for construction, improvement, or expansion of:
  - (i) an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42;
  - (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under section 297A.71, subdivision 4b;

(iv) an industrial measurement manufacturing and controls facility exempt under section 297A.71, subdivision 47; and

(v) buildings and infrastructure for retail, hotel, amusement, and office facilities exempt under section 297A.71, subdivision 48;

~~(15)~~ (14) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42; ~~and~~

~~(16)~~ (15) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44;

(16) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);

(17) items purchased in transactions covered under Medicare or Medicaid exempt under section 297A.67, subdivision 7, paragraphs (b) and (c), and accessories and supplies exempt under section 297A.67, subdivision 7a; and

(18) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 49.

**EFFECTIVE DATE.** The change to clause (1) is effective for sales and purchases made after June 30, 2015. The changes in clauses (13), (16), and (17), are effective the day following final enactment.

Sec. 46. Minnesota Statutes 2012, 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)~~ (2), (16), and (17), the applicant must be the purchaser;

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

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

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

(5) for subdivision 1, clause ~~(8)~~ (7), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause ~~(9)~~ (8), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses ~~(10)~~, (9), (12), (13), (14), ~~and (15)~~ and (18), the owner of the qualifying business; and

(8) for subdivision 1, clauses (10), (11), ~~(12)~~, and ~~(16)~~ (15), the applicant must be the governmental entity that owns or contracts for the project or facility.

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

Sec. 47. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), or ~~(16)~~ (18), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

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

(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 48. Minnesota Statutes 2012, section 297A.815, subdivision 3, is amended to read:

Subd. 3. **Motor vehicle lease sales tax revenue.** (a) For purposes of this subdivision, "net revenue" means an amount equal to:

(1) the revenues, including interest and penalties; that would have been collected under this section; during the fiscal year if the rate had been 6.875 percent; less

(2) in fiscal year 2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal year 2013 and following fiscal years, \$32,000,000.

(b) On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of the revenues and subtraction under paragraph (a) for the current fiscal year.

(c) On or after July 1 of the subsequent fiscal year, the commissioner of management and budget shall transfer the net revenue as estimated in paragraph (b) from the general fund, as follows:

(1) 50 percent to the greater Minnesota transit account; and

(2) 50 percent to the county state-aid highway fund. Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under this clause to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall receive of such amount the percentage that its population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause.

(d) For fiscal years 2010 and 2011, the amount under paragraph (a), clause (1), must be calculated using the following percentages of the total revenues:

(1) for fiscal year 2010, 83.75 percent; and

(2) for fiscal year 2011, 93.75 percent.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 49. Minnesota Statutes 2012, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law, or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision.

(b) This section governs the imposition of a general sales tax by the political subdivision. The provisions of this section preempt the provisions of any special law:

(1) enacted before June 2, 1997, or

(2) enacted on or after June 2, 1997, that does not explicitly exempt the special law provision from this section's rules by reference.

(c) This section does not apply to or preempt a sales tax on motor vehicles or a special excise tax on motor vehicles.

(d) A political subdivision may not advertise or expend funds for the promotion of a referendum to support imposing a local option sales tax.

(e) Notwithstanding paragraph (d), a political subdivision may ~~only~~ expend funds to:

(1) conduct the referendum;

(2) disseminate information included in the resolution adopted under subdivision 2;

(3) provide notice of, and conduct public forums at which proponents and opponents on the merits of the referendum are given equal time to express their opinions on the merits of the referendum;

(4) provide facts and data on the impact of the proposed sales tax on consumer purchases; and

(5) provide facts and data related to the programs and projects to be funded with the sales tax.

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

Sec. 50. Minnesota Statutes 2012, section 469.190, is amended by adding a subdivision to read:

Subd. 1a. **Tax base; locally collected taxes.** A tax imposed on the gross receipts from lodging under this section or under a special law applies to the same base as taxes collected by the commissioner of revenue under subdivision 7 and section 270C.171.

**EFFECTIVE DATE.** This section is effective the day following final enactment. In enacting this section, the legislature confirms its original intent in enacting Minnesota Statutes, section 469.190, its predecessor provisions, and any special laws authorizing political subdivisions to impose lodging taxes, and that those taxes were and are intended to apply to the entire consideration paid to obtain access to transient lodging, including ancillary or related services, such as services provided by accommodation intermediaries as defined in Minnesota Statutes, section 297A.61, and similar services. The provisions of this section must not be interpreted to imply a narrower



construction of the tax base under lodging tax provisions of Minnesota law prior to the enactment of this section.

Sec. 51. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 40, Laws 1998, chapter 389, article 8, section 30, Laws 2003, First Special Session chapter 21, article 8, section 13, Laws 2005, First Special Session chapter 3, article 5, section 26, and Laws 2009, chapter 88, article 4, section 15, 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, except as provided in paragraph (e), 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 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, 2014, revenue from the tax imposed under subdivision 1 may not be used for this purpose. If the amount necessary to meet obligations under paragraphs (a) and (d) are less than 40 percent of the revenue from the tax in any year, the city may place the difference between 40 percent of the revenue and the amounts

allocated under paragraphs (a) and (d) in an economic development fund to be used for any economic development purposes.

(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 compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 52. Laws 1993, chapter 375, article 9, section 46, subdivision 5, as amended by Laws 1998, chapter 389, article 8, section 32, is amended to read:

Subd. 5. **Expiration of taxing authority.** The authority granted by subdivision 1 to the city to impose a sales tax shall expire on December 31, ~~2030~~ 2040, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of projects approved under subdivision 2, paragraph (a) and retirement or redemption of any bonds or other obligations may be placed in the general fund of the city.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 53. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 2, is amended to read:

Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by subdivision 1 by the city of St. Cloud must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, improvement, and securing and paying debt service on bonds or other obligations issued to finance the following regional projects as approved by the voters and specifically detailed in the referendum authorizing the tax or extending the tax:

- (1) St. Cloud Regional Airport;
- (2) regional transportation improvements;
- (3) regional community and aquatics centers;
- (4) regional public libraries; and
- (5) acquisition and improvement of regional park land and open space.

(b) Revenues received from the tax authorized by subdivision 1 by the cities of St. Joseph, Waite Park, Sartell, Sauk Rapids, and St. Augusta must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, improvement, and securing and paying debt service on bonds or other obligations issued to fund the projects specifically approved by the voters at the referendum authorizing the tax or extending the tax. The portion of revenues from the city going to fund the regional airport or regional library located in the city of St. Cloud will be as required under the applicable joint powers agreement.

(c) The use of revenues received from the taxes authorized in subdivision 1 for projects allowed under paragraphs (a) and (b) are limited to the amount authorized for each project under the enabling referendum.

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

Sec. 54. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 4, is amended to read:

Subd. 4. **Termination of tax.** The tax imposed in the cities of St. Joseph, St. Cloud, St. Augusta, Sartell, Sauk Rapids, and Waite Park under subdivision 1 expires when the city council determines that sufficient funds have been collected from the tax to retire or redeem the bonds and obligations authorized under subdivision 2, paragraph (a), but no later than December 31, 2018. Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, paragraphs (a), (c), and (d), a city may extend the tax imposed under subdivision 1 through December 31, 2038, if approved under the referendum authorizing the tax under subdivision 1 or if approved by voters of the city at a general election held no later than November 6, 2017.

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

Sec. 55. Laws 2008, chapter 366, article 7, section 19, subdivision 3, as amended by Laws 2011, First Special Session chapter 7, article 4, section 8, is amended to read:

Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be used to pay for the costs of improvements to the Sportsman Park/Ballfields, Riverside Park, Lions Park/Pavilion, Cedar South Park also known as Eldorado Park, and Spring Street Park; improvements to and extension of the River County Bike Trail; acquisition; and construction, improvement, and development of regional parks, bicycle trails, park land, open space, and of a pedestrian walkways, as described in the city improvement plan adopted by the city council by resolution on December 12, 2006, and walkway over Interstate 94 and State Highway 24; and the acquisition of land and construction of buildings for a community and recreation center. The total amount of revenues from the taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000 plus any associated bond costs.

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

Sec. 56. **DULUTH LOCAL SALES TAX; RATE REDUCTION.**

Notwithstanding Minnesota Statutes, section 297A.99 or 645.021, or any ordinance, city charter, or other provision of law, the city of Duluth shall reduce its rate of tax authorized under Laws 1973, chapter 461, section 1, as amended by Laws 1977, chapter 438, to 0.87 percent.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 57. **REVISOR'S INSTRUCTION.**

In Minnesota Rules, part 8130.9700, the revisor of statutes shall remove the last sentence in subpart 3, item B, that reads "Use of equipment on a time-sharing basis, where access to the equipment is only by means of remote access facilities, is not taxable leasing of such equipment."

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 58. **REPEALER.**

(a) Minnesota Statutes 2012, sections 297A.61, subdivision 27; 297A.66, subdivision 4; 297A.67, subdivision 8; and 297A.68, subdivisions 9, 22, and 35, are repealed.

(b) Minnesota Rules, part 8130.0500, subpart 2, is repealed.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

## ARTICLE 8

### LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2012, section 469.174, subdivision 2, is amended to read:

Subd. 2. **Authority.** "Authority" means a rural development financing authority created pursuant to sections 469.142 to 469.151; a housing and redevelopment authority created pursuant to sections 469.001 to 469.047; a port authority created pursuant to sections 469.048 to 469.068; an economic development authority created pursuant to sections 469.090 to 469.108; a redevelopment agency as defined in sections 469.152 to 469.165; a municipality that is administering a development district created pursuant to sections 469.124 to 469.134 or any special law; a municipality that undertakes a project pursuant to sections 469.152 to 469.165, except a town located outside the metropolitan area or with a population of 5,000 persons or less; a municipality that undertakes a project located in an area designated under subdivision 30; or a municipality that exercises the powers of a port authority pursuant to any general or special law.

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

Sec. 2. Minnesota Statutes 2012, section 469.174, is amended by adding a subdivision to read:

Subd. 19a. **Soil deficiency district.** "Soil deficiency district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that the following conditions exist:

(1) parcels consisting of 70 percent of the area of the district contain unusual terrain or soil deficiencies which require substantial filling, grading, or other physical preparation for use and a parcel is eligible for inclusion if at least 50 percent of the area of the parcel requires substantial filling, grading, or other physical preparation for use; and

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in section 160.01, and local improvements as described in sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 30, 2013.

Sec. 3. Minnesota Statutes 2012, section 469.174, is amended by adding a subdivision to read:

Subd. 30. **Mining reclamation project area.** (a) An authority may designate an area within its jurisdiction as a mining reclamation project area by finding by resolution, that parcels consisting of at least 70 percent of the acreage, excluding street and railroad rights-of-way, are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of buildings or infrastructure;

(2) soils or terrain that requires substantial filling in order to permit the development of buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings, within the meaning of section 469.174, subdivision 10.

(b) For the purposes of paragraph (a), clauses (1) to (5), a parcel is characterized by the relevant condition if at least 50 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (a), clause (6), a parcel is characterized by substandard buildings if substandard buildings occupy at least 30 percent of the area of the parcel.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 30, 2013.

Sec. 4. Minnesota Statutes 2012, section 469.175, subdivision 3, is amended to read:

Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project.

(b) Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, soil deficiency district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated;

(2) that, in the opinion of the municipality:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a housing district;

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, paragraph (b), if applicable; and

(6) that for a redevelopment district, renewal and renovation district, soils condition district, or soil deficiency district established by the authority in a mining reclamation project area, the reasons and supporting facts for the determination that the mining reclamation project area meets the requirements under section 469.174, subdivision 30, must be documented in writing and retained and made available to the public by the authority until two years after the district is decertified. These findings must have been made and documented no more than ten years before approval of the tax increment financing plan for the district.

(c) When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

(d) For a district that is subject to the requirements of paragraph (b), clause (2), item (ii), the municipality's statement of reasons and supporting facts must include all of the following:

(1) an estimate of the amount by which the market value of the site will increase without the use of tax increment financing;

(2) an estimate of the increase in the market value that will result from the development or redevelopment to be assisted with tax increment financing; and

(3) the present value of the projected tax increments for the maximum duration of the district permitted by the tax increment financing plan.

(e) For purposes of this subdivision, "site" means the parcels on which the development or redevelopment to be assisted with tax increment financing will be located.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 30, 2013.

Sec. 5. Minnesota Statutes 2012, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. **Duration limits; terms.** (a) No tax increment shall in any event be paid to the authority:

(1) after 15 years after receipt by the authority of the first increment for a renewal and renovation district;

(2) after 20 years after receipt by the authority of the first increment for a soils condition district or a soil deficiency district;

(3) after eight years after receipt by the authority of the first increment for an economic development district;

(4) for a housing district, a compact development district, or a redevelopment district, after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

(c) An action by the authority to waive or decline to accept an increment has no effect for purposes of computing a duration limit based on the receipt of increment under this subdivision or any other provision of law. The authority is deemed to have received an increment for any year in which it waived or declined to accept an increment, regardless of whether the increment was paid to the authority.

(d) Receipt by a hazardous substance subdistrict of an increment as a result of a reduction in original net tax capacity under section 469.174, subdivision 7, paragraph (b), does not constitute receipt of increment by the overlying district for the purpose of calculating the duration limit under this section.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 30, 2013.

Sec. 6. Minnesota Statutes 2012, section 469.176, subdivision 4b, is amended to read:

Subd. 4b. **Soils condition districts.** Revenue derived from Tax increment from a soils condition district may be used only to (1) acquire parcels on which the improvements described in clause (2) will occur; (2) pay for the cost of removal or remedial action; and (3) pay for the administrative expenses of the authority allocable to the district, including the cost of preparation of the development action response plan. For a soils condition district located in a mining reclamation project area, tax increments may also be expended on the additional cost of public improvements directly caused by the removal or remedial action and located within the mining reclamation project area.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 30, 2013.

Sec. 7. Minnesota Statutes 2012, section 469.176, subdivision 4c, is amended to read:

Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities (determined on the basis of square footage) are used for a purpose other than:

(1) the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;

(2) warehousing, storage, and distribution of tangible personal property, excluding retail sales;

(3) research and development related to the activities listed in clause (1) or (2);

(4) telemarketing if that activity is the exclusive use of the property;

(5) tourism facilities; or

(6) ~~qualified border retail facilities; or~~

(7) ~~space necessary for and related to the activities listed in clauses (1) to (6)~~ (5).

(b) Notwithstanding the provisions of this subdivision, revenues derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000 square feet of any separately owned commercial facility located within the municipal jurisdiction of a small city, if the revenues derived from increments are spent only to assist the facility directly or for administrative expenses, the assistance is necessary to develop the facility, and all of the increments, except those for administrative expenses, are spent only for activities within the district.

(c) A city is a small city for purposes of this subdivision if the city was a small city in the year in which the request for certification was made and applies for the rest of the duration of the district, regardless of whether the city qualifies or ceases to qualify as a small city.

(d) Notwithstanding the requirements of paragraph (a) and the finding requirements of section 469.174, subdivision 12, tax increments from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if all the following conditions are met:

(1) the municipality finds that the project will create or retain jobs in this state, including construction jobs, and that construction of the project would not have commenced before ~~July 1, 2012~~ June 30, 2014, without the authority providing assistance under the provisions of this paragraph;

(2) construction of the project begins no later than ~~July 1, 2012~~ June 30, 2014;

(3) the request for certification of the district is made no later than ~~June 30, 2012~~ December 31, 2014; and

(4) for development of housing under this paragraph, the construction must begin before January 1, 2012.

The provisions of this paragraph may not be used to assist housing that is developed to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law, if construction of the project begins later than July 1, 2011.



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

Sec. 8. Minnesota Statutes 2012, section 469.176, subdivision 4m, is amended to read:

Subd. 4m. **Temporary authority to stimulate construction.** (a) Notwithstanding the restrictions in any other subdivision of this section or any other law to the contrary, except the requirement to pay bonds to which the increments are pledged and the provisions of subdivisions 4g and 4h, the authority may spend tax increments for one or more of the following purposes:

(1) to provide improvements, loans, interest rate subsidies, or assistance in any form to private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create or retain jobs in this state, including construction jobs, and that the construction commences before ~~July 1, 2012~~ June 30, 2014, and would not have commenced before that date without the assistance; or

(2) to make an equity or similar investment in a corporation, partnership, or limited liability company that the authority determines is necessary to make construction of a development that meets the requirements of clause (1) financially feasible.

(b) The authority may undertake actions under the authority of this subdivision only after approval by the municipality of a written spending plan ~~that specifically authorizes the authority to take the actions.~~ The spending plan must contain a detailed description of each action to be undertaken. The municipality shall approve the spending plan only after a public hearing after published notice in a newspaper of general circulation in the municipality at least once, not less than ten days nor more than 30 days prior to the date of the hearing.

(c) The authority to spend tax increments under this subdivision expires ~~December 31, 2012~~ December 31, 2014.

~~(d) For a development consisting of housing, the authority to spend tax increments under this subdivision expires December 31, 2011, and construction must commence before July 1, 2011, except the authority to spend tax increments on market rate housing developments under this subdivision expires July 31, 2012, and construction must commence before January 1, 2012.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all tax increment financing districts, regardless of when the request for certification was made. The amendments to paragraph (b) apply to projects approved after the day following final enactment.

Sec. 9. Minnesota Statutes 2012, section 469.176, is amended by adding a subdivision to read:

Subd. 4n. **Soil deficiency district.** Tax increments from a soil deficiency district may only be used to pay for the following costs for activities located within the mining reclamation project area:

(1) acquisition of parcels on which the improvements described in clause (2) will occur;

(2) the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies;

(3) administrative expenses of the authority allocable to the district; and

(4) costs described in subdivision 4j for the district, if these payments do not exceed 25 percent of the tax increment from the district.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 30, 2013.

Sec. 10. Minnesota Statutes 2012, 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~~ deemed to end on December 31, 2016.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to districts certified on or after January 1, 2005, and before April 20, 2009.

Sec. 11. Minnesota Statutes 2012, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year Ten-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~~ ten 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~~ ten 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~~ ten-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~~ ten 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~~ ten 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.~~

(d) If the authority so elects in the tax increment financing plan for a redevelopment district, renewal and renovation district, soils condition district, or soil deficiency district located in a mining reclamation project area, the ten-year periods described in paragraph (a) do not apply.

**EFFECTIVE DATE.** This section is effective for districts certified after June 30, 2003.

Sec. 12. Minnesota Statutes 2012, section 469.1763, subdivision 4, is amended to read:

Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the ~~sixth~~ 11th year following certification of the district, if the applicable in-district percent of the revenues derived from tax increments paid by properties in the district exceeds the amount of expenditures that have been made for costs permitted under subdivision 3, an amount equal to the difference between the in-district percent of the revenues derived from tax increments paid by properties in the district and the amount of expenditures that have been made for costs permitted under subdivision 3 must be used and only used to pay or defease the following or be set aside to pay the following:

(1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

(2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4);

(3) credit enhanced bonds to which the revenues derived from tax increments are pledged, but only to the extent that revenues of the district for which the credit enhanced bonds were issued are insufficient to pay the bonds and to the extent that the increments from the applicable pooling percent share for the district are insufficient; or

(4) the amount provided by the tax increment financing plan to be paid under subdivision 2, paragraphs (b), (d), and (e).

(b) The district must be decertified and the pledge of tax increment discharged when the outstanding bonds have been defeased and when sufficient money has been set aside to pay, based on the increment to be collected through the end of the calendar year, the following amounts:

(1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and (4);

(2) the amount specified in the tax increment financing plan for activities qualifying under subdivision 2, paragraph (b), that have not been funded with the proceeds of bonds qualifying under paragraph (a), clause (1); and

(3) the additional expenditures permitted by the tax increment financing plan for housing activities under an election under subdivision 2, paragraph (d), that have not been funded with the proceeds of bonds qualifying under paragraph (a), clause (1).

(c) If the authority so elects in the tax increment financing plan for a redevelopment district, renewal and renovation district, soils condition district, or soil deficiency district located in a mining reclamation project area, the provisions of this section do not apply.

**EFFECTIVE DATE.** This section is effective for districts certified after June 30, 2003.

Sec. 13. Minnesota Statutes 2012, section 469.177, subdivision 1a, is amended to read:

Subd. 1a. **Original local tax rate.** At the time of the initial certification of the original net tax capacity for a tax increment financing district or a subdistrict, the county auditor shall certify the original local tax rate that applies to the district or subdistrict. The original local tax rate is the sum of all the local tax rates, excluding that portion of the school rate attributable to the general education levy under section 126C.13, that apply to a property in the district or subdistrict. The local tax rate to be certified is the rate in effect for the same taxes payable year applicable to the tax capacity values certified as the district's or subdistrict's original tax capacity. The resulting tax capacity rate is the original local tax rate for the life of the district or subdistrict.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 15, 2013.

Sec. 14. Laws 2008, chapter 366, article 5, section 26, is amended to read:

Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR RULE.**

(a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, are increased to a ~~ten-year~~ 15-year period for the Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I, Bloomington Central Station.

(b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of the district for a period through December 31, 2039.

(c) Effective for taxes payable in 2014, tax increment for the district must be computed using the current local tax rate, notwithstanding the provisions of Minnesota Statutes, section 469.177, subdivision 1a.

**EFFECTIVE DATE.** Paragraphs (a) and (c) are effective upon compliance by the governing body of the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3. Paragraph (b) is effective upon compliance by the governing bodies of the city of Bloomington, Hennepin County, and Independent School District No. 271 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 15. Laws 2008, chapter 366, article 5, section 34, as amended by Laws 2009, chapter 88, article 5, section 11, is amended to read:

Sec. 34. **CITY OF OAKDALE; ORIGINAL TAX CAPACITY PARCELS DEEMED OCCUPIED.**

~~(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; 3102921320061; 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.~~

(a) Parcel numbers 3102921320054, 3102921320055, 3102921320056, 3102921320057, 3102921320061, and 3102921330004 are deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), notwithstanding any contrary provisions of that paragraph, if the following conditions are met:

(1) a building located on any part of each of the specified parcels was demolished after the Housing and Redevelopment Authority for the city of Oakdale adopted a resolution under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

(2) the building was removed either by the authority, by a developer under a development agreement with the Housing and Redevelopment Authority for the city of Oakdale, or by the owner of the property without entering into a development agreement with the Housing and Redevelopment Authority for the city of Oakdale; and

(3) the request for certification of the parcel as part of a district is filed with the county auditor by December 31, 2017.

(b) The provisions of this section allow an election by the authority for the parcels deemed occupied under paragraph (a), notwithstanding the provisions of Minnesota Statutes, sections 469.174, subdivision 10, paragraph (d), and 469.177, subdivision 1, paragraph (f).

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 16. Laws 2010, chapter 216, section 55, is amended to read:

**Sec. 55. OAKDALE; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, the city of Oakdale may collect tax increments from Tax Increment Financing District No. 6 (Bergen Plaza) through December 31, ~~2024~~ 2030, subject to the conditions described in subdivision 2.

Subd. 2. **Conditions for extension.** (a) Subdivision 1 applies only if the following conditions are met:

(1) by July 1, 2011, the city of Oakdale has entered into a development agreement with a private developer for development or redevelopment of all or a substantial part of the area parcels described in clause (2); and

(2) by November 1, 2011, the city of Oakdale or a private developer commences construction of streets, traffic improvements, water, sewer, or related infrastructure that serves one or both of the parcels with the following parcel identification numbers: 2902921330001 and 2902921330005. For the purposes of this section, construction commences upon grading or other visible improvements that are part of the subject infrastructure.

(b) All tax increments received by the city of Oakdale under subdivision 1 after December 31, 2016, must be used only to pay costs that are both:

(1) related to redevelopment of the parcels specified in this subdivision or parcel numbers 3102921320053, 3102921320054, 3102921320055, 3102921320056, 3102921320057, 3102921320058, 3102921320059, 3102921320060, 3102921320061, 3102921320062, 3102921320063, 3102921330004, and 3102921330005, including, without limitation, any of the infrastructure referenced in this subdivision, that serves any of the referenced parcels; and

(2) otherwise eligible under law to be paid with increments from the specified tax increment financing district, ~~except the authority under this clause does not apply to increments collected after the conclusion of the duration limit under general law.~~

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Oakdale with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

**Sec. 17. USE OF TAX INCREMENT.**

Notwithstanding Minnesota Statutes, section 469.176, subdivision 4d, beginning on the effective date of this section, the city of Oakdale may spend tax increments from Tax Increment Financing District No. 1-6 (Echo Ridge) to pay costs that are related to redevelopment of parcel numbers 3102921320053, 3102921320054, 3102921320055, 3102921320056, 3102921320057, 3102921320058, 3102921320059, 3102921320060, 3102921320061, 3102921320062, 3102921320063, 3102921330004, and 3102921330005 (the Tanner's Lake redevelopment site), including without limitation any infrastructure that serves the referenced parcels.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 18. CITY OF MINNEAPOLIS; STREETCAR FINANCING.**

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

(b) "City" means the city of Minneapolis.

(c) "County" means Hennepin County.

(d) "District" means the areas certified by the city under subdivision 2 for collection of value capture taxes.

(e) "Project area" means the area including one city block on either side of a streetcar line designated by the city to serve the downtown and adjacent neighborhoods of the city.

Subd. 2. **Authority to establish district.** (a) The governing body of the city may, by resolution, establish a value capture district consisting of some or all of the following parcels located within the

city, as described in the resolution: 27-029-24-31-0130; 22-029-24-41-0008; 22-029-24-44-0038; 22-029-24-44-0035; 22-029-24-44-0036; 22-029-24-44-0037; and 22-029-24-42-0051.

(b) The city may establish the district and the project area only after holding a public hearing on its proposed creation after publishing notice of the hearing and the proposal at least once not less than ten days nor more than 30 days before the date of the hearing.

**Subd. 3. Calculation of value capture district; administrative provisions.** (a) If the city establishes a value capture district under subdivision 2, the city shall request the county auditor to certify the district for calculation of the district's tax revenues.

(b) For purposes of calculating the tax revenues of the district, the county auditor shall treat the district as if it were a request for certification of a tax increment financing district under the provisions of Minnesota Statutes, section 469.177, subdivision 1, and shall calculate the tax revenues of the district for each year of its duration under subdivision 4 as equaling the amount of tax increment under Minnesota Statutes, section 469.177, subdivisions 1, 2, and 3. The city shall provide the county auditor with the necessary information to certify the district, including the option for calculating revenues derived from the areawide tax rate under Minnesota Statutes, chapter 473F.

(c) The county auditor shall pay to the city at the same times provided for settlement of taxes and payment of tax increments the tax revenues of the district. The city must use the tax revenues as provided under subdivision 4.

**Subd. 4. Permitted uses of district tax revenues.** (a) In addition to paying for reasonable administrative costs of the district, the city may spend tax revenues of the district for property acquisition, improvements, and equipment to be used for operations within the project area, along with related costs, for:

- (1) planning, design, and engineering services related to the construction of the streetcar line;
- (2) acquiring property for, constructing, and installing a streetcar line;
- (3) acquiring and maintaining equipment and rolling stock and related facilities, such as maintenance facilities, which need not be located in the project area;
- (4) acquiring, constructing, or improving transit stations; and
- (5) acquiring or improving public space, including the construction and installation of improvements to streets and sidewalks, decorative lighting and surfaces, and plantings related to the streetcar line.

(b) The city may issue bonds or other obligations under Minnesota Statutes, chapter 475, without an election, to fund acquisition or improvement of property of a capital nature authorized by this section, including any costs of issuance. The city may also issue bonds or other obligations to refund those bonds or obligations. Payment of principal and interest on the bonds or other obligations issued under this paragraph is a permitted use of the district's tax revenues.

(c) Tax revenues of the district may not be used for the operation of the streetcar line.

**Subd. 5. Duration of the district.** A district established under this section is limited to the lesser of (1) 25 years of tax revenues, or (2) the time necessary to collect tax revenues equal to the amount

of the capital costs permitted under subdivision 4 or the amount needed to pay or defease bonds or other obligations issued under subdivision 4, whichever is later.

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

**Sec. 19. DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law, the Dakota County Community Development Agency may establish a redevelopment tax increment financing district comprised of the properties that (1) were included in the CDA 10 Robert and South Street district in the city of West St. Paul, and (2) were not decertified before July 1, 2012. The district created under this section terminates no later than December 31, 2028.

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, subdivision 4j, do not apply to the district. The original tax capacity of the district is \$93,239.

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 provided that the boundaries of the redevelopment area may not be expanded to add new area after April 1, 2013. All such expenditures are deemed to be activities within the district under Minnesota Statutes, section 469.1763, subdivisions 2 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 by the governing body of the Dakota County Community Development Agency with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 20. ST. CLOUD; TAX INCREMENT FINANCING.**

The request for certification of Tax Increment District No. 2, commonly referred to as the Norwest District, in the city of St. Cloud is deemed to have been made on or after August 1, 1979, and before July 1, 1982. Revenues derived from tax increment for that district must be treated for purposes of any law as revenue of a tax increment financing district for which the request for certification was made during that time period.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of St. Cloud and compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 21. CITY OF ELY; TAX INCREMENT FINANCING.**

Subdivision 1. **Extension of district.** Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law, the city of Ely may collect tax increment from Tax Increment Financing District No. 1 through December 31, 2021. Increments from the district may only be used to pay binding obligations and administrative expenses.



Subd. 2. **Binding obligations.** For purposes of this section, "binding obligations" means the binding contractual or debt obligation of Tax Increment Financing District No. 1 entered into before January 1, 2013.

Subd. 3. **Expenditures outside district.** Notwithstanding Minnesota Statutes, section 469.1763, subdivision 2, the governing body of the city of Ely may elect to transfer revenues derived from its Tax Increment Financing District No. 3 to the tax increment account established under Minnesota Statutes, section 469.177, subdivision 5, for Tax Increment Financing District No. 1. The amount that may be transferred is limited to the lesser of:

(1) \$168,000; or

(2) the total amount due on binding obligations and outstanding on that date, less the amount of increment collected by Tax Increment Financing District No. 1 after December 31, 2012, and administrative expenses of Tax Increment Financing District No. 1 incurred after December 31, 2012.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Ely, St. Louis County, and Independent School District No. 696, with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 22. **CITY OF GLENCOE; TAX INCREMENT FINANCING DISTRICT EXTENSION.**

Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, paragraph (a), clause (4), or any other law to the contrary, the city of Glencoe may collect tax increments from tax increment financing district No. 4 (McLeod County District No. 007) through December 31, 2023, subject to the conditions in subdivision 2.

Subd. 2. **Exclusive use of revenues.** (a) All tax increments derived from tax increment financing district No. 4 (McLeod County District No. 007) that are collected after December 31, 2013, must be used only to pay debt service on or to defease bonds that were outstanding on January 1, 2013, and that were issued to finance improvements serving:

(1) tax increment financing district No. 14 (McLeod County District No. 033) (Downtown);

(2) tax increment financing district No. 15 (McLeod County District No. 035) (Industrial Park);  
and

(3) benefited properties as further described in proceedings related to the city's series 2007A bonds, dated September 1, 2007, and any bonds issued to refund those bonds.

(b) Increment may also be used to pay debt service on or to defease bonds issued to refund the bonds described in paragraph (a), if the refunding bonds do not increase the present value of debt service due on the refunded bonds when the refunding is closed.

(c) When the bonds described in paragraphs (a) and (b) have been paid or defeased, the district must be decertified and any remaining increment returned to the city, county, and school district as provided by Minnesota Statutes, section 469.176, subdivision 2, paragraph (c), clause (4).

**EFFECTIVE DATE.** This section is effective upon compliance by the governing body of the city of Glencoe, McLeod County, and Independent School District No. 2859 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

**Sec. 23. CITY OF BLOOMINGTON; TAX INCREMENT FINANCING.**

**Subdivision 1. Addition of property to Tax Increment Financing District No. 1-G.** (a) Notwithstanding the provisions of Minnesota Statutes, section 469.175, subdivision 4, or any other law to the contrary, the governing bodies of the Port Authority of the city of Bloomington and the city of Bloomington may elect to eliminate the real property north of the existing building line on Lot 1, Block 1, Mall of America 7th Addition, exclusive of Lots 2 and 3 from Tax Increment Financing District No. 1-C within Industrial Development District No. 1 Airport South in the city of Bloomington, Minnesota, and expand the boundaries of Tax Increment Financing District No. 1-G to include that property.

(b) If the city elects to transfer parcels under this authority, the county auditor shall transfer the original tax capacity of the affected parcels from Tax Increment Financing District No. 1-C to Tax Increment Financing District No. 1-G.

**EFFECTIVE DATE.** This section is effective upon compliance of the governing body of the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 24. CITY OF APPLE VALLEY; USE OF TAX INCREMENT FINANCING.**

**Subdivision 1. Developments consisting of building and ancillary facilities.** Notwithstanding Minnesota Statutes, section 469.176, subdivisions 4c and 4m, the city of Apple Valley may use tax increment financing to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if all of the following conditions are met:

(1) the city of Apple Valley finds that the project will create or retain jobs in Minnesota, including construction jobs;

(2) the city of Apple Valley finds that construction of the project will not commence before July 1, 2014, without the use of tax increment financing;

(3) the request for certification of the district is made no later than June 30, 2014;

(4) construction of the project begins no later than July 1, 2014; and

(5) for development of housing, construction of the project begins no later than December 31, 2013.

**Subd. 2. Extension of authority to spend tax increments.** Notwithstanding the time limits in Minnesota Statutes, section 469.176, subdivision 4m, the city of Apple Valley has the authority to spend tax increments under Minnesota Statutes, section 469.176, subdivision 4m, until December 31, 2014.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Apple Valley and timely compliance with Minnesota Statutes, section 645.021, subdivision 3.

**Sec. 25. CITY OF MAPLEWOOD; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the city of Maplewood elects, upon the adoption of a tax increment financing plan for a district, the rules under this section apply to one or more redevelopment tax increment financing districts established by the city or the economic development authority of the city. The area within

which the redevelopment tax increment districts may be created is parcel 362922240002 (the "parcel") or any replatted parcels constituting a part of the parcel and the adjacent rights-of-way. For purposes of this section, the parcel is the "3M Renovation and Retention Project Area" or "project area."

(b) The requirements for qualifying redevelopment tax increment districts under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcel, which is deemed eligible for inclusion in a redevelopment tax increment district.

(c) The 90 percent rule under Minnesota Statutes, section 469.176, subdivision 4j, does not apply to the parcel.

(d) The expenditures outside district rule under Minnesota Statutes, section 469.1763, subdivision 2, does not apply; the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years; and expenditures must only be made within the project area.

(e) If, after one year from the date of certification of the original net tax capacity of the tax increment district, no demolition, rehabilitation, or renovation of property has been commenced on a parcel located within the tax increment district, no additional tax increment may be taken from that parcel, and the original net tax capacity of the parcel shall be excluded from the original net tax capacity of the tax increment district. If 3M Company subsequently commences demolition, rehabilitation, or renovation, 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 district. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district.

(f) The authority to approve a tax increment financing plan and to establish a tax increment financing district under this section expires December 31, 2018.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Maplewood and upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

## ARTICLE 9

### DESTINATION MEDICAL CENTER

Section 1. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

Subd. 45. **Construction materials, public infrastructure related to the destination medical center.** Materials and supplies used in, and equipment incorporated into, the construction and improvement of publicly owned buildings and infrastructure included in the development plan adopted under section 469.42, and financed with public funds, are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015.

Sec. 2. **[469.40] DEFINITIONS.**

Subdivision 1. **Application.** For the purposes of section 469.40 to 469.46, the terms defined in this section have the meanings given them.

Subd. 2. **Authority.** "Authority" means the Destination Medical Center Authority established in section 469.41.

Subd. 3. **Board.** "Board" means the governing body of the Destination Medical Center Authority.

Subd. 4. **City.** "City" means the city of Rochester.

Subd. 5. **County.** "County" means Olmsted County.

Subd. 6. **Destination medical center development district.** "Destination medical center development district" or "development district" means a geographic area in the city identified in the adopted authority development plan in which public infrastructure projects are implemented.

Subd. 7. **Development plan.** "Development plan" means the plan adopted by the authority under section 469.46.

Subd. 8. **Medical business entity.** "Medical business entity" means a medical business entity with its principal place of business in the city that, as of the effective date of this section, together with all business entities of which it is the sole member or sole shareholder, collectively employs more than 30,000 persons in the state.

Subd. 9. **Public infrastructure project.** (a) "Public infrastructure project" means a project financed in part or whole with public money in order to support the medical business entity's development plans, as identified in the adopted development plan. A project may be to:

(1) acquire real property and other assets associated with the real property;

(2) demolish, repair, or rehabilitate buildings;

(3) remediate land and buildings as required to prepare the property for acquisition or development;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district, including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;

(5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;

(6) install, construct or reconstruct, furnish, and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, broadcast and related multimedia infrastructure;

(7) make related site improvements, including, without limitation, excavation, earth retention, soil stabilization and correction, site improvements to support the destination medical center development district;

(8) prepare land for private development and to sell or lease land; and

(9) to construct and equip all or a portion of one or more suitable structures on land owned by the authority for sale or lease of private development; provided, however, that the portion of any such structure directly financed as a project cost must not be sold or leased to a medical business entity.

(b) A public infrastructure project is not a business subsidy under section 116J.993.

**Sec. 3. [469.41] AUTHORITY ESTABLISHMENT; BOARD MEMBERS; TERMS, VACANCIES, PAY, CONTINUITY.**

Subdivision 1. **Destination Medical Center Authority; establishment.** The Destination Medical Center Authority is established. The authority's governing board shall have eight members, and a quorum of the board consists of at least six members. Four members are appointed by the governor and confirmed by the senate. One member shall represent the county and is appointed by the county board of commissioners. Two members shall represent the city and are appointed by the city council. One member shall represent the medical business entity and is appointed by the board of directors of the medical business entity. A member appointed by the governor must not be a resident of Rochester. A member must not have a direct or indirect financial interest in the Mayo Clinic, its subsidiaries, or affiliated businesses, the Destination Medical Center, or any projects authorized by or under consideration by the authority, except for the member. This provision does not apply to the member appointed by the medical business entity.

Subd. 2. **Terms; vacancies.** The initial eight members shall be appointed by the first Monday in January 2014. Except as provided in this subdivision, a member's term is six years. The governor shall make replacement appointments for two of the governor's appointees by the first Monday in January 2017 and every six years thereafter. The city council shall make one replacement appointment and the county board of commissioners shall make its replacement appointment by the first Monday in January 2017 and every six years thereafter. The medical business entity shall make its replacement appointment by the first Monday in January 2020 and every six years thereafter. Each member shall serve until a replacement for the member's seat on the board has been confirmed by the senate in the case of the governor's appointments. When a member resigns or is removed for cause, the governor shall fill the vacancy for the balance of the member's term shall be filled subject to the same confirmation required for an appointment for a full term as provided in subdivision 1.

Subd. 3. **Chair.** The governor shall appoint a chair from the board's membership, and the chair shall convene the first meeting within two months of senate confirmation of the governor's appointed members.

Subd. 4. **Pay.** Members must be compensated as provided in section 15.0575, subdivision 3, for each regular or special authority board meeting attended. In addition, the board members may be reimbursed for actual expenses incurred in doing official business of the authority. All money paid for compensation or reimbursement must be paid out of the authority's budget.

Subd. 5. **Removal for cause.** A member may be removed by the board for inefficiency, neglect of duty, or misconduct in office. A member may be removed only after a hearing of the board. A copy of the charges must be given to the board member at least ten days before the hearing. The board member must be given an opportunity to be heard in person or by counsel at the hearing. When written charges have been submitted against a board member, the board may temporarily suspend the member. If the board finds that those charges have not been substantiated, the board member shall be immediately reinstated. If a board member is removed, a record of the proceedings, together with the charges and findings, shall be filed with the office of the appointing authority.

Subd. 6. **Sunset.** The authority shall sunset December 31, 2043. When the authority sunsets, all right, title, and interest to all assets held by the authority are transferred or assigned to the city of Rochester.

Sec. 4. **[469.42] CHARACTERISTICS AND JURISDICTION.**

Subdivision 1. **Public body characteristics.** The authority is a body politic and corporate and a political subdivision of the state, with the right to sue and be sued in its own name.

Subd. 2. **Boundaries.** The boundary for activities and the use of the powers of the authority must be within a medical center development district. The authority also has the power to finance activities outside of a medical center development district but within the county, if necessary; provided, however, that the financing of activities outside of a medical center development district but within the county must be included in the development plan and must be approved by, and subject to the planning, zoning, sanitary and building laws, ordinances, regulations, and land use plans applicable to, the city, county, or town in which such activities are undertaken.

Sec. 5. **[469.43] OFFICERS; DUTIES; ORGANIZATIONAL MATTERS.**

Subdivision 1. **Bylaws, rules, seal.** The authority may adopt bylaws and rules of procedure and may adopt an official seal.

Subd. 2. **Officers.** The authority shall annually elect a treasurer. The authority shall appoint a secretary and assistant treasurer. The secretary and assistant treasurer need not, but may, be members of the board.

Subd. 3. **Duties and powers.** The officers have the usual duties and powers of their offices. They may be given other duties and powers by the authority.

Subd. 4. **Treasurer's duties.** The treasurer:

- (1) shall receive and is responsible for authority money;
- (2) is responsible for the acts of the assistant treasurer;
- (3) shall disburse authority money by check or electronic procedures;
- (4) shall keep an account of the source of all receipts, and the nature, purpose, and authority of all disbursements; and
- (5) shall file the authority's detailed financial statement with its secretary at least once a year at times set by the authority.

Subd. 5. **Secretary.** The secretary shall perform duties as required by the board.

Subd. 6. **Assistant treasurer.** The assistant treasurer has the powers and duties of the treasurer if the treasurer is absent or disabled.

Subd. 7. **Treasurer's bond.** The treasurer shall give bond to the state conditioned for the faithful discharge of official duties. The bond must be approved as to form and surety by the authority and filed with its secretary. The bond must be for twice the amount of money likely to be on hand at any one time, as determined at least annually by the authority, except that the bond must not exceed \$300,000.

Subd. 8. **Public money.** Authority money is public money.

Subd. 9. **Checks.** An authority check must be signed by the treasurer and by one other officer named by the authority in a resolution. The check must state the name of the payee and the nature of the claim for which the check is issued.

Subd. 10. **Financial statements; filing with state auditor.** The financial statements of the authority must be prepared, audited, filed, and published or posted in the manner required for the financial statements of the city. The authority shall employ a certified public accountant to annually examine and audit its books. The report of the exam and audit must be filed with the state auditor by June 30 of each year. The state auditor shall review the report and may accept it or, in the public interest, audit the books of the authority.

Subd. 11. **Meetings.** Except at otherwise provided in this chapter, the authority is subject to chapters 13 and 13D.

Sec. 6. **[469.44] DEPOSITORIES; DEFAULT; COLLATERAL.**

Subdivision 1. **Named; bond.** Every two years the authority shall name national or state banks within the state as depositories. Before acting as a depository, a named bank shall give the authority a bond approved as to form and surety by the authority. The bond must be conditioned for the safekeeping and prompt repayment of deposits. The amount of the bond must be at least equal to the maximum sum expected to be on deposit at any one time.

Subd. 2. **Default; collateral.** When authority funds are deposited by the treasurer in a bonded depository, the treasurer and the surety on the treasurer's official bond are exempt from liability for the loss of the deposits because of the failure, bankruptcy, or any other act or default of the depository. The authority may accept assignments of collateral from its depository to secure deposits in the same manner as assignments of collateral are permitted for a government entity under section 118A.03.

Sec. 7. **[469.45] TAX LEVIES; CITY OR COUNTY APPROPRIATIONS; OTHER FISCAL MATTERS.**

Subdivision 1. **Obligations.** The authority must not levy a tax or special assessment, pledge the credit of the state or the state's municipal corporations or other subdivisions, or incur an obligation enforceable on property not owned by the authority.

Subd. 2. **Budget.** The authority shall annually send its budget to the city, county, governor, and the chair and ranking minority members of the house and senate committees with jurisdiction over taxation.

Subd. 3. **Fiscal year.** The fiscal year of the authority may be established by the authority.

Subd. 4. **City or county appropriations; levy.** The city council of the city or the county board of the county may appropriate money for the use of the authority and may levy the amount of its appropriation in its general levy. The levy is a special levy within the meaning of, and as if specifically enumerated in, section 275.70, subdivision 5.

Subd. 5. **Outside budget laws.** Money appropriated to the authority by the city or county under this section is not subject to a budget law that applies to the city or county, respectively.

Subd. 6. **City or county payment.** The city or county treasurer shall pay money appropriated by a city or county under subdivision 4 when and in the manner directed by the city council or county board, as applicable.

Subd. 7. **Local government tax base not reduced.** Nothing in sections 469.41 to 469.52 reduces the tax base or affects the taxes due and payable to the city, the county, or any school district within the boundaries of the city, including, without limitation, the city's 0.5 percent local sales tax.

Sec. 8. **[469.451] COUNTY TAX AUTHORITY.**

(a) Notwithstanding sections 297A.99, 297A.993, and 477A.016, or any other contrary provision of law, ordinance, or charter, and in addition to any taxes the county may impose under another law or statute, the board of commissioners of Olmsted County may, by resolution, impose a transportation tax of up to one quarter of one percent on retail sales and uses taxable under chapter 297A. The provisions of section 297A.99, subdivisions 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

(b) The board of commissioners of Olmsted County may, by resolution, levy an annual wheelage tax of up to \$10 on each motor vehicle kept in the county when not in operation which is subject to annual registration and taxation under chapter 168, for transportation projects within the county. The wheelage tax shall not be imposed on the vehicles exempt from wheelage tax under section 163.051, subdivision 1. The board by resolution may provide for collection of the wheelage tax by county officials or it may request that the tax be collected by the state registrar on behalf of the county. The provisions of section 163.051, subdivisions 2, 2a, 3, and 7, shall govern the administration, collection, and enforcement of the tax authorized under this paragraph. The tax authorized under this section is in addition to any tax the county may be authorized to impose under section 163.051, but until January 1, 2018, the county tax imposed under this paragraph, in combination with any tax imposed under section 163.051, must equal the specified rate under section 163.051.

(c) The proceeds of the tax imposed under paragraph (a), less refunds and costs of collection, must be first used by the county to meet its share of obligations for financing transportation infrastructure related to the public infrastructure projects contained in the development plan, including any associated financing costs. Revenues collected in any calendar year in excess of the county obligation to pay for projects contained in the development plan may be retained by the county and used for funding other transportation projects, including roads and bridges, airport and transportation improvements.

(d) Any taxes imposed under paragraph (a), expire December 31, 2046, or at an earlier time if approved by resolution of the county board of commissioners. However, the taxes may not terminate before the county board of commissioners determines that revenues from these taxes and any other revenue source the county dedicates are sufficient to pay the county share of transit project costs and associated financing costs under the adopted development plan.

Sec. 9. **[469.46] DEVELOPMENT PLAN.**

Subdivision 1. **Development plan; adoption by authority; notice; findings.** (a) The authority shall prepare and adopt a development plan. The authority must hold a public hearing before adopting a development plan. At least 60 days before the hearing, the authority shall make copies of the proposed plan available to the public at the authority and city offices during normal business hours, on the authority's and city's Web site, and as otherwise determined appropriate by the authority. At least ten days before the hearing, the authority shall publish notice of the hearing in



a daily newspaper of general circulation in the city. The development plan may not be adopted unless the authority finds by resolution that:

(1) the plan provides an outline for the development of the city as a destination medical center, and the plan is sufficiently complete, including the identification of planned and anticipated projects, to indicate its relationship to definite state and local objectives;

(2) the proposed development affords maximum opportunity, consistent with the needs of the city, county, and state, for the development of the city by private enterprise as a destination medical center;

(3) the proposed development conforms to the general plan for the development of the city and is consistent with the city comprehensive plan;

(4) the plan includes:

(i) strategic planning consistent with a destination medical center in the core areas of commercial research and technology, learning environment, hospitality and convention, sports and recreation, livable communities, including mixed-use urban development and neighborhood residential development, retail/dining/entertainment, and health and wellness;

(ii) estimates of short- and long-range fiscal and economic impacts;

(iii) a framework to identify and prioritize short- and long-term public investment and public infrastructure project development and to facilitate private investment and development;

(iv) land use planning;

(v) transportation and transit planning;

(vi) operational planning required to support the medical center development district; and

(vii) ongoing market research plans.

(b) The identification of planned and anticipated projects under paragraph (a), clause (1), must give priority to projects that will pay wages at least equal to the basic cost of living wage as calculated by the commissioner of employment and economic development for the county in which the project is located. The calculation of the basic cost of living wage shall be done as provided for under Minnesota Statutes, section 116J.013, if enacted by the 2013 legislature.

Subd. 2. **Development plan; review by city; finding.** After adoption by the authority under subdivision 1, the authority shall submit the development plan to the city. The city shall review the development plan and make its finding regarding consistency with the adopted comprehensive plan of the city within 60 days of submission of the adopted development plan. If the city determines, by written resolution, that the development plan is not consistent with the adopted comprehensive plan of the city, the resolution shall state the reasons and supporting facts for each determination, and the city shall transmit the resolution to the authority within seven days of adoption.

Subd. 3. **Modification of development plan.** The authority may modify the development plan at any time. The authority must update the development plan not less than every five years. A modification or update under this subdivision must be adopted by the authority upon the notice and after the public hearing and findings required for the original adoption of the development plan.

Subd. 4. **Authority consultant.** (a) The authority shall engage a business entity consultant to provide experience and expertise in developing the destination medical center. The consultant shall assist the authority in preparing the development plan and provide services to assist the authority or city in implementing, consistent with the development plan. The consultant shall work with the city and the medical business entity on the goals, objectives, and strategies in the development plan, including, but not limited to:

- (1) developing and updating the criteria for evaluating and underwriting development proposals;
- (2) implementing the development plan, including soliciting and evaluating proposals for development and evaluating and making recommendations to the authority and the city regarding those proposals;
- (3) providing transactional services in connection with approved projects;
- (4) developing patient, visitor, and community outreach programs for a destination medical center development district;
- (5) working with the authority to acquire and facilitate the sale, lease, or other transactions involving land and real property;
- (6) seeking financial support for the authority, the city, and a project;
- (7) partnering with other development agencies and organizations and the county in joint efforts to promote economic development and establish a destination medical center;
- (8) supporting and administering the planning and development activities required to implement the development plan;
- (9) preparing and supporting the marketing and promotion of the medical center development district;
- (10) preparing and implementing a program for community and public relations in support of the medical center development district;
- (11) assisting the authority or city and others in applications for federal grants, tax credits, and other sources of funding to aid both private and public development; and
- (12) making other general advisory recommendations to the authority and the city, as requested.

(b) The authority may contract with the consultant to provide administrative services to the authority with regard to the destination medical center plan implementation. The authority may pay for those services out of any revenue sources available to it.

Subd. 5. **Audit of consultant contracts.** Any contract for services between the authority and a consultant paid, in whole or in part, with public money gives the authority, the city, and the state auditor the right to audit the books and records of the consultant that are necessary to certify (1) the nature and extent of the services furnished pursuant to the contract, and (2) that the payment for services and related disbursements complies with all state laws, regulations, and the terms of the contract. Any contract for services between the authority and the consultant paid, in whole or in part, with public money shall require the authority to maintain for the life of the authority accurate and complete books and records directly relating to the contract.

Subd. 6. **Report.** By January 15 of each year, the authority and city must submit a report to the chairs and ranking minority members of the legislative committees with jurisdiction over local and state government operations, economic development, and taxes, and to the commissioners of revenue and employment and economic development, and the county. The authority and city must also submit the report as provided in section 3.195. The report must include:

- (1) the adopted development plan and any proposed changes to the development plan;
- (2) progress of projects identified in the development plan;
- (3) actual costs and financing sources, including the amount paid with state aid under section 469.46 and required local contributions, of projects completed in the previous two years by the authority, city, the county, and the medical business entity;
- (4) estimated costs and financing sources for projects to be begun in the next two years by the authority, city, the county, and the medical business entity; and
- (5) debt service schedules for all outstanding obligations of the authority and the city for debt issued for projects identified in the plan.

Subd. 7. **Public infrastructure project; construction requirements.** (a) For any real or personal property acquired, owned, leased, controlled, used, or occupied by the authority for a public infrastructure project, the authority may contract for construction, materials, supplies, and equipment in accordance with Minnesota Statutes, section 471.345, except that the authority may employ or contract with persons, firms, or corporations to perform one or more or all of the functions of an engineer, architect, construction manager, or program manager with respect to all or any part of a project to renovate, refurbish, and remodel the arena under either the traditional separate design and build, integrated design-build, design-bid-build or construction manager at risk, or a combination thereof.

(b) The authority may prepare a request for proposals for one or more of the functions described in paragraph (a). The request must be published in a newspaper of general circulation. The authority may prequalify offerors by issuing a request for qualifications, in advance of the request for proposals, and select a short list of responsible offerors to submit proposals.

(c) As provided in the request for proposals, the authority may conduct discussions and negotiations with responsible offerors in order to determine which proposal is most advantageous to the goals of the development plan, and to negotiate the terms of an agreement. In conducting discussions, there shall be no disclosure of any information derived from proposals submitted by competing offerors and the content of all proposals is nonpublic data under Minnesota Statutes, chapter 13, until such time as a notice to award a contract is given by the authority.

(d) Upon agreement on the guaranteed maximum price, the construction manager or program manager may enter into contracts with subcontractors for labor, materials, supplies, and equipment for the renovation project through the process of public bidding, except that the construction manager or program manager may, with the consent of the authority:

- (1) narrow the listing of eligible bidders to those that the construction manager or program manager determines to possess sufficient expertise to perform the intended functions;
- (2) award contracts to the subcontractors that the construction manager or program manager determines provide the best value under a request for proposals, as described in Minnesota Statutes,

section 16C.28, subdivision 1, paragraph (a), clause (2), and paragraph (c), that are not required to be the lowest responsible bidder; and

(3) for work the construction manager or program manager determines to be critical to the completion schedule, perform work with its own forces without soliciting competitive bids or proposals, if the construction manager or program manager provides evidence of competitive pricing.

Sec. 10. **[469.47] POWERS AND DUTIES.**

Subdivision 1. **Powers generally.** The authority has the powers of a city under chapter 462C and the powers of a redevelopment agency under sections 469.152 to 469.1651, in connection with private development in the city for which the authority has previously undertaken or concurrently undertakes a project financed in whole or in part with authority revenue or obligations issued pursuant to section 469.48; provided, however, the authority shall not enter into any revenue agreement pursuant to section 469.155, subdivision 5, with a medical business entity.

Subd. 2. **Projects; project costs.** The authority may, within a medical center development district, undertake public infrastructure projects and finance public infrastructure project costs. The authority must find by resolution that the public infrastructure project is consistent with and in furtherance of the approved development plan. Subject to other applicable law, revenue derived by the authority from any source may be used by the authority to make loans or grants, or to provide direct or indirect financial support to state public bodies or to private entities in payment or reimbursement of project costs.

Subd. 3. **Revenue pooling.** The authority may deposit all its money from any source in one bank account.

Subd. 4. **Acquire property; exemption for taxes.** (a) The authority may acquire by lease, purchase, gift, or devise the needed right, title, and interest in property to create medical center development districts and undertake projects. The authority may exercise the power of eminent domain to acquire property for a public use, as defined in section 117.025. It shall pay for the property out of money it receives under sections 469.41 to 469.53. It may hold and dispose of the property subject to the limits and conditions in sections 469.41 to 469.53. The title to property acquired by eminent domain or purchase must be in fee simple, absolute. The authority may accept an interest in property acquired in another way subject to any condition of the grantor or donor. The condition must be consistent with the proper use of the property under sections 469.41 to 469.53. The authority may sign options to purchase, sell, or lease property.

(b) Property acquired, owned, leased, controlled, used, or occupied by the authority for any of the purposes of this section is for public governmental and municipal purposes and is exempt from taxation by the state or its political subdivisions, except to the extent that the property is subject to the sales and use tax under chapter 297A. The exemption in this paragraph applies only while the authority holds property for its own purpose, and is subject to section 272.02, subdivisions 8 and 39. When the property is sold it becomes subject to taxation.

Subd. 5. **Subject to city requirements.** All projects are subject to the planning, zoning, sanitary, and building laws, ordinances, regulations, and land use plans applicable to the city.

Subd. 6. **Sale of property.** The authority may sell, convey, and exchange any real or personal property owned or held by it in any manner and on any terms. Real property owned by the authority

must not be sold, conveyed, exchanged, or have its title transferred without approval of two-thirds of the members of the board. All members must have ten days' written notice of a regular or special meeting at which a vote on sale, conveyance, exchange, or transfer of real property is to be taken. The notice must contain a complete description of the affected real property. The resolution authorizing the real property transaction is not effective unless a quorum is present.

Subd. 7. **Contracts.** The authority may make contracts for the purpose of economic development within the powers given it in this subdivision and section 469.46. The authority may contract or arrange with the federal government, or any of its departments, with persons, public corporations, the state, or any of its political subdivisions, commissions, or agencies, for separate or joint action, on any matter related to using the authority's powers or performing its duties. The authority may contract to purchase and sell real and personal property. An obligation or expense must not be incurred by the authority unless existing appropriations together with the reasonably expected revenue of the authority from other sources are sufficient to discharge the obligation or pay the expense when due. The state and its municipal subdivisions are not liable on the obligations of the authority.

Subd. 8. **Contract for services.** The authority may contract for the services of consultants, agents, public accountants, legal counsel, and other persons needed to perform its duties and exercise its powers. The authority may contract with the city or county to provide administrative, clerical, and accounting services to the authority.

Subd. 9. **Supplies.** The authority may purchase the supplies and materials it needs to carry out sections 469.41 to 469.52.

Subd. 10. **City purchasing.** The authority may, by agreement with the city, use the facilities and services of the city's purchasing and public works departments in connection with construction work and to purchase equipment, supplies, or materials.

Subd. 11. **City facilities, services.** The city may furnish offices, structures and space, and clerical, engineering, or other services or assistance to the authority.

Subd. 12. **Delegation power.** The authority may delegate to one or more of its agents powers or duties as it deems proper.

Subd. 13. **Government agent.** The authority may cooperate with or act as agent for the federal or state government, a state public body, or an agency or instrumentality of a government or a public body to carry out sections 469.41 to 469.52 or any other related federal, state, or local law.

Subd. 14. **Acceptance of public land.** The authority may accept conveyances of land from all other public agencies, commissions, or other units of government, if the land can be properly used by the authority in a medical center development district, to carry out the purposes of this chapter. The city council of the city may transfer or cause to be transferred to the authority any property owned or controlled by the city and located within the jurisdiction of the authority. The transfer must be approved by majority vote of the city council and may be with or without consideration. The city may also put the property in the possession or control of the authority by a lease or other agreement for a limited period or in fee.

Subd. 15. **Loans in anticipation of bonds.** After authorizing bonds under section 469.52, the authority may borrow to provide money immediately required for the bond purposes. The loans may not exceed the amount of the bonds. The authority shall by resolution decide the terms of the loans.

The loans must be evidenced by negotiable notes due in not more than 12 months from the date of the loan payable to the order of the lender, to be repaid with interest from the proceeds of the bonds when the bonds are issued and delivered to the bond purchasers. The loan must not be obtained from any board member of the authority or from any corporation, association, or other institution of which an authority board member is a stockholder or officer.

Subd. 16. **No tax increment financing powers.** The authority is not an authority as defined in section 469.174, subdivision 2.

**Sec. 11. [469.48] REVENUE OBLIGATIONS; PLEDGE; COVENANTS.**

Subdivision 1. **Powers.** The authority may decide by resolution to issue its revenue bonds, notes, or other obligations either at one time or in series from time to time. The revenue bonds may be issued to provide money to pay public infrastructure project costs. The issued bonds may include the amount the authority considers necessary to establish an initial reserve to pay principal of and interest on the bonds, including capitalized interest, and to pay the costs of issuance. The resolution shall state how the bonds are to be executed.

Subd. 2. **Form.** The bonds of each series issued by the authority under this section must bear interest at the rate or rates, mature at times not later than 30 years from the date of issuance, and be fully registered bonds in the form determined by the authority. All bonds issued under this section must be negotiable instruments.

Subd. 3. **Sale.** The sale of revenue bonds issued by the authority may be at public or private sale. The bonds may be sold in the manner and for the amount that the authority determines to be in the best interest of the authority. The bonds may be made callable upon terms as determined by the authority and may be refunded as provided in section 475.67.

Subd. 4. **Agreements.** The authority may by resolution make an agreement or covenant with the bondholders or their trustee if it determines that the agreement or covenant is needed or desirable to carry out the powers given to the authority under this section and to ensure that the revenue bonds are marketable and promptly paid.

Subd. 5. **Revenue pledge.** (a) In issuing bonds under this section, the authority may secure payment of the principal and interest on the bonds by:

(1) a pledge of and lien on authority revenue. The revenue must come from the facility to be acquired, constructed, or improved with the bond proceeds or from other facilities named in the bond-authorizing resolutions. The authority also may secure the payment with its promise to impose, maintain, and collect enough rentals, rates, and charges, for the use and occupancy of the facilities and for services furnished in connection with the use and occupancy, to pay its current expenses to operate and maintain the named facilities, and to produce and deposit sufficient net revenue in a special fund to meet the interest and principal requirements of the bonds, and to collect and keep any more money required by the resolutions. The authority shall decide what constitutes "current" expense under this subdivision based on what is normal and reasonable under generally accepted accounting principles. Revenues pledged by the authority must not be used or pledged for any other authority purpose unless the other use or pledge is specifically authorized in the bond-authorizing resolutions; or

(2) payments by a medical business entity and a pledge of and lien on other authority revenue, including revenue received from the city or the county.

(b) No bonds may be issued by the authority under this subdivision later than 20 years from the date of final enactment of this act, and no bond issued under this subdivision may have a maturity later than December 31, 2049.

Subd. 6. **Not city, county, or state debt.** Revenue bonds, notes, or other obligations issued under this section are not a debt of the city, county, or state, nor a pledge of the full faith and credit of the city, county, or state. All obligations under this section are payable only from revenues described in subdivision 5. A revenue bond must contain on its face a statement to the effect that the authority does not have to pay the bond or the interest on it except from the revenues pledged thereto and that the faith, credit, and taxing power of the city, the county, and the state are not pledged to pay the principal of or interest on the bond.

**Sec. 12. [469.50] CITY TAX AUTHORITY.**

Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding section 477A.016, or any other contrary provision of law, ordinance, or city charter, and in addition to any taxes the city may impose on these transactions under another statute or law, the city of Rochester may, by ordinance, impose at a rate determined by the city, a tax on the admission receipts to entertainment and recreational facilities, as defined by ordinance, in the city.

(b) The provisions of section 297A.99, subdivisions 4 to 13, govern the administration, collection, and enforcement of any tax imposed by the city under paragraph (a).

(c) The proceeds of any taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city to fund obligations related to public infrastructure projects contained in the development plan, including any associated financing costs. Any tax imposed under paragraph (a) expires at the earlier of December 31, 2041, or when the city council determines that sufficient funds have been raised from the tax plus all other local funding sources authorized in this article to meet the city obligation for financing a public infrastructure project contained in the development plan, including any associated financing costs.

Subd. 2. **General sales tax authority.** The city may elect to extend the existing local sales and use tax under section 11 or to impose an additional rate of up to one-quarter of one percent tax on sales and use under section 9.

Subd. 3. **Special abatement rules.** (a) If the city or the county elects to use tax abatement under sections 469.1812 to 469.1815 to finance costs of public infrastructure projects, the special rules under this subdivision apply.

(b) The limitations under section 469.1813, subdivision 6, do not apply to the city or the county.

(c) The limitations under section 469.1813, subdivision 8, do not apply and property taxes abated by the city or the county to finance costs of public infrastructure projects are not included for purposes of applying section 469.1813, subdivision 8, to the use of tax abatement for other purposes of the city or the county; however, the total amount of property taxes abated by the city and the county under this authority must not exceed \$87,750,000.

Subd. 4. **Special tax increment financing rules.** If the city elects to establish a redevelopment tax increment financing district or districts within the area of the destination medical center development district, the requirements of section 469.174, subdivision 10, restricting the

geographic areas that may be designated as a district do not apply and increments from the district are not required to be spent in accordance with the requirements of section 469.176, subdivision 4j.

**Sec. 13. [469.52] STATE INFRASTRUCTURE AID.**

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

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

(c) "Construction projects" means construction of buildings in the city for which the building permit was issued after June 30, 2013.

(d) "Expenditures" means expenditures made by a medical business entity, including any affiliated entities, on construction projects for the capital cost of the project, including but not limited to:

- (1) design and predesign, including architectural, engineering, and similar services;
- (2) legal, regulatory, and other compliance costs of the project;
- (3) land acquisition, demolition of existing improvements, and other site preparation costs;
- (4) construction costs including all materials and supplies of the project; and
- (5) equipment and furnishings that are attached to or become part of the real property.

Expenditures exclude supplies and other items with a useful life of less than a year that are not used or consumed in constructing improvements to real property or are otherwise chargeable to capital costs.

(e) "Qualified expenditures" has the following meaning. In the first year in which aid is paid under this section "qualified expenditures" mean the total certified expenditures since June 30, 2013, through the end of the previous calendar year minus \$250,000,000. For subsequent years "qualified expenditures" mean the certified expenditures for the previous calendar year.

(f) "Transportation costs" means the portions of a public infrastructure project that are for public transportation intended primarily to serve the district, such as transit stations, equipment, right-of-way, and similar costs.

Subd. 2. **Certification of expenditures.** By April 1 of each year, the medical business entity must certify to the commissioner the amount of expenditures made in the prior calendar year. The certification must be made in the form that the commissioner prescribes and include any documentation of and supporting information regarding the expenditures that the commissioner requires. By August 1 of each year, the commissioner shall determine the amount of the expenditures for the prior calendar year.

Subd. 3. **General state infrastructure aid.** (a) General state infrastructure aid may not be paid out under this section until total expenditures exceed \$250,000,000.

(b) The amount of the general state infrastructure aid for a fiscal year equals the sum of qualified expenditures, multiplied by 3.0 percent. If the commissioner determines that the city has made the required matching local contribution under subdivision 4, the commissioner shall pay to the authority the amount of general state infrastructure aid for the year by September 1.



(c) The commissioner, in consultation with the commissioner of management and budget and representatives of the city and the corporation, shall establish a total limit on the amount of state aid payable under this subdivision that is sufficient, in combination with the local contribution, to pay for \$455,000,000 of general public infrastructure projects, plus financing costs.

Subd. 4. **General aid; local matching contribution.** In order to qualify for general state infrastructure aid, the city must enter a written agreement with the commissioner that requires the city to make a qualifying local matching contribution to pay for \$128,000,000 of the cost of public infrastructure projects, including associated financing costs, using funds other than state aid received under this section. This agreement must provide for the manner, timing, and amounts of the city contributions, including the city's commitment for each year. The commissioner and city may agree to amend the agreement at any time in light of new information or other appropriate factors. The city may enter arrangements with the county to pay for or otherwise meet the local matching contribution requirement.

Subd. 5. **State transit aid.** (a) The city qualifies for state transit aid under this section if:

(1) the county has elected to impose the transit sales tax under section 469.51 for a calendar year; and

(2) the county contributes the required local matching contribution under subdivision 6 or the city or county have agreed to make an equivalent contribution out of other funds.

(b) The amount of the state transit aid for a fiscal year equals the sum of qualified expenditures, as certified by the commissioner for the prior calendar year, multiplied by 0.75 percent, reduced by the amount of the local contribution under subdivision 6. The maximum amount of state transit aid payable in any year is limited to no more than \$7,500,000. If the aid entitlement for the year exceeds the maximum annual limit, the excess is an aid carryover to later years. The carryover aid must be paid in the first year in which the aid entitlement for the current year is less than the maximum annual limit, but only to the extent the carryover, when added to the current year aid, is less than the maximum annual limit.

(c) The commissioner, in consultation with the commissioner of management and budget and representatives of the city and the corporation, shall establish a total limit on the amount of state aid payable under this subdivision that is sufficient, in combination with the local contribution, to pay for \$116,000,000 of general public infrastructure projects, plus associated financing costs.

Subd. 6. **Transit aid; local matching contribution.** (a) The required local matching contribution for state transit aid equals the amount that would be raised by a 0.15 percent sales tax imposed by the county in the prior calendar year. The county may impose the sales tax under section 469.51 to meet this obligation.

(b) If the county elects not to impose the tax authorized under section 469.51, the county or city or both may agree to make the local contribution out of other available funds, other than state aid payable under this section. The commissioner of revenue shall estimate the required amount and certify it to the commissioner, city, and county.

Subd. 7. **Termination.** No aid may be paid under this section after fiscal year 2046.

Subd. 8. **Appropriation.** An amount sufficient to pay the state general infrastructure and state transit aid authorized under this section is appropriated to the commissioner from the general fund.

Sec. 14. Laws 1998, chapter 389, article 8, section 43, subdivision 1, is amended to read:

Subdivision 1. **Sales and use taxes authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, upon termination of the taxes authorized under Laws 1992, chapter 511, article 8, section 33, subdivision 1, and if approved by the voters of the city at a general or special election held within one year of the date of final enactment of this act, the city of Rochester may, by ordinance, impose an additional sales and use tax of up to one-half of one percent. The provisions of Minnesota Statutes, section ~~297A.48~~, 297A.99 govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision paragraph.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or charter, the city of Rochester may, by ordinance, impose an additional sales and use tax of up to one quarter of one percent. The provisions of Minnesota Statutes, section 297A.99, subdivisions 1 and 4 to 13, govern the imposition, administration, collection, and enforcement of the tax authorized under this paragraph.

Sec. 15. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First Special Session chapter 7, article 4, section 5, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by subdivisions 1, paragraph (a), and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for the following projects:

- (1) transportation infrastructure improvements including regional highway and airport improvements;
- (2) improvements to the civic center complex;
- (3) a municipal water, sewer, and storm sewer project necessary to improve regional ground water quality; and
- (4) construction of a regional recreation and sports center and other higher education facilities available for both community and student use.

(b) The total amount of capital expenditures or bonds for projects listed in paragraph (a) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed \$28,000,000.

(c) In addition to the projects authorized in paragraph (a) and not subject to the amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an election under subdivision 5, paragraph (c), use the revenues received from the taxes and bonds authorized in this section to pay the costs of or bonds for the following purposes:

- (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted County transportation infrastructure improvements:
  - (i) County State Aid Highway 34 reconstruction;
  - (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;

- (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;
  - (iv) widening of County State Aid Highway 22 West Circle Drive; and
  - (v) 60th Avenue Northwest corridor preservation;
- (2) \$30,000,000 for city transportation projects including:
- (i) Trunk Highway 52 and 65th Street interchange;
  - (ii) NW transportation corridor acquisition;
  - (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;
  - (iv) Trunk Highway 14 and Trunk Highway 63 intersection;
  - (v) Southeast transportation corridor acquisition;
  - (vi) Rochester International Airport expansion; and
  - (vii) a transit operations center bus facility;
- (3) \$14,000,000 for the University of Minnesota Rochester academic and complementary facilities;
- (4) \$6,500,000 for the Rochester Community and Technical College/Winona State University career technical education and science and math facilities;
- (5) \$6,000,000 for the Rochester Community and Technical College regional recreation facilities at University Center Rochester;
- (6) \$20,000,000 for the Destination Medical Community Initiative;
- (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;
- (8) \$20,000,000 for a regional recreation/senior center;
- (9) \$10,000,000 for an economic development fund; and
- (10) \$8,000,000 for downtown infrastructure.
- (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1 and 2 may be used to fund transportation improvements related to a railroad bypass that would divert traffic from the city of Rochester.
- (e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph (c), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin, Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville, Zumbrota, Spring Valley, West Concord, ~~and Hayfield, Racine, Grand Meadow, Dexter, Wanamingo, and Mazeppa~~ for economic development projects that these communities would fund through their economic development authority or housing and redevelopment authority.
- (f) Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 2 and 3, if the city decides to extend the taxes in subdivisions 1, paragraph (a), and 2, as allowed under subdivision 5, paragraph (c), the city must use any amount in excess of the amount necessary to meet obligations under paragraphs (a) to (c) from those taxes to fund obligations, including associated financing

costs, related to public infrastructure projects in the development plan adopted under Minnesota Statutes, section 469.42.

(g) Revenues from the tax under subdivision 1, paragraph (b), must be used to fund obligations, including associated financing costs, related to the public infrastructure projects contained in the development plan adopted by the city under Minnesota Statutes, section 469.42.

Sec. 16. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by Laws 2005, First Special Session chapter 3, article 5, section 30, and Laws 2011, First Special Session chapter 7, article 4, section 7, is amended to read:

Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2 expire at the later of (1) December 31, 2009, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the first \$71,500,000 of capital expenditures and bonds for the projects authorized in subdivision 3, including the amount to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4, unless the taxes are extended as allowed in paragraph (b). Any funds remaining after completion of the project and retirement or redemption of the bonds shall also be used to fund the projects under subdivision 3. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

(b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009, if approved by the voters of the city at a special election in 2005 or the general election in 2006. The question put to the voters must indicate that an affirmative vote would allow up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended under this paragraph, the taxes expire when the city council determines that sufficient funds have been received from the taxes to finance the projects and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city.

(c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, extend the taxes authorized in subdivisions 1, paragraph (a), and 2 up to December 31, 2046, provided that all additional revenues above those necessary to fund the projects and associated financing costs listed in subdivision 3, paragraphs (a) to (e), are committed to fund public infrastructure projects contained in the development plan adopted under Minnesota Statutes, section 469.42, including all associated financing costs; otherwise the taxes terminate when beyond the date the city council determines that sufficient funds have been received from the taxes to finance ~~\$111,500,000~~ of the expenditures and bonds for the projects authorized in subdivision 3, ~~paragraph (a)~~ paragraphs (a) to (e), plus an amount equal to the costs of issuance of the bonds and including the amount to prepay or retire at maturity the principal, interest, and premiums due on any bonds issued for the projects under subdivision 4, paragraph (a), if approved by the voters of the city at the ~~general election in 2012.~~ If the election to authorize the additional \$139,500,000 of bonds plus an amount equal to the costs of the issuance of the bonds is placed on the general election ballot in 2012, the city may continue to collect the taxes authorized in subdivisions 1 and 2 until December 31, 2012. The question put

~~to the voters must indicate that an affirmative vote would allow sales tax revenues be raised for an extended period of time and an additional \$139,500,000 of bonds plus an amount equal to the costs of issuance of the bonds, to be issued above the amount authorized in the previous elections required under paragraphs (a) and (b) for the projects and amounts specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended under this paragraph, the taxes expire when the city council determines that \$139,500,000 has been received from the taxes to finance the projects plus an amount sufficient to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the projects under subdivision 4, including any bonds issued to refund the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general fund of the city.~~

(d) The tax imposed under subdivision 1, paragraph (b), expires at the earlier of 2046, or when the city council determines that sufficient funds have been raised from the tax plus all other city funding sources authorized in this article to meet the city obligation for financing the public infrastructure projects contained in the development plan adopted under Minnesota Statutes, section 469.42, including all associated financing costs.

Sec. 17. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009, chapter 88, article 4, section 19, and Laws 2010, chapter 389, article 5, section 3, 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. 1b. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, and in addition to the taxes authorized by subdivisions 1 and 1a, the city of Rochester may impose an additional tax of 3 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. 2. **Disposition of proceeds.** (a) The gross proceeds from 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 and the three percent tax imposed under subdivision 1b 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. 2a. **Bonds.** The city of Rochester may issue, without an election, general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$43,500,000, to pay for capital and administrative costs for the design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex, and related skyway, access, lighting, parking, and landscaping. The city may pledge the lodging tax authorized by subdivision 1a and the food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23, to the payment of the bonds. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city.

Subd. 3. **Expiration of taxing authority.** (a) 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, including any bonds issued to refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

(b) The authority of the city to impose a tax under subdivision 1b shall expire at the earlier of December 31, 2046, or when the city council determines that sufficient funds have been raised from the tax, plus all other local funding sources authorized in this article to meet the city obligation for financing a public infrastructure project contained in the development plan, including associated financing costs.

Sec. 18. **EFFECTIVE DATE.**

Except as otherwise provided, this article is effective the day after the governing body of the city of Rochester and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**ARTICLE 10**

**MINERALS TAX**

Section 1. Minnesota Statutes 2012, section 126C.48, subdivision 8, is amended to read:

Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies pursuant to subdivision 1 must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts that have revenue pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon severed mineral values must reduce the levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the sum of the previous year's revenue specified under this clause and the amount attributable to the same production year distributed to the cities and townships within the school district under section 298.28, subdivision 2, paragraph (c).

(3) The amount of any voter approved referendum, facilities down payment, and debt levies shall not be reduced by more than 50 percent under this subdivision. In administering this

paragraph, the commissioner shall first reduce the nonvoter approved levies of a district; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved referendum levies authorized under section 126C.17; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved facilities down payment levies authorized under section 123B.63 and then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved debt levies.

(4) Before computing the reduction pursuant to this subdivision of the health and safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

(5) To the extent the levy reduction calculated under paragraph (2) exceeds the limitation in paragraph (3), an amount equal to the excess must be distributed from the school district's distribution under sections 298.225, 298.28, and 477A.15 in the following year to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution. The commissioner of revenue shall certify the distributions of cities and towns under this paragraph to the county auditor by September 30 of the year preceding distribution. The county auditor shall reduce the proposed and final levies of cities and towns receiving distributions by the amount of their distribution. Distributions to the cities and towns shall be made at the times provided under section 298.27.

**EFFECTIVE DATE.** This section is effective for levies certified in 2013 and later.

Sec. 2. Minnesota Statutes 2012, section 298.17, is amended to read:

**298.17 OCCUPATION TAXES TO BE APPORTIONED.**

(a) All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university. (b) Of the moneys apportioned to the general fund by this section: (1) there is annually appropriated and credited to the mining environmental and regulatory account in the special revenue fund an amount equal to that which would have been generated by a five cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Money in the mining environmental and regulatory account is appropriated annually to the commissioner of natural resources to fund agency staff to work on environmental issues and provide regulatory services for ferrous and nonferrous mining operations in this state. Payment to the mining environmental and regulatory account shall be made by July 1 annually. The commissioner of natural resources shall execute an interagency agreement with the pollution control agency to assist with the provision of environmental regulatory services such as monitoring and permitting required for ferrous and nonferrous mining operations; and (2) there is annually appropriated and credited to

the Iron Range Resources and Rehabilitation Board account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated pursuant to ~~this section~~ clause (2) shall be used ~~(+)~~ (i) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or ~~(2)~~ (ii) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the Iron Range Resources and Rehabilitation Board regarding the loans. Payment to the Iron Range Resources and Rehabilitation Board account shall be made by May 15 annually.

(c) Of the money allocated to Koochiching County, one-third must be paid to the Koochiching County Economic Development Commission.

**EFFECTIVE DATE.** This section is effective beginning for the 2013 production year.

Sec. 3. Minnesota Statutes 2012, section 298.227, as amended by Laws 2013, chapter 3, section 17, 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~~ equal to the amount of the distribution ~~based on 14.7 cents per ton~~ beginning with distributions in ~~2002~~ 2013. 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 a proposed expenditure is not approved by the board, 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)(i) 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 or grant for the cost of providing for a value-added wood product facility located in the taconite tax relief area and in a county that contains a city of the first class. 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 or grant is subject to approval by the board. If the money is provided as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213, subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the taconite environment protection fund under sections 298.222 to 298.225. If a loan or grant is not made under this paragraph by July 1, 2012, the amount that had been made available for the loan under this paragraph must be transferred to the taconite environment protection fund under sections 298.222 to 298.225. (iii) 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.

(c) Repayment or transfer of money to the taconite environmental protection fund under paragraph (b), item (ii), must be allocated by the Iron Range Resources and Rehabilitation Board for public works projects in house legislative districts in the same proportion as taxable tonnage of production in 2007 in each house legislative district, for distribution in 2008, bears to total taxable tonnage of production in 2007, for distribution in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph do not require approval by the governor. For purposes of this paragraph, "house legislative districts" means the legislative districts in existence on May 15, 2009.

**EFFECTIVE DATE.** This section is effective beginning for the 2013 distribution.

Sec. 4. Minnesota Statutes 2012, section 298.24, subdivision 1, is amended to read:

Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001, 2002, and 2003~~ 2013, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable iron ore concentrate produced therefrom. For concentrates produced in 2005, the tax rate is the same rate imposed for concentrates produced in 2004. For concentrates produced in 2009 and subsequent years, The tax is also imposed upon other iron-bearing material.

(b) For concentrates produced in ~~2006~~ 2014 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the Bureau of Economic Analysis of the United States Department of Commerce.

(c) An additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax on taconite and iron sulphides shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable. The tax on other iron-bearing material shall be imposed on the current year production.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$2.103 per gross ton of merchantable iron ore concentrate produced shall be imposed.

(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's commercial production of direct reduced ore from ore mined in this state, no tax is imposed under this section. As used in this paragraph, "commercial production" is production of more than 50,000 tons of direct reduced ore in the current year or in any prior year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's commercial production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth commercial production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent commercial production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron sulfides, or other iron-bearing material, that is consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite, iron sulfides, or other iron-bearing material.

(3) Notwithstanding any other provision of this subdivision, no tax is imposed on direct reduced ore under this section during the facility's noncommercial production of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial production of direct reduced ore is subject

to the tax imposed by this section on taconite and iron sulphides. Three-year average production of direct reduced ore does not include production of direct reduced ore in any noncommercial year. Three-year average production for a direct reduced ore facility that has noncommercial production is the average of the commercial production of direct reduced ore for the current year and the previous two commercial years.

(4) This paragraph applies only to plants for which all environmental permits have been obtained and construction has begun before July 1, 2008.

**EFFECTIVE DATE.** This section is effective beginning for the 2013 production year.

Sec. 5. Minnesota Statutes 2012, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) ~~23.15~~ 32.15 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~~ 24.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school

districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i). If there are insufficient tax proceeds to make the distribution provided under this paragraph in any year, money must be transferred from the taconite property tax relief account in subdivision 6, to the extent of the shortfall in the distribution.

(d)(1) 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 2011.

(2) Districts receiving revenue under clause (d)(1) must also receive 21.5 percent of the sum of \$415 plus the referendum allowance on the payable 2012 levy limitation, multiplied by the district's weight average daily membership in school year 2011-2012, less the product of 1.8 percent of the districts taxable net tax capacity in 2011.

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~~ eleven 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 beginning for the 2014 distribution.

Sec. 6. Minnesota Statutes 2012, section 298.28, subdivision 6, is amended to read:

Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2014 and thereafter, ~~33.9~~ 34.8 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .4541 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

**EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

Sec. 7. **2013 DISTRIBUTION ONLY.**

For the 2013 distribution, a special fund is established to receive 32 cents per ton of any excess of the balance remaining after distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6. The following amounts are allocated to St. Louis County acting as the fiscal agent for the recipients for the following specific purposes:

- (1) 5.1 cents per ton to the city of Hibbing for improvements to the city's water supply system;
- (2) 4.3 cents per ton to the city of Mountain Iron for the cost of moving utilities required as a result of actions undertaken by United States Steel Corporation;
- (3) 2.5 cents per ton to the city of Biwabik for improvements to the city's water supply system, payable upon agreement with ArcelorMittal to satisfy water permit conditions;
- (4) 2.5 cents per ton to the city of Tower for the Tower Marina;
- (5) 2.5 cents per ton to the city of Grand Rapids for an eco-friendly heat transfer system to replace aging effluent lines and for parking lot repaving;
- (6) 2.4 cents per ton to the city of Two Harbors for wastewater treatment plant improvements;
- (7) 0.9 cents per ton to the city of Ely for the sanitary sewer replacement project;
- (8) 0.6 cents per ton to the town of Crystal Bay for debt service of the Claire Nelson Intermodal Transportation Center;
- (9) 0.5 cents per ton to the Greenway Joint Recreation Board for the Coleraine hockey arena renovations;
- (10) 1.2 cents per ton for the West Range Regional Fire Hall and Training Center to merge the existing fire services of Coleraine, Bovey, Taconite Marble, Calumet, and Greenway Township;
- (11) 2.5 cents per ton to the city of Hibbing for the Memorial Building;

- (12) 0.7 cents per ton to the city of Chisholm for Center Drive;
- (13) 2.1 cents per ton to the Crane Lake Water and Sanitary District for sanitary sewer extension and must be matched;
- (14) 2.5 cents per ton for the city of Buhl for the roof on the Mesabi Academy;
- (15) 1.2 cents per ton to the city of Gilbert for the New Jersey/Ohio Avenue project;
- (16) 1.5 cents per ton to the city of Cook for street improvements, business park infrastructure, and a maintenance garage;
- (17) 0.5 cents per ton to the city of Cook for a water line project; and
- (18) 0.2 cents per ton to the city of Eveleth to be used for the support of the Hockey Hall of Fame, provided that it continues to operate in that city.

**EFFECTIVE DATE.** This section is effective for the 2013 distribution, and all payments must be made separately and within ten days of the date of the August 2013 payment.

**Sec. 8. IRON RANGE RESOURCES AND REHABILITATION COMMISSIONER; BONDS AUTHORIZED.**

Subdivision 1. **Issuance; purpose.** Notwithstanding any provision of Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and rehabilitation may issue revenue bonds in a principal amount of \$38,000,000 in one or more series, and bonds to refund those bonds. The proceeds of the bonds must be used to make grants to school districts located in the taconite tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance area defined in Minnesota Statutes, section 273.1341, to be used by the school districts to pay for building projects, such as energy efficiency, technology, infrastructure, health, safety, and maintenance improvements. Proceeds granted to School District No. 2142 must be used to reduce debt service on the building bond passed on December 8, 2009.

Subd. 2. **Appropriation.** (a) There is annually appropriated from the distribution of taconite production tax revenues under Minnesota Statutes, section 298.28, prior to the calculation of the amount of the remainder under Minnesota Statutes, section 298.28, subdivision 11, an amount sufficient to pay when due the principal and interest on the bonds issued pursuant to subdivision 1. The appropriation under this section must not exceed an amount equal to ten cents per taxable ton.

(b) If in any year the amount available under paragraph (a) is insufficient to pay principal and interest due on the bonds in that year, an additional amount is appropriated from the Douglas J. Johnson fund to make up the deficiency.

(c) The appropriation under this subdivision terminates upon payment or maturity of the last of the bonds issued under this section.

Subd. 3. **Credit enhancement.** The bonds issued under this section are "debt obligations" and the commissioner of Iron Range resources and rehabilitation is a "district" for purposes of Minnesota Statutes, section 126C.55, provided that advances made under Minnesota Statutes, section 126C.55, subdivision 2, are not subject to Minnesota Statutes, section 126C.55, subdivisions 4 to 7.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies beginning with the 2014 distribution under Minnesota Statutes, section 298.28.

Sec. 9. **IRON RANGE FISCAL DISPARITIES STUDY.**

The commissioner of revenue, in coordination with the commissioner of the Iron Range Resources and Rehabilitation Board, shall conduct a study of the tax relief area revenue distribution program contained in Minnesota Statutes, chapter 276A, commonly known as the Iron Range fiscal disparities program. By February 1, 2014, the commissioner of revenue shall submit a report to the chairs and ranking minority members of the house of representatives and senate tax committees consisting of the findings of the study and identification of issues for policy makers to consider. The study must analyze:

- (1) trends in population, property tax base, property tax rates, and contribution and distribution capacity across the region;
- (2) the volatility of the program's distribution and causes of the volatility;
- (3) the impact of state tax policy changes on the fiscal disparities program; and
- (4) the interaction between the program and the distribution of property tax aids and credits, taconite aid, and Iron Range Resources and Rehabilitation Board funding across the region.

**EFFECTIVE DATE.** This section is effective June 1, 2013.

**ARTICLE 11**

**PUBLIC FINANCE**

Section 1. Minnesota Statutes 2012, section 118A.04, subdivision 3, is amended to read:

Subd. 3. **State and local securities.** Funds may be invested in the following:

- (1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
- (2) any security which is a revenue obligation of any state or local government ~~with taxing powers~~ which is rated "AA" or better by a national bond rating service; ~~and~~
- (3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the state of Minnesota and is rated "A" or better by a national bond rating agency; and
- (4) any security which is an obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55.

Sec. 2. Minnesota Statutes 2012, section 118A.05, subdivision 5, is amended to read:

Subd. 5. **Guaranteed investment contracts.** Agreements or contracts for guaranteed investment contracts may be entered into if they are issued or guaranteed by United States commercial banks, domestic branches of foreign banks, United States insurance companies, or their Canadian subsidiaries, or the domestic affiliates of any of the foregoing. The credit quality of the issuer's or guarantor's short- and long-term unsecured debt must be rated in one of the two highest categories by a nationally recognized rating agency. Agreements or contracts for guaranteed investment contracts with a term of 18 months or less may be entered into regardless of the credit quality of the issuer's or guarantor's long-term unsecured debt, provided that the credit quality of the issuer's short-term unsecured debt is rated in the highest category by a nationally

recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded below "A", the government entity must have withdrawal rights.

Sec. 3. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

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

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and bridges, public works facilities, fairground buildings, and records and data storage facilities, and the acquisition of development rights in the form of conservation easements under chapter 84C. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation. For purposes of this section, "capital improvement" includes expenditures for purposes described in this paragraph that have been incurred by a county before approval of a capital improvement plan, if such expenditures are included in a capital improvement plan approved on or before the date of the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

(c) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(d) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

- (1) the federal decennial census,
- (2) a special census conducted under contract by the United States Bureau of the Census, or
- (3) a population estimate made either by the Metropolitan Council or by the state demographer under section 4A.02.

(e) "Qualified indoor ice arena" means a facility that meets the requirements of section 373.43.

(f) "Tax capacity" means total taxable market value, but does not include captured market value.

Sec. 4. Minnesota Statutes 2012, section 373.40, subdivision 2, is amended to read:

Subd. 2. **Application of election requirement.** (a) Bonds issued by a county to finance capital improvements under an approved capital improvement plan are not subject to the election requirements of section 375.18 or 475.58. The bonds must be approved by vote of at least three-fifths of the members of the county board. In the case of a metropolitan county, the bonds must be approved by vote of at least two-thirds of the members of the county board.

(b) Before issuance of bonds qualifying under this section, the county must publish a notice of its intention to issue the bonds and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the county or in a newspaper of



general circulation in the county. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(c) A county may issue the bonds only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the county in the last county general election and is filed with the county auditor within 30 days after the public hearing. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. If the county elects not to submit the question to the voters, the county shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

Sec. 5. Minnesota Statutes 2012, section 383D.41, is amended by adding a subdivision to read:

Subd. 10. **Housing improvement areas.** (a) In addition to its other powers, the Dakota County Community Development Agency shall have all powers of a city under sections 428A.11 to 428A.21 in connection with housing improvement areas in Dakota County.

(b) For purposes of the Dakota County Community Development Agency's exercise of the powers granted in this subdivision, references in sections 428A.11 to 428A.21 to:

(1) a "mayor" shall be references to the chair of the board of commissioners of the Dakota County Community Development Agency;

(2) a "council" shall be references to the board of commissioners of the Dakota County Community Development Agency; and

(3) a "city clerk" shall be references to an official of the Dakota County Community Development Agency designated by the executive director of the Dakota County Community Development Agency.

(c) Notwithstanding sections 428A.11, subdivision 3, and 428A.13, subdivision 1, the governing body of the Dakota County Community Development Agency may adopt a resolution, rather than an ordinance, establishing one or more housing improvement areas, and "enabling ordinance" for purposes of sections 428A.11 to 428A.21 means a resolution under this clause.

Sec. 6. Minnesota Statutes 2012, section 473.606, subdivision 3, is amended to read:

Subd. 3. **Treasurer; investments.** The treasurer shall receive and be responsible for all moneys of the corporation, from whatever source derived, and the same shall be considered public funds. The treasurer shall disburse the moneys of the corporation only on orders made by the executive and operating officer, herein provided for, countersigned by such other officer or such employee of the corporation as may be authorized and directed so to do by the corporation, showing the name of the claimant and the nature of the claim. No disbursement shall be certified by such officers until the same have been approved by said commissioners at a meeting thereof. Whenever the executive director of the corporation shall certify, pursuant to action taken by the commissioners at a meeting thereof, that there are moneys and the amount thereof in the possession of the treasurer not currently needed, then the treasurer may invest said amount or any part thereof in:

~~(a) Treasury bonds, certificates of indebtedness, bonds or notes of the United States of America, or bonds, notes or certificates of indebtedness of the state of Minnesota, all of which must mature not later than three years from the date of purchase.~~

~~(b) Bonds, notes, debentures or other obligations issued by any agency or instrumentality of the United States or any securities guaranteed by the United States government, or for which the credit of the United States is pledged for the payment of the principal and interest thereof, all of which must mature not later than three years from date of purchase.~~

~~(c) Commercial paper of prime quality, or rated among the top third of the quality categories, not applicable to defaulted paper, as defined by a nationally recognized organization which rates such securities as eligible for investment in the state employees retirement fund except that any nonbanking issuing corporation, or parent company in the case of paper issued by operating utility or finance subsidiaries, must have total assets exceeding \$500,000,000. Such commercial paper may constitute no more than 30 percent of the book value of the fund at the time of purchase, and the commercial paper of any one corporation shall not constitute more than four percent of the book value of the fund at the time of such investment.~~

~~(d) Any securities eligible under the preceding provisions, purchased with simultaneous repurchase agreement under which the securities will be sold to the particular dealer on a specified date at a predetermined price. In such instances, all maturities of United States government securities, or securities issued or guaranteed by the United States government or an agency thereof, may be purchased so long as any such securities which mature later than three years from the date of purchase have a current market value exceeding the purchase price by at least five percent on the date of purchase, and so long as such repurchase agreement involving securities extending beyond three years in maturity be limited to a period not exceeding 45 days.~~

~~(e) Certificates of deposit issued by any official depository of the commission. The commission may purchase certificates of deposit from a depository bank in an amount exceeding that insured by federal depository insurance to the extent that those certificates are secured by collateral maintained by the bank in a manner as prescribed for investments of the State Board of Investment.~~

~~(f) securities approved for investment under section 118A.04.~~

Whenever it shall appear to the commissioners that any invested funds are needed for current purposes before the maturity dates of the securities held, they shall cause the executive director to so certify to the treasurer and it shall then be the duty of the treasurer to order the sale or conversion into cash of the securities in the amount so certified. All interest and profit on said investments shall be credited to and constitute a part of the funds of the commission. The treasurer shall keep an account of all moneys received and disbursed, and at least once a year, at times to be designated by the corporation, file with the secretary a financial statement of the corporation, showing in appropriate and identifiable groupings the receipts and disbursements since the last approved statements; moneys on hand and the purposes for which the same are appropriated; and shall keep an account of all securities purchased as herein provided, the funds from which purchased and the interest and profit which may have accrued thereon, and shall accompany the financial statement aforesaid with a statement setting forth such account. The corporation may pay to the treasurer from time to time compensation in such amount as it may determine to cover clerk hire to enable the treasurer to carry out duties and those required in connection with bonds issued by the corporation as in this act authorized.

Sec. 7. Minnesota Statutes 2012, section 474A.04, subdivision 1a, is amended to read:

Subd. 1a. **Entitlement reservations; carryforward; deduction.** Any amount returned by an entitlement issuer before July 15 shall be reallocated through the housing pool. Any amount returned on or after July 15 shall be reallocated through the unified pool. An amount returned after the last Monday in November shall be reallocated to the Minnesota Housing Finance Agency. ~~Any amount of bonding authority 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 before 4:30 p.m. on the last business day in December of the succeeding calendar year shall be deducted from the entitlement allocation for that entitlement issuer in the next succeeding calendar year. Any amount deducted from an entitlement issuer's allocation under this subdivision shall be reallocated to other entitlement issuers, the housing pool, the small issue pool, and the public facilities pool on a proportional basis consistent with section 474A.03.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to any bonding authority allocated in 2012 and subsequent years.

Sec. 8. Minnesota Statutes 2012, section 474A.062, is amended to read:

**474A.062 MINNESOTA OFFICE OF HIGHER EDUCATION 120-DAY ISSUANCE EXEMPTION.**

The Minnesota Office of Higher Education is exempt from the 120-day issuance requirements in this chapter and may carry forward allocations for student loan bonds ~~into one successive calendar year~~, subject to carryforward notice requirements of section 474A.131, subdivision 2.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to any bonding authority allocated in 2012 and subsequent years.

Sec. 9. Minnesota Statutes 2012, section 474A.091, subdivision 3a, is amended to read:

Subd. 3a. **Mortgage bonds.** (a) Bonding authority remaining in the unified pool on October 1 is available for single-family housing programs for cities that applied in January and received an allocation under section 474A.061, subdivision 2a, in the same calendar year. The Minnesota Housing Finance Agency shall receive an allocation for mortgage bonds pursuant to this section, minus any amounts for a city or consortium that intends to issue bonds on its own behalf under paragraph (c).

(b) The agency may issue bonds on behalf of participating cities. The agency shall request an allocation from the commissioner for all applicants who choose to have the agency issue bonds on their behalf and the commissioner shall allocate the requested amount to the agency. Allocations shall be awarded by the commissioner each Monday commencing on the first Monday in October through the last Monday in November for applications received by 4:30 p.m. on the Monday of the week preceding an allocation.

For cities who choose to have the agency issue bonds on their behalf, allocations will be made loan by loan, on a first-come, first-served basis among the cities. The agency shall submit an application fee pursuant to section 474A.03, subdivision 4, and an application deposit equal to two percent of the requested allocation to the commissioner when requesting an allocation from the unified pool. After awarding an allocation and receiving a notice of issuance for mortgage bonds

issued on behalf of the participating cities, the commissioner shall transfer the application deposit to the Minnesota Housing Finance Agency.

For purposes of paragraphs (a) to (d), "city" means a county or a consortium of local government units that agree through a joint powers agreement to apply together for single-family housing programs, and has the meaning given it in section 462C.02, subdivision 6. "Agency" means the Minnesota Housing Finance Agency.

(c) Any city that received an allocation pursuant to section 474A.061, subdivision 2a, paragraph (f), in the current year that wishes to receive an additional allocation from the unified pool and issue bonds on its own behalf or pursuant to a joint powers agreement shall notify the Minnesota Housing Finance Agency by the third Monday in September. The total amount of allocation for mortgage bonds for a city choosing to issue bonds on its own behalf or through a joint powers agreement is limited to the lesser of: (i) the amount requested, or (ii) the product of the total amount available for mortgage bonds from the unified pool, multiplied by the ratio of the population of each city that applied in January and received an allocation under section 474A.061, subdivision 2a, in the same calendar year, as determined by the most recent estimate of the city's population released by the state demographer's office to the total of the population of all the cities that applied in January and received an allocation under section 474A.061, subdivision 2a, in the same calendar year. If a city choosing to issue bonds on its own behalf or through a joint powers agreement is located within a county that has also chosen to issue bonds on its own behalf or through a joint powers agreement, the city's population will be deducted from the county's population in calculating the amount of allocations under this paragraph.

The Minnesota Housing Finance Agency shall notify each city choosing to issue bonds on its own behalf or pursuant to a joint powers agreement of the amount of its allocation by October 15. Upon determining the amount of the allocation of each choosing to issue bonds on its own behalf or through a joint powers agreement, the agency shall forward a list specifying the amounts allotted to each city.

A city that chooses to issue bonds on its own behalf or through a joint powers agreement may request an allocation from the commissioner by forwarding an application with an application fee pursuant to section 474A.03, subdivision 4, and an application deposit equal to two percent of the requested amount to the commissioner no later than 4:30 p.m. on the Monday of the week preceding an allocation. Allocations to cities that choose to issue bonds on their own behalf shall be awarded by the commissioner on the first Monday after October 15 through the last Monday in November. No city may receive an allocation from the commissioner after the last Monday in November. The commissioner shall allocate the requested amount to the city or cities subject to the limitations under this subdivision.

If a city issues mortgage bonds from an allocation received under this paragraph, the issuer must provide for the recycling of funds into new loans. If the issuer is not able to provide for recycling, the issuer must notify the commissioner in writing of the reason that recycling was not possible and the reason the issuer elected not to have the Minnesota Housing Finance Agency issue the bonds. "Recycling" means the use of money generated from the repayment and prepayment of loans for further eligible loans or for the redemption of bonds and the issuance of current refunding bonds.

(d) No entitlement city or county or city in an entitlement county may apply for or be allocated authority to issue mortgage bonds or use mortgage credit certificates from the unified pool.

(e) An allocation awarded to the agency for mortgage bonds under this section may be carried forward by the agency ~~into the next succeeding calendar year~~ subject to notice requirements under section 474A.131 ~~and is available until the last business day in December of that succeeding calendar year.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to any bonding authority allocated in 2012 and subsequent years.

Sec. 10. Minnesota Statutes 2012, section 475.521, subdivision 1, is amended to read:

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

(a) "Bonds" mean an obligation defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings or other improvements for the purpose of a city hall, town hall, library, public safety facility, and public works facility. An improvement must have an expected useful life of five years or more to qualify. Capital improvement does not include light rail transit or any activity related to it, or a park, road, bridge, administrative building other than a city or town hall, or land for any of those facilities. For purposes of this section, "capital improvement" includes expenditures for purposes described in this paragraph that have been incurred by a municipality before approval of a capital improvement plan, if such expenditures are included in a capital improvement plan approved on or before the date of the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

(c) "Municipality" means a home rule charter or statutory city or a town described in section 368.01, subdivision 1 or 1a.

Sec. 11. Minnesota Statutes 2012, section 475.521, subdivision 2, is amended to read:

Subd. 2. **Election requirement.** (a) Bonds issued by a municipality to finance capital improvements under an approved capital improvements plan are not subject to the election requirements of section 475.58. The bonds must be approved by an affirmative vote of three-fifths of the members of a five-member governing body. In the case of a governing body having more or less than five members, the bonds must be approved by a vote of at least two-thirds of the members of the governing body.

(b) Before the issuance of bonds qualifying under this section, the municipality must publish a notice of its intention to issue the bonds and the date and time of the hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the municipality or in a newspaper of general circulation in the municipality. Additionally, the notice may be posted on the official Web site, if any, of the municipality. The notice must be published at least 14 but not more than 28 days before the date of the hearing.

(c) A municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the municipality in the last municipal general election and is filed with the clerk within 30 days after the public hearing. ~~The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of~~

365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

Sec. 12. Minnesota Statutes 2012, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. **Street reconstruction.** (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction, if the following conditions are met:

(1) the streets are reconstructed under a street reconstruction plan that describes the street reconstruction to be financed, the estimated costs, and any planned reconstruction of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a vote of all of the members of the governing body present at the meeting following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

(c) For purposes of this subdivision, street reconstruction includes utility replacement and relocation and other activities incidental to the street reconstruction, turn lanes and other improvements having a substantial public safety function, realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects. For purposes of this subdivision, "street reconstruction" includes expenditures for street reconstruction that have been incurred by a municipality before approval of a street reconstruction plan, if such expenditures are included in a street reconstruction plan approved on or before the date of the public hearing under paragraph (a), clause (1) regarding issuance of bonds for such expenditures.

(d) Except in the case of turn lanes, safety improvements, realignments, intersection modifications, and the local share of state and county road projects, street reconstruction does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 13. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974, chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788, section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998, chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to read:

Subd. 2. For each of the years ~~2003 to 2013~~ to 2024, the city of St. Paul is authorized to issue bonds in the aggregate principal amount of \$20,000,000 for each year.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of St. Paul with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. **CAPITOL RENOVATION; RESTORATION.**

(a) \$30,000,000 is appropriated from the general fund to the commissioner of administration in fiscal year 2015 and is available until spent for the following purposes:

(1) to complete the design of, and to construct, repair, improve, renovate, restore, furnish, and equip, the State Capitol Building and grounds; including but not limited to exterior stone repairs and window replacement; asbestos and hazardous materials abatement; mechanical, electrical, and plumbing security systems replacement; general construction, including but not limited to demolition, site improvements, life safety improvements, accessibility, security, and telecommunications; roof replacement; and finish work; and

(2) to predesign, design, conduct hazardous materials abatement, construct, repair, renovate, remodel, furnish, and equip the State Office Building, Administration Building, Centennial Office Building, 321 Grove Street Buildings, and other properties located on the Capitol campus as determined by the commissioner of administration to meet temporary and permanent office, storage, parking, and other space needs required by an efficient restoration of the State Capitol Building and for the efficient and effective function of the tenants currently located in the Capitol Building.

(b) The commissioner of administration must not prepare final plans and specifications for any construction authorized under paragraph (a), clauses (1) and (2), until the program plan and cost estimates for all elements necessary to complete the project have been approved by each tenant representative. In addition, the appropriation in paragraph (a), clause (2), is not available until each tenant representative approves a relocation plan submitted by the commissioner of administration. The relocation plan shall:

(1) describe when each person who currently occupies office space located in the Capitol Building will be moved out of the Capitol Building;

(2) identify the building and office space assigned to each person relocated during renovation of the Capitol Building;

(3) identify the parking spaces that will be assigned to each person relocated during renovation, including the funding mechanism for any new parking spaces;

(4) state when each person relocated during renovation will be moved back into permanent office space and where the office space will be located;

(5) include written, signed tenant agreements for tenancy in the Capitol Building after renovation.

For the purposes of this paragraph, "each tenant representative" means the secretary of the senate, on behalf of the senate; the chief clerk of the house of representatives, on behalf of the house of representatives; the governor; the court administrator, on behalf of the judicial branch; and the attorney general, on behalf of the attorney general's office.

(c) The commissioner of administration must not install new windows in the Capitol Building that cannot be opened by the tenants of the building.

(d) The base for fiscal year 2016 only is \$173,600,000 and must be used for the purposes in paragraph (a).

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

Sec. 15. **LEGISLATIVE OFFICE FACILITIES.**

(a) The commissioner of administration may enter into a long-term lease-purchase agreement for a term of up to 25 years, to predesign, design, construct, and equip office, hearing room, and parking facilities within the Capitol area, as defined in Minnesota Statutes, section 15B.02, for legislative and other functions. The commissioner of management and budget may issue lease revenue bonds or certificates of participation associated with the lease-purchase agreement. The lease-purchase agreements must not be terminated, except for nonappropriation of money. The lease-purchase agreements must provide the state with a unilateral right to purchase the leased premises at specified times for specified amounts. The lease-purchase agreements are exempt from Minnesota Statutes, section 16B.24, subdivisions 6 and 6a.

(b) The facilities under the lease-purchase agreement are exempt from the design competition requirement under Minnesota Statutes, section 15B.10. Notwithstanding anything to the contrary under Minnesota Statutes, sections 16C.32 and 16C.33, if the commissioner of administration elects to use a design-build delivery method to design and construct one or more facilities under this appropriation, the Capitol Area Architectural and Planning Board, in cooperation with the commissioner, shall create a selection committee to act as the board under Minnesota Statutes, sections 16C.32 and 16C.33, for the design and construction of the facilities. Notwithstanding Minnesota Statutes, section 16B.33, if the commissioner elects to contract with a primary designer to design one or more facilities under this appropriation, the Capitol Area Architectural and Planning Board, in cooperation with the commissioner, shall create a selection committee to conduct the selection process in accordance with standards under Minnesota Statutes, chapters 15B, 16B, and 16C.

(c) The commissioner of administration may enter into a ground lease for state-owned property in the capitol area in conjunction with the execution of a lease-purchase agreement entered into under this section for any improvements constructed on that site. Notwithstanding the requirements of Minnesota Statutes, section 16A.695, subdivision 2, paragraph (b), the ground lease must be for a term equal to the term of the lease-purchase agreement, and must include an option to purchase the land at its then fair market value, if the improvements are not purchased by the state at the end of the term of the lease-purchase agreement, or at any earlier time that the lease-purchase agreement is terminated.

(d) The commissioner of administration must not prepare final plans and specifications for any construction authorized under this project until the program plan and cost estimates for all elements necessary to complete the project have been approved by the senate Committee on Rules and Administration.

(e) \$3,000,000 is appropriated in fiscal year 2014 from the general fund to the commissioner of administration for predesign and design of facilities authorized under paragraph (a). This appropriation is available for expenditure the day following final enactment and until June 30, 2015.

(f) The commissioner of administration may reserve a portion of money from appropriations for office space costs of the legislature to fund future repairs for facilities constructed under the authority



provided in this section. Money reserved under this paragraph must be credited to a segregated account for each building in the special revenue fund and is appropriated to the commissioner to make the repairs. When the state acquires title to a building with an account established under this paragraph, the account for that building must be abolished and the balance remaining in the account must be transferred to the appropriate asset preservation and replacement account created under Minnesota Statutes, section 16B.24, subdivision 3, paragraph (d).

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

**Sec. 16. CARRYFORWARD OF BONDING AUTHORITY FOR 2011; NO DEDUCTION FROM ENTITLEMENT ALLOCATION.**

Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, bonding authority that was allocated to an entitlement issuer in 2011 and that was carried forward under federal tax law, but for which the entitlement issuer did not provide a notice of issue to the commissioner of management and budget before 4:30 p.m. on the last business day of December 2012 must not be deducted from the entitlement allocation for that entitlement issuer in 2013.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies retroactively to rescind any reallocation by the commissioner of management and budget under Minnesota Statutes, section 474A.04, subdivision 1a, of any amounts so deducted.

**Sec. 17. LOCAL MATCH; INDEPENDENT SCHOOL DISTRICT NO. 435; WAUBUN-OGEMA-WHITE EARTH.**

(a) Independent School District No. 435, Waubun-Ogema-White Earth, may expand classroom space at its Ogema elementary site using a grant of \$551,532 that was awarded to the district by the Department of Human Services on August 12, 2012. Notwithstanding Minnesota Statutes, section 16A.695, to satisfy the match requirements of the grant, under Minnesota Statutes, section 16A.695, subdivision 6, the district may use a lease-purchase agreement. Notwithstanding Minnesota Statutes, section 465.71, the title under the lease-purchase may be held by the district.

(b) Notwithstanding Minnesota Statutes, section 126C.13, subdivision 4, if the school district enters a lease-purchase agreement to satisfy the local match, under paragraph (a), but fails to make a lease-purchase payment, the commissioner of education shall reduce its general education aid, under Minnesota Statutes, section 126C.13, subdivision 4, by the amount of the lease-purchase payment.

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

## ARTICLE 12

### MARKET VALUE DEFINITIONS

Section 1. Minnesota Statutes 2012, section 38.18, is amended to read:

**38.18 COUNTY FAIRGROUNDS; IMPROVEMENT AIDED.**

~~Any~~ Each town, statutory city, or school district in this state, ~~now or hereafter~~ at any time having a an estimated market value of all its taxable property, ~~exclusive of money and credits~~, of more than \$105,000,000, and having a county fair located within its corporate limits, ~~is hereby authorized to aid in defraying~~ may pay part of the expense of improving any such the fairground, ~~by appropriating and paying over to the treasurer of the county owning the fairground such sum of money, not exceeding \$10,000, for each of the political subdivisions; as the~~ its governing body of the town, statutory city,

or school district may, by resolution, ~~determine~~ determines to be for the best interest of the political subdivision; ~~The sums so appropriated to~~ amounts paid to the county must be used solely ~~for the purpose of aiding in the improvement of~~ to improve the fairground in ~~such~~ the manner as the county board of the county ~~shall determine~~ determines to be for the best interest of the county.

Sec. 2. Minnesota Statutes 2012, section 40A.15, subdivision 2, is amended to read:

Subd. 2. **Eligible recipients.** All counties within the state, municipalities that prepare plans and official controls instead of a county, and districts are eligible for assistance under the program. Counties and districts may apply for assistance on behalf of other municipalities. In order to be eligible for financial assistance a county or municipality must agree to levy at least 0.01209 percent of ~~taxable~~ estimated market value for agricultural land preservation and conservation activities or otherwise spend the equivalent amount of local money on those activities, or spend \$15,000 of local money, whichever is less.

Sec. 3. Minnesota Statutes 2012, section 69.011, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

- (a) "Commissioner" means the commissioner of revenue.
- (b) "Municipality" means:
  - (1) a home rule charter or statutory city;
  - (2) an organized town;
  - (3) a park district subject to chapter 398;
  - (4) the University of Minnesota;
  - (5) for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation;
  - (6) for purposes of the police state aid program only, an American Indian tribal government with a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;
  - (7) for purposes of the police state aid program only, the Metropolitan Airports Commission; and
  - (8) for purposes of the police state aid program only, the Department of Natural Resources and the Department of Public Safety with respect to peace officers covered under chapter 352B.
- (c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.
- (d) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters' relief association.

(e) "Estimated market value" means latest available estimated market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the State Board of Equalization.

(f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with the commissioner in accordance with the governing laws or rules less return premiums and dividends.

(g) "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of the State Patrol retirement plan or the public employees police and fire fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full-time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (3) and (4).

(j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

(1) for the police state aid program and police relief association financial reports:

(i) the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body;

(ii) in a park district, the secretary of the board of park district commissioners;

(iii) in the case of the University of Minnesota, the official designated by the Board of Regents;

(iv) for the Metropolitan Airports Commission, the person designated by the commission;

(v) for the Department of Natural Resources or the Department of Public Safety, the respective commissioner;

(vi) for a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American Indian tribal government; and

(2) for the fire state aid program and fire relief association financial reports, the person who was elected or appointed to the specified position, or, for governmental entities other than counties, if the governing body of the governmental entity designates the position to perform the function, the chief financial official of the governmental entity or the chief administrative official of the governmental entity.

(k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the retirement plan established by chapter 353G.

Sec. 4. Minnesota Statutes 2012, section 69.021, subdivision 7, is amended to read:

Subd. 7. **Apportionment of fire state aid to municipalities and relief associations.** (a) The commissioner shall apportion the fire state aid relative to the premiums reported on the Minnesota Firetown Premium Reports filed under this chapter to each municipality and/or firefighters relief association.

(b) The commissioner shall calculate an initial fire state aid allocation amount for each municipality or fire department under paragraph (c) and a minimum fire state aid allocation amount for each municipality or fire department under paragraph (d). The municipality or fire department must receive the larger fire state aid amount.

(c) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 5, without inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, allocated one-half in proportion to the population as shown in the last official statewide federal census for each fire town and one-half in proportion to the estimated market value of each fire town, including (1) the estimated market value of tax-exempt property and (2) the estimated market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14, but excluding the estimated market value of minerals. In the case of incorporated or municipal fire departments furnishing fire protection to other cities, towns, or townships as evidenced by valid fire service contracts filed with the commissioner, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments must be made to subsequent apportionments. In the case of municipalities or independent fire departments qualifying for the aid, the commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the estimated market value of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with the commissioner. If one or more fire departments are furnishing contracted fire service to a city, town, or township, only the population and estimated market value of the area served by each fire department may be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the estimated market value of each service area. The agreement must be in writing and must be filed with the commissioner.

(d) The minimum fire state aid allocation amount is the amount in addition to the initial fire state aid allocation amount that is derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, and allocated to municipalities with volunteer

firefighters relief associations or covered by the voluntary statewide lump-sum volunteer firefighter retirement plan based on the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for the calendar year 1993 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or fire departments with volunteer firefighters relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of 30 firefighters. If a relief association is established after calendar year 1993 and before calendar year 2000, the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, shall be used in this determination. If a relief association is established after calendar year 1999, the number of active volunteer firefighters who are members of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this determination. If a relief association is terminated as a result of providing retirement coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the number of active volunteer firefighters of the municipality covered by the statewide plan as certified by the executive director of the Public Employees Retirement Association to the commissioner and the state auditor, but not to exceed 30 active firefighters, must be used in this determination.

(e) Unless the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment. If the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the executive director of the Public Employees Retirement Association and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

(f) The commissioner may make rules to permit the administration of the provisions of this section.

(g) Any adjustments needed to correct prior misallocations must be made to subsequent apportionments.

Sec. 5. Minnesota Statutes 2012, section 69.021, subdivision 8, is amended to read:

Subd. 8. **Population and estimated market value.** (a) In computations relating to fire state aid requiring the use of population figures, only official statewide federal census figures are to be used. Increases or decreases in population disclosed by reason of any special census must not be taken into consideration.

(b) In calculations relating to fire state aid requiring the use of estimated market value property figures, only the latest available estimated market value property figures may be used.

Sec. 6. Minnesota Statutes 2012, section 88.51, subdivision 3, is amended to read:

Subd. 3. **Determination of estimated market value.** In determining the net tax capacity of property within any taxing district the value of the surface of lands within any auxiliary forest therein, as determined by the county board under the provisions of section 88.48, subdivision 3,

shall, for all purposes except the levying of taxes on lands within any such forest, be deemed the estimated market value thereof.

Sec. 7. Minnesota Statutes 2012, section 103B.245, subdivision 3, is amended to read:

Subd. 3. **Tax.** After adoption of the ordinance under subdivision 2, a local government unit may annually levy a tax on all taxable property in the district for the purposes for which the tax district is established. The tax may not exceed 0.02418 percent of estimated market value on taxable property located in rural towns other than urban towns, unless allowed by resolution of the town electors. The proceeds of the tax shall be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve fund at the time the tax is terminated or the district is dissolved shall be transferred and irrevocably pledged to the debt service fund of the local unit to be used solely to reduce tax levies for bonded indebtedness of taxable property in the district.

Sec. 8. Minnesota Statutes 2012, section 103B.251, subdivision 8, is amended to read:

Subd. 8. **Tax.** (a) For the payment of principal and interest on the bonds issued under subdivision 7 and the payment required under subdivision 6, the county shall irrevocably pledge and appropriate the proceeds of a tax levied on all taxable property located within the territory of the watershed management organization or subwatershed unit for which the bonds are issued. Each year until the reserve for payment of the bonds is sufficient to retire the bonds, the county shall levy on all taxable property in the territory of the organization or unit, without respect to any statutory or other limitation on taxes, an amount of taxes sufficient to pay principal and interest on the bonds and to restore any deficiencies in reserves required to be maintained for payment of the bonds.

(b) The tax levied on rural towns other than urban towns may not exceed 0.02418 percent of ~~taxable~~ estimated market value, unless approved by resolution of the town electors.

(c) If at any time the amounts available from the levy on property in the territory of the organization are insufficient to pay principal and interest on the bonds when due, the county shall make payment from any available funds in the county treasury.

(d) The amount of any taxes which are required to be levied outside of the territory of the watershed management organization or unit or taken from the general funds of the county to pay principal or interest on the bonds shall be reimbursed to the county from taxes levied within the territory of the watershed management organization or unit.

Sec. 9. Minnesota Statutes 2012, section 103B.635, subdivision 2, is amended to read:

Subd. 2. **Municipal funding of district.** (a) The governing body or board of supervisors of each municipality in the district must provide the funds necessary to meet its proportion of the total cost determined by the board, provided the total funding from all municipalities in the district for the costs shall not exceed an amount equal to .00242 percent of the total ~~taxable~~ estimated market value within the district, unless three-fourths of the municipalities in the district pass a resolution concurring to the additional costs.

(b) The funds must be deposited in the treasury of the district in amounts and at times as the treasurer of the district requires.

Sec. 10. Minnesota Statutes 2012, section 103B.691, subdivision 2, is amended to read:

Subd. 2. **Municipal funding of district.** (a) The governing body or board of supervisors of each municipality in the district shall provide the funds necessary to meet its proportion of the total cost to be borne by the municipalities as finally certified by the board.

(b) The municipality's funds may be raised by any means within the authority of the municipality. The municipalities may each levy a tax not to exceed .02418 percent of taxable estimated market value on the taxable property located in the district to provide the funds. The levy shall be within all other limitations provided by law.

(c) The funds must be deposited into the treasury of the district in amounts and at times as the treasurer of the district requires.

Sec. 11. Minnesota Statutes 2012, section 103D.905, subdivision 2, is amended to read:

Subd. 2. **Organizational expense fund.** (a) An organizational expense fund, consisting of an ad valorem tax levy, shall not exceed 0.01596 percent of taxable estimated market value, or \$60,000, whichever is less. The money in the fund shall be used for organizational expenses and preparation of the watershed management plan for projects.

(b) The managers may borrow from the affected counties up to 75 percent of the anticipated funds to be collected from the organizational expense fund levy and the counties affected may make the advancements.

(c) The advancement of anticipated funds shall be apportioned among affected counties in the same ratio as the net tax capacity of the area of the counties within the watershed district bears to the net tax capacity of the entire watershed district. If a watershed district is enlarged, an organizational expense fund may be levied against the area added to the watershed district in the same manner as provided in this subdivision.

(d) Unexpended funds collected for the organizational expense may be transferred to the administrative fund and used for the purposes of the administrative fund.

Sec. 12. Minnesota Statutes 2012, section 103D.905, subdivision 3, is amended to read:

Subd. 3. **General fund.** A general fund, consisting of an ad valorem tax levy, may not exceed 0.048 percent of taxable estimated market value, or \$250,000, whichever is less. The money in the fund shall be used for general administrative expenses and for the construction or implementation and maintenance of projects of common benefit to the watershed district. The managers may make an annual levy for the general fund as provided in section 103D.911. In addition to the annual general levy, the managers may annually levy a tax not to exceed 0.00798 percent of taxable estimated market value for a period not to exceed 15 consecutive years to pay the cost attributable to the basic water management features of projects initiated by petition of a political subdivision within the watershed district or by petition of at least 50 resident owners whose property is within the watershed district.

Sec. 13. Minnesota Statutes 2012, section 103D.905, subdivision 8, is amended to read:

Subd. 8. **Survey and data acquisition fund.** (a) A survey and data acquisition fund is established and used only if other funds are not available to the watershed district to pay for making necessary surveys and acquiring data.

(b) The survey and data acquisition fund consists of the proceeds of a property tax that can be levied only once every five years. The levy may not exceed 0.02418 percent of taxable estimated market value.

(c) The balance of the survey and data acquisition fund may not exceed \$50,000.

(d) In a subsequent proceeding for a project where a survey has been made, the attributable cost of the survey as determined by the managers shall be included as a part of the cost of the work and the sum shall be repaid to the survey and data acquisition fund.

Sec. 14. Minnesota Statutes 2012, section 117.025, subdivision 7, is amended to read:

Subd. 7. **Structurally substandard.** "Structurally substandard" means a building:

(1) that was inspected by the appropriate local government and cited for one or more enforceable housing, maintenance, or building code violations;

(2) in which the cited building code violations involve one or more of the following:

(i) a roof and roof framing element;

(ii) support walls, beams, and headers;

(iii) foundation, footings, and subgrade conditions;

(iv) light and ventilation;

(v) fire protection, including egress;

(vi) internal utilities, including electricity, gas, and water;

(vii) flooring and flooring elements; or

(viii) walls, insulation, and exterior envelope;

(3) in which the cited housing, maintenance, or building code violations have not been remedied after two notices to cure the noncompliance; and

(4) has uncured housing, maintenance, and building code violations, satisfaction of which would cost more than 50 percent of the ~~assessor's~~ taxable estimated market value for the building, excluding land value, as determined under section 273.11 for property taxes payable in the year in which the condemnation is commenced.

A local government is authorized to seek from a judge or magistrate an administrative warrant to gain access to inspect a specific building in a proposed development or redevelopment area upon showing of probable cause that a specific code violation has occurred and that the violation has not been cured, and that the owner has denied the local government access to the property. Items of evidence that may support a conclusion of probable cause may include recent fire or police inspections, housing inspection, exterior evidence of deterioration, or other similar reliable evidence of deterioration in the specific building.

Sec. 15. Minnesota Statutes 2012, section 127A.48, subdivision 1, is amended to read:

Subdivision 1. **Computation.** The Department of Revenue must annually conduct an assessment/sales ratio study of the taxable property in each county, city, town, and school



district in accordance with the procedures in subdivisions 2 and 3. Based upon the results of this assessment/sales ratio study, the Department of Revenue must determine an aggregate equalized net tax capacity for the various classes of taxable property in each taxing district, the aggregate of which tax capacity shall be is designated as the adjusted net tax capacity. The adjusted net tax capacity must be reduced by the captured tax capacity of tax increment districts under section 469.177, subdivision 2, fiscal disparities contribution tax capacities under sections 276A.06 and 473F.08, and the tax capacity of transmission lines required to be subtracted from the local tax base under section 273.425; and increased by fiscal disparities distribution tax capacities under sections 276A.06 and 473F.08. The adjusted net tax capacities shall be determined using the net tax capacity percentages in effect for the assessment year following the assessment year of the study. The Department of Revenue must make whatever estimates are necessary to account for changes in the classification system. The Department of Revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted net tax capacity. On or before March 15 annually, the Department of Revenue shall file with the chair of the Tax Committee of the house of representatives and the chair of the Committee on Taxes and Tax laws of the senate a report of adjusted net tax capacities for school districts. On or before June 15 annually, the Department of Revenue shall file its final report on the adjusted net tax capacities for school districts established by the previous year's assessments and the current year's net tax capacity percentages with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of local tax rates. A copy of the report so filed shall be mailed to the clerk of each school district involved and to the county assessor or supervisor of assessments of the county or counties in which each school district is located.

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

Sec. 16. Minnesota Statutes 2012, section 138.053, is amended to read:

**138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR TOWNS.**

The governing body of any home rule charter or statutory city or town may annually appropriate from its general fund an amount not to exceed 0.02418 percent of taxable estimated market value, derived from ad valorem taxes on property or other revenues, to be paid to the historical society of its respective county to be used for the promotion of historical work and to aid in defraying the expenses of carrying on the historical work in the county. No city or town may appropriate any funds for the benefit of any historical society unless the society is affiliated with and approved by the Minnesota Historical Society.

Sec. 17. Minnesota Statutes 2012, section 144F.01, subdivision 4, is amended to read:

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

Sec. 18. Minnesota Statutes 2012, section 162.07, subdivision 3, is amended to read:

Subd. 3. **Computation for rural counties.** An amount equal to a levy of 0.01596 percent on each rural county's total ~~taxable~~ estimated market value for the last preceding calendar year shall be computed and shall be subtracted from the county's total estimated construction costs. The result thereof shall be the money needs of the county. For the purpose of this section, "rural counties" means all counties having a population of less than 175,000.

Sec. 19. Minnesota Statutes 2012, section 162.07, subdivision 4, is amended to read:

Subd. 4. **Computation for urban counties.** An amount equal to a levy of 0.00967 percent on each urban county's total ~~taxable~~ estimated market value for the last preceding calendar year shall be computed and shall be subtracted from the county's total estimated construction costs. The result thereof shall be the money needs of the county. For the purpose of this section, "urban counties" means all counties having a population of 175,000 or more.

Sec. 20. Minnesota Statutes 2012, section 163.04, subdivision 3, is amended to read:

Subd. 3. **Bridges within certain cities.** When the council of any statutory city or city of the third or fourth class may determine that it is necessary to build or improve any bridge or bridges, including approaches thereto, and any dam or retaining works connected therewith, upon or forming a part of streets or highways either wholly or partly within its limits, the county board shall appropriate one-half of the money as may be necessary therefor from the county road and bridge fund, not exceeding during any year one-half the amount of taxes paid into the county road and bridge fund during the preceding year, on property within the corporate limits of the city. The appropriation shall be made upon the petition of the council, which petition shall be filed by the council with the county board prior to the fixing by the board of the annual county tax levy. The county board shall determine the plans and specifications, shall let all necessary contracts, shall have charge of construction, and upon its request, warrants in payment thereof shall be issued by the county auditor, from time to time, as the construction work proceeds. Any unpaid balance may be paid or advanced by the city. On petition of the council, the appropriations of the county board, during not to exceed three successive years, may be made to apply on the construction of the same items and to repay any money advanced by the city in the construction thereof. None of the provisions of this section shall be construed to be mandatory as applied to any city whose estimated market value exceeds \$2,100 per capita of its population.

Sec. 21. Minnesota Statutes 2012, section 163.06, subdivision 6, is amended to read:

Subd. 6. **Expenditure in certain counties.** In any county having not less than 95 nor more than 105 full and fractional townships, and having a ~~an~~ estimated market value of not less than \$12,000,000 nor more than \$21,000,000, ~~exclusive of money and credits~~, the county board, by resolution, may expend the funds provided in subdivision 4 in any organized or unorganized township or portion thereof in such county.

Sec. 22. Minnesota Statutes 2012, section 165.10, subdivision 1, is amended to read:

Subdivision 1. **Certain counties may issue and sell.** The county board of any county having no outstanding road and bridge bonds may issue and sell county road bonds in an amount not exceeding 0.12089 percent of the estimated market value of the taxable property within the county ~~exclusive of money and credits~~, for the purpose of constructing, reconstructing, improving, or maintaining

any bridge or bridges on any highway under its jurisdiction, without submitting the matter to a vote of the electors of the county.

Sec. 23. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision to read:

Subd. 14. **Estimated market value.** "Estimated market value" means the assessor's determination of market value, including the effects of any orders made under section 270.12 or chapter 274, for the parcel. The provisions of section 273.032 apply for certain uses in determining the total estimated market value for the taxing jurisdiction.

Sec. 24. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision to read:

Subd. 15. **Taxable market value.** "Taxable market value" means estimated market value for the parcel as reduced by market value exclusions, deferments of value, or other adjustments required by law, that reduce market value before the application of class rates.

Sec. 25. Minnesota Statutes 2012, section 273.032, is amended to read:

**273.032 MARKET VALUE DEFINITION.**

(a) Unless otherwise provided, for the purpose of determining any property tax levy limitation based on market value or any limit on net debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "taxable estimated market value," and "market valuation," whether equalized or unequalized, mean the total taxable estimated market value of taxable property within the local unit of government before any of the following or similar adjustments for:

(1) the market value exclusions under:

(i) section 273.11, subdivisions 14a and 14c (vacant platted land);

(ii) section 273.11, subdivision 16 (certain improvements to homestead property);

(iii) section 273.11, subdivisions 19 and 20 (certain improvements to business properties);

(iv) section 273.11, subdivision 21 (homestead property damaged by mold);

(v) section 273.11, subdivision 22 (qualifying lead hazardous reduction projects);

(vi) section 273.13, subdivision 34 (homestead of a disabled veteran or family caregiver);

(vii) section 273.13, subdivision 35 (homestead market value exclusion); or

(2) the deferment of value under:

(i) the Minnesota Agricultural Property Tax Law, section 273.111;

(ii) the Aggregate Resource Preservation Law, section 273.1115;

(iii) the Minnesota Open Space Property Tax Law, section 273.112;

(iv) the rural preserves property tax program, section 273.114; or

(v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

(3) the adjustments to tax capacity for:

(i) tax increment, financing under sections 469.174 to 469.1794;  
 (ii) fiscal disparity, disparities under chapter 276A or 473F; or  
 (iii) powerline credit, or wind energy values, but after the limited market adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16 under section 273.425.

(b) Estimated market value under paragraph (a) also includes the market value of tax-exempt property if the applicable law specifically provides that the limitation, qualification, or aid calculation includes tax-exempt property.

(c) Unless otherwise provided, "market value," "taxable estimated market value," and "market valuation" for purposes of this paragraph property tax levy limitations and calculation of state aid, refer to the taxable estimated market value for the previous assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, or capital notes refer to the estimated market value as last finally equalized.

~~For the purpose of determining any net debt limit based on market value, or any limit on the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean the total taxable market value of property within the local unit of government before any adjustments for tax increment, fiscal disparity, powerline credit, or wind energy values, but after the limited market value adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16. Unless otherwise provided, "market value," "taxable market value," and "market valuation" for purposes of this paragraph, mean the taxable market value as last finally equalized.~~

(d) For purposes of a provision of a home rule charter or of any special law that is not codified in the statutes and that imposes a levy limitation based on market value or any limit on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

Sec. 26. Minnesota Statutes 2012, section 273.11, subdivision 1, is amended to read:

Subdivision 1. **Generally.** Except as provided in this section or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated such that any amount under \$100 is rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall the assessor adopt as a criterion of value the price for which such property would sell at a forced sale, or in the aggregate with all the property in the town or district; but the assessor shall value each article or description of property by itself, and at such sum or price as the assessor believes the same to be fairly worth in money. The assessor shall take into account the effect on the market value of property of environmental factors in the vicinity of the property. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for at a fair, voluntary sale,

for cash, if the material being mined or quarried is not subject to taxation under section 298.015 and the mine or quarry is not exempt from the general property tax under section 298.25. In valuing real property which is vacant, platted property shall be assessed as provided in ~~subdivision 14~~ subdivisions 14a and 14c. All property, or the use thereof, which is taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Sec. 27. Minnesota Statutes 2012, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) 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 the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or 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 or association; and

(2) 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.

(c) 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 a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the class rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii). The homestead market value ~~credit exclusion~~ under section ~~273.1384~~ 273.13, subdivision 35, does not apply and the property taxes assessed against the park shall not be included in the determination of taxes payable for rent paid under section 290A.03.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and thereafter.

Sec. 28. Minnesota Statutes 2012, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property

on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

The Social Security numbers, state or federal tax returns or tax return information, including the federal income tax schedule F required by this section, or affidavits or other proofs of the property owners and spouses submitted under this or another section to support a claim for a property tax homestead classification are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead and the homestead market value exclusion under section 273.13, the taconite homestead credit under section 273.135, the ~~residential homestead and agricultural homestead credits~~ credit under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally, the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12.

(l) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(i) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(ii) the name and Social Security number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or spouse of a qualifying relative;

(iii) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(iv) an indication of whether the property was classified as a homestead for taxes payable in the current year because of occupancy by a relative of the owner or by a spouse of a relative;



(v) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) whether there are delinquent property taxes owing on the homestead;

(x) the unique taxing district in which the property is located; and

(xi) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and thereafter.

Sec. 29. Minnesota Statutes 2012, section 273.13, subdivision 21b, is amended to read:

Subd. 21b. **Net tax capacity.** ~~(a) Gross tax capacity means the product of the appropriate gross class rates in this section and market values.~~

~~(b) Net tax capacity means the product of the appropriate net class rates in this section and taxable market values.~~

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

Sec. 30. Minnesota Statutes 2012, section 273.1398, subdivision 3, is amended to read:

Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified for each taxing district within each unique taxing jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon taxable market values for taxes payable in the year prior to that for which aid is being computed. If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on taxable market values for taxes payable in the year prior to that for which aid is being computed.

Sec. 31. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989, class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property is located in a border

city that has an enterprise zone, as defined in section 469.166; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000 according to the 1980 decennial census.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's taxable market value and (ii) the tax on class 3a property to 2.3 percent of taxable market value.

(c) The county auditor shall annually certify the costs of the credits to the Department of Revenue. The department shall reimburse local governments for the property taxes forgone as the result of the credits in proportion to their total levies.

Sec. 32. Minnesota Statutes 2012, section 275.011, subdivision 1, is amended to read:

Subdivision 1. **Determination of levy limit.** The property tax levied for any purpose under a special law that is not codified in Minnesota Statutes or a city charter provision and that is subject to a mill rate limitation imposed by the special law or city charter provision, excluding levies subject to mill rate limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, must not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of the applicable mill rate limitation imposed by special law or city charter provision multiplied by the total assessed valuation of all taxable property subject to the tax as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property subject to the tax divided by the assessment year 1987 total market valuation of all taxable property subject to the tax; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the property tax levy limitation for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property subject to the tax for the current assessment year divided by the total market valuation of all taxable property subject to the tax for the previous assessment year.

For the purpose of determining the property tax levy limitation for the taxes payable year ~~1988~~ 2014 and subsequent years under this subdivision, "total market valuation" means the total estimated market valuation value of all taxable property subject to the tax ~~without valuation adjustments for fiscal disparities (chapters 276A and 473F), tax increment financing (sections 469.174 to 469.179), or powerline credit (section 273.425)~~ as provided under section 273.032.

Sec. 33. Minnesota Statutes 2012, section 275.077, subdivision 2, is amended to read:

Subd. 2. **Correction of levy amount.** The difference between the correct levy and the erroneous levy shall be added to the township levy for the subsequent levy year; provided that if the amount of the difference exceeds 0.12089 percent of taxable estimated market value, the excess shall be added to the township levy for the second and later subsequent levy years, not to exceed an additional

levy of 0.12089 percent of ~~taxable~~ estimated market value in any year, until the full amount of the difference has been levied. The funds collected from the corrected levies shall be used to reimburse the county for the payment required by subdivision 1.

Sec. 34. Minnesota Statutes 2012, section 275.71, subdivision 4, is amended to read:

Subd. 4. **Adjusted levy limit base.** For taxes levied in 2008 through 2010, the adjusted levy limit base is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus the percentage growth in the implicit price deflator, but the percentage shall not be less than zero or exceed 3.9 percent;

(2) one plus a percentage equal to 50 percent of the percentage increase in the number of households, if any, for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to 50 percent of the percentage increase in the ~~taxable~~ estimated market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 4, except for state-assessed utility and railroad property, for the most recent year for which data is available.

Sec. 35. Minnesota Statutes 2012, 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 homestead market value exclusion under section 273.13, subdivision 35;
- (3) the property's taxable market value ~~after reductions under sections 273.11, subdivisions 1a and 16, and 273.13, subdivision 35~~ section 272.03, subdivision 15;
- (4) the property's gross tax, before credits;
- (5) for homestead agricultural properties, the credit under section 273.1384;
- (6) 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
- (7) the net tax payable in the manner required in paragraph (a).

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

Sec. 36. Minnesota Statutes 2012, section 276A.01, subdivision 10, is amended to read:

Subd. 10. **Adjusted market value.** "Adjusted market value" of real and personal property within a municipality means the assessor's estimated taxable market value, as defined in section 272.03, of all real and personal property, including the value of manufactured housing, within the municipality: ~~For purposes of sections 276A.01 to 276A.09, the commissioner of revenue shall annually make determinations and reports with respect to each municipality which are comparable to those it makes for school districts, adjusted for sales ratios in a manner similar to the adjustments made to city and town net tax capacities under section 127A.48, subdivisions 1 to 6, in the same manner and at the same times prescribed by the subdivision. The commissioner of revenue shall annually determine, for each municipality, information comparable to that required by section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes available. The commissioner of revenue shall then compute the equalized market value of property within each municipality.~~

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

Sec. 37. Minnesota Statutes 2012, section 276A.01, subdivision 12, is amended to read:

Subd. 12. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation~~ adjusted market value, determined as of January 2 of any year, divided by its population, determined as of a date in the same year.

Sec. 38. Minnesota Statutes 2012, section 276A.01, subdivision 13, is amended to read:

Subd. 13. **Average fiscal capacity.** "Average fiscal capacity" of municipalities means the sum of the ~~valuations~~ adjusted market values of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Sec. 39. Minnesota Statutes 2012, section 276A.01, subdivision 15, is amended to read:

Subd. 15. **Net tax capacity.** "Net tax capacity" means the taxable market value of real and personal property multiplied by its net tax capacity rates in section 273.13.

Sec. 40. Minnesota Statutes 2012, section 276A.06, subdivision 10, is amended to read:

Subd. 10. **Adjustment of values for other computations.** For the purpose of computing the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where the authorization, requirement, or limitation is related to any value or valuation of taxable property within any governmental unit, ~~the value or net tax capacity~~ fiscal capacity under section 276A.01, subdivision 12, a municipality's taxable market value must be adjusted to reflect the ~~adjustments~~ reductions to net tax capacity effected by subdivision 2, clause (a), provided that: ~~(1) in determining the taxable market value of commercial-industrial property or any class thereof within a governmental unit for any purpose other than section 276A.05~~ municipality, (a) the reduction required by this subdivision is that amount which bears the same proportion to the amount subtracted from the governmental unit's municipality's net tax capacity pursuant to subdivision 2, clause (a), as the taxable market value of commercial-industrial property, or such class thereof, located within the governmental unit municipality bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit; and (b) the increase required by this subdivision is that amount which bears the same proportion to the amount added to the governmental unit's net tax capacity pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit; and (2) in determining the market value of real property within a municipality for purposes of section 276A.05, the adjustment prescribed by clause (1)(a) must be made and that prescribed by clause (1)(b) must not be made municipality. No adjustment shall be made to taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

Sec. 41. Minnesota Statutes 2012, 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 \$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 estimated market value of the real property covered by the mortgage in each county bears to the estimated 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 estimated 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 estimated market ~~valuation~~ value 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.

Sec. 42. Minnesota Statutes 2012, section 287.23, subdivision 1, is amended to read:

Subdivision 1. **Real property outside county.** If any taxable deed or instrument describes any 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 document is first presented for recording, and the payment must be receipted as provided in section 287.08. If the net consideration exceeds \$700,000, 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 which the estimated market value of the real property covered by the document in each county bears to the estimated market value of all the real property in this state described in the document. In making the division and payment the county treasurer shall send a statement to the other involved counties giving the description of the real property described in the document and the estimated market value of the part located in each county. The treasurer of any county may require the treasurer of any other county to certify to the former the estimated market valuation value of any parcel of real property for this purpose.

Sec. 43. Minnesota Statutes 2012, section 353G.08, subdivision 2, is amended to read:

Subd. 2. **Cash flow funding requirement.** If the executive director determines that an account in the voluntary statewide lump-sum volunteer firefighter retirement plan has insufficient assets to meet the service pensions determined payable from the account, the executive director shall certify the amount of the potential service pension shortfall to the municipality or municipalities and the municipality or municipalities shall make an additional employer contribution to the account within ten days of the certification. If more than one municipality is associated with the account, unless the municipalities agree to a different allocation, the municipalities shall allocate the additional employer contribution one-half in proportion to the population of each municipality and one-half in proportion to the estimated market value of the property of each municipality.

Sec. 44. Minnesota Statutes 2012, section 365.025, subdivision 4, is amended to read:

Subd. 4. **Major purchases: notice, petition, election.** Before buying anything under subdivision 2 that costs more than 0.24177 percent of the estimated market value of the town, the town must follow this subdivision.

The town must publish in its official newspaper the board's resolution to pay for the property over time. Then a petition for an election on the contract may be filed with the clerk. The petition must be filed within ten days after the resolution is published. To require the election the petition must be signed by a number of voters equal to ten percent of the voters at the last regular town election. The contract then must be approved by a majority of those voting on the question. The question may be voted on at a regular or special election.

Sec. 45. Minnesota Statutes 2012, 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 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 estimated 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. 46. Minnesota Statutes 2012, section 366.27, is amended to read:

**366.27 FIREFIGHTERS' RELIEF; TAX LEVY.**

The town board of any town in this state having therein a platted portion on which resides 1,200 or more people, and wherein a duly incorporated firefighters' relief association is located may each year levy a tax not to exceed 0.00806 percent of ~~taxable~~ estimated market value for the benefit of the relief association.

Sec. 47. Minnesota Statutes 2012, section 368.01, subdivision 23, is amended to read:

Subd. 23. **Financing purchase of certain equipment.** The town board may issue certificates of indebtedness within debt limits to purchase fire or police equipment or ambulance equipment or street construction or maintenance equipment. The certificates shall be payable in not more than five years and be issued on terms and in the manner as the board may determine. If the amount of the certificates to be issued to finance a purchase exceeds 0.24177 percent of the estimated market value of the town, ~~excluding money and credits~~, they shall not be issued for at least ten days after publication in the official newspaper of a town board resolution determining to issue them. If before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular town election is filed with the clerk, the certificates shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made for the payment of the principal and interest on the certificates as in the case of bonds.

Sec. 48. Minnesota Statutes 2012, section 368.47, is amended to read:

**368.47 TOWNS MAY BE DISSOLVED.**

(1) When the voters residing within a town have failed to elect any town officials for more than ten years continuously;

(2) when a town has failed for a period of ten years to exercise any of the powers and functions of a town;

(3) when the estimated market value of a town drops to less than \$165,000;

(4) when the tax delinquency of a town, exclusive of taxes that are delinquent or unpaid because they are contested in proceedings for the enforcement of taxes, amounts to 12 percent of its market value; or

(5) when the state or federal government has acquired title to 50 percent of the real estate of a town,

which facts, or any of them, may be found and determined by the resolution of the county board of the county in which the town is located, according to the official records in the office of the county auditor, the county board by resolution may declare the town, naming it, dissolved and no longer entitled to exercise any of the powers or functions of a town.

In Cass, Itasca, and St. Louis Counties, before the dissolution is effective the voters of the town shall express their approval or disapproval. The town clerk shall, upon a petition signed by a majority of the registered voters of the town, filed with the clerk at least 60 days before a regular or special town election, give notice at the same time and in the same manner of the election that the question of dissolution of the town will be submitted for determination at the election. At the election the



question shall be voted upon by a separate ballot, the terms of which shall be either "for dissolution" or "against dissolution." The ballot shall be deposited in a separate ballot box and the result of the voting canvassed, certified, and returned in the same manner and at the same time as other facts and returns of the election. If a majority of the votes cast at the election are for dissolution, the town shall be dissolved. If a majority of the votes cast at the election are against dissolution, the town shall not be dissolved.

When a town is dissolved under sections 368.47 to 368.49 the county shall acquire title to any telephone company or other business conducted by the town. The business shall be operated by the board of county commissioners until it can be sold. The subscribers or patrons of the business shall have the first opportunity of purchase. If the town has any outstanding indebtedness chargeable to the business, the county auditor shall levy a tax against the property situated in the dissolved town to pay the indebtedness as it becomes due.

Sec. 49. Minnesota Statutes 2012, section 370.01, is amended to read:

**370.01 CHANGE OF BOUNDARIES; CREATION OF NEW COUNTIES.**

The boundaries of counties may be changed by taking territory from a county and attaching it to an adjoining county, and new counties may be established out of territory of one or more existing counties. A new county shall contain at least 400 square miles and have at least 4,000 inhabitants. A proposed new county must have a total taxable estimated market value of at least 35 percent of (i) the total taxable estimated market value of the existing county, or (ii) the average total taxable estimated market value of the existing counties, included in the proposition. The determination of the taxable estimated market value of a county must be made by the commissioner of revenue. An existing county shall not be reduced in area below 400 square miles, have less than 4,000 inhabitants, or have a total taxable estimated market value of less than that required of a new county.

No change in the boundaries of any county having an area of more than 2,500 square miles, whether by the creation of a new county, or otherwise, shall detach from the existing county any territory within 12 miles of the county seat.

Sec. 50. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

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

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and bridges, and the acquisition of development rights in the form of conservation easements under chapter 84C. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

(c) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(d) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

- (1) the federal decennial census,
- (2) a special census conducted under contract by the United States Bureau of the Census, or
- (3) a population estimate made either by the Metropolitan Council or by the state demographer under section 4A.02.

(e) "Qualified indoor ice arena" means a facility that meets the requirements of section 373.43.

(f) "~~Tax capacity" means total taxable market value, but does not include captured market value.~~"

Sec. 51. Minnesota Statutes 2012, section 373.40, subdivision 4, is amended to read:

Subd. 4. **Limitations on amount.** A county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed 0.12 percent of ~~taxable~~ the estimated market value of property in the county. Calculation of the limit must be made using the ~~taxable~~ estimated market value for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

Sec. 52. Minnesota Statutes 2012, section 375.167, subdivision 1, is amended to read:

Subdivision 1. **Appropriations.** Notwithstanding any contrary law, a county board may appropriate from the general revenue fund to any nonprofit corporation a sum not to exceed 0.00604 percent of ~~taxable~~ estimated market value to provide legal assistance to persons who are unable to afford private legal counsel.

Sec. 53. Minnesota Statutes 2012, section 375.18, subdivision 3, is amended to read:

Subd. 3. **Courthouse.** Each county board may erect, furnish, and maintain a suitable courthouse. No indebtedness shall be created for a courthouse in excess of an amount equal to a levy of 0.04030 percent of ~~taxable~~ estimated market value without the approval of a majority of the voters of the county voting on the question of issuing the obligation at an election.

Sec. 54. Minnesota Statutes 2012, section 375.555, is amended to read:

#### **375.555 FUNDING.**

To implement the county emergency jobs program, the county board may expend an amount equal to what would be generated by a levy of 0.01209 percent of ~~taxable~~ estimated market value. The money to be expended may be from any available funds not otherwise earmarked.

Sec. 55. Minnesota Statutes 2012, section 383B.152, is amended to read:

#### **383B.152 BUILDING AND MAINTENANCE FUND.**

The county board may by resolution levy a tax to provide money which shall be kept in a fund known as the county reserve building and maintenance fund. Money in the fund shall be used solely for the construction, maintenance, and equipping of county buildings that are constructed or maintained by the board. The levy shall not be subject to any limit fixed by any other law or by any board of tax levy or other corresponding body, but shall not exceed 0.02215 percent of ~~taxable~~

estimated market value, less the amount required by chapter 475 to be levied in the year for the payment of the principal of and interest on all bonds issued pursuant to Extra Session Laws 1967, chapter 47, section 1.

Sec. 56. Minnesota Statutes 2012, section 383B.245, is amended to read:

**383B.245 LIBRARY LEVY.**

(a) The county board may levy a tax on the taxable property within the county to acquire, better, and construct county library buildings and branches and to pay principal and interest on bonds issued for that purpose.

(b) The county board may by resolution adopted by a five-sevenths vote issue and sell general obligation bonds of the county in the manner provided in sections 475.60 to 475.73. The bonds shall not be subject to the limitations of sections 475.51 to 475.59, but the maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to 0.01612 percent of estimated market value of all taxable property in the county as last finally equalized before the issuance of the new series. When the tax levy authorized in this section is collected it shall be appropriated and credited to a debt service fund for the bonds in amounts required each year in lieu of a countywide tax levy for the debt service fund under section 475.61.

Sec. 57. Minnesota Statutes 2012, section 383B.73, subdivision 1, is amended to read:

Subdivision 1. **Levy.** To provide funds for the purposes of the Three Rivers Park District as set forth in its annual budget, in lieu of the levies authorized by any other special law for such purposes, the Board of Park District Commissioners may levy taxes on all the taxable property in the county and park district at a rate not exceeding 0.03224 percent of estimated market value. Notwithstanding section 398.16, on or before October 1 of each year, after public hearing, the Board of Park District Commissioners shall adopt a budget for the ensuing year and shall determine the total amount necessary to be raised from ad valorem tax levies to meet its budget. The Board of Park District Commissioners shall submit the budget to the county board. The county board may veto or modify an item contained in the budget. If the county board determines to veto or to modify an item in the budget, it must, within 15 days after the budget was submitted by the district board, state in writing the specific reasons for its objection to the item vetoed or the reason for the modification. The Park District Board, after consideration of the county board's objections and proposed modifications, may reapprove a vetoed item or the original version of an item with respect to which a modification has been proposed, by a two-thirds majority. If the district board does not reapprove a vetoed item, the item shall be deleted from the budget. If the district board does not reapprove the original version of a modified item, the item shall be included in the budget as modified by the county board. After adoption of the final budget and no later than October 1, the superintendent of the park district shall certify to the office of the Hennepin County director of tax and public records exercising the functions of the county auditor the total amount to be raised from ad valorem tax levies to meet its budget for the ensuing year. The director of tax and public records shall add the amount of any levy certified by the district to other tax levies on the property of the county within the district for collection by the director of tax and public records with other taxes. When collected, the director shall make settlement of such taxes with the district in the same manner as other taxes are distributed to the other political subdivisions in Hennepin County.

Sec. 58. Minnesota Statutes 2012, section 383E.20, is amended to read:

**383E.20 BONDING FOR COUNTY LIBRARY BUILDINGS.**

The Anoka County Board may, by resolution adopted by a four-sevenths vote, issue and sell general obligation bonds of the county in the manner provided in chapter 475 to acquire, better, and construct county library buildings. The bonds shall not be subject to the requirements of sections 475.57 to 475.59. The maturity years and amounts and interest rates of each series of bonds shall be fixed so that the maximum amount of principal and interest to become due in any year, on the bonds of that series and of all outstanding series issued by or for the purposes of libraries, shall not exceed an amount equal to .01 percent of the taxable estimated market value of all taxable property in the county, excluding any taxable property taxed by any city for the support of any free public library. When the tax levy authorized in this section is collected, it shall be appropriated and credited to a debt service fund for the bonds. The tax levy for the debt service fund under section 475.61 shall be reduced by the amount available or reasonably anticipated to be available in the fund to make payments otherwise payable from the levy pursuant to section 475.61.

Sec. 59. Minnesota Statutes 2012, section 383E.23, is amended to read:

**383E.23 LIBRARY TAX.**

The Anoka County Board may levy a tax of not more than .01 percent of the taxable estimated market value of taxable property located within the county excluding any taxable property taxed by any city for the support of any free public library, to acquire, better, and construct county library buildings and to pay principal and interest on bonds issued for that purpose. The tax shall be disregarded in the calculation of levies or limits on levies provided by section 373.40, or other law.

Sec. 60. Minnesota Statutes 2012, section 385.31, is amended to read:

**385.31 PAYMENT OF COUNTY ORDERS OR WARRANTS.**

When any order or warrant drawn on the treasurer is presented for payment, if there is money in the treasury for that purpose, the county treasurer shall redeem the same, and write across the entire face thereof the word "redeemed," the date of the redemption, and the treasurer's official signature. If there is not sufficient funds in the proper accounts to pay such orders they shall be numbered and registered in their order of presentation, and proper endorsement thereof shall be made on such orders and they shall be entitled to payment in like order. Such orders shall bear interest at not to exceed the rate of six percent per annum from such date of presentment. The treasurer, as soon as there is sufficient money in the treasury, shall appropriate and set apart a sum sufficient for the payment of the orders so presented and registered, and, if entitled to interest, issue to the original holder a notice that interest will cease in 30 days from the date of such notice; and, if orders thus entitled to priority of payment are not then presented, the next in order of registry may be paid until such orders are presented. No interest shall be paid on any order, except upon a warrant drawn by the county auditor for that purpose, giving the number and the date of the order on account of which the interest warrant is drawn. In any county in this state now or hereafter having a an estimated market value of all taxable property, ~~exclusive of money and credits,~~ of not less than \$1,033,000,000, the county treasurer, in order to save payment of interest on county warrants drawn upon a fund in which there shall be temporarily insufficient money in the treasury to redeem the same, may borrow temporarily from any other fund in the county treasury in which there is a sufficient balance to care for the needs of such fund and allow a temporary loan or transfer to any other fund, and may pay such warrants out of such funds. Any such money so transferred and used in redeeming such county

warrants shall be returned to the fund from which drawn as soon as money shall come in to the credit of such fund on which any such warrant was drawn and paid as aforesaid. Any county operating on a cash basis may use a combined form of warrant or order and check, which, when signed by the chair of the county board and by the auditor, is an order or warrant for the payment of the claim, and, when countersigned by the county treasurer, is a check for the payment of the amount thereof.

Sec. 61. Minnesota Statutes 2012, section 394.36, subdivision 1, is amended to read:

Subdivision 1. **Continuation of nonconformity; limitations.** Except as provided in subdivision 2, 3, or 4, any nonconformity, including the lawful use or occupation of land or premises existing at the time of the adoption of an official control under this chapter, may be continued, although the use or occupation does not conform to the official control. If the nonconformity or occupancy is discontinued for a period of more than one year, or any nonconforming building or structure is destroyed by fire or other peril to the extent of 50 percent of its estimated market value, any subsequent use or occupancy of the land or premises shall be a conforming use or occupancy.

Sec. 62. Minnesota Statutes 2012, section 398A.04, subdivision 8, is amended to read:

Subd. 8. **Taxation.** Before deciding to exercise the power to tax, the authority shall give six weeks' published notice in all municipalities in the region. If a number of voters in the region equal to five percent of those who voted for candidates for governor at the last gubernatorial election present a petition within nine weeks of the first published notice to the secretary of state requesting that the matter be submitted to popular vote, it shall be submitted at the next general election. The question prepared shall be:

"Shall the regional rail authority have the power to impose a property tax?

Yes .....

No ....."

If a majority of those voting on the question approve or if no petition is presented within the prescribed time the authority may levy a tax at any annual rate not exceeding 0.04835 percent of estimated market value of all taxable property situated within the municipality or municipalities named in its organization resolution. Its recording officer shall file, on or before September 15, in the office of the county auditor of each county in which territory under the jurisdiction of the authority is located a certified copy of the board of commissioners' resolution levying the tax, and each county auditor shall assess and extend upon the tax rolls of each municipality named in the organization resolution the portion of the tax that bears the same ratio to the whole amount that the net tax capacity of taxable property in that municipality bears to the net tax capacity of taxable property in all municipalities named in the organization resolution. Collections of the tax shall be remitted by each county treasurer to the treasurer of the authority. For taxes levied in 1991, the amount levied for light rail transit purposes under this subdivision shall not exceed 75 percent of the amount levied in 1990 for light rail transit purposes under this subdivision.

Sec. 63. Minnesota Statutes 2012, section 401.05, subdivision 3, is amended to read:

Subd. 3. **Leasing.** (a) A county or joint powers board of a group of counties which acquires or constructs and equips or improves facilities under this chapter may, with the approval of the board of county commissioners of each county, enter into a lease agreement with a city situated within any of the counties, or a county housing and redevelopment authority established under chapter 469 or

any special law. Under the lease agreement, the city or county housing and redevelopment authority shall:

(1) construct or acquire and equip or improve a facility in accordance with plans prepared by or at the request of a county or joint powers board of the group of counties and approved by the commissioner of corrections; and

(2) finance the facility by the issuance of revenue bonds.

(b) The county or joint powers board of a group of counties may lease the facility site, improvements, and equipment for a term upon rental sufficient to produce revenue for the prompt payment of the revenue bonds and all interest accruing on them. Upon completion of payment, the lessee shall acquire title. The real and personal property acquired for the facility constitutes a project and the lease agreement constitutes a revenue agreement as provided in sections 469.152 to 469.165. All proceedings by the city or county housing and redevelopment authority and the county or joint powers board shall be as provided in sections 469.152 to 469.165, with the following adjustments:

(1) no tax may be imposed upon the property;

(2) the approval of the project by the commissioner of employment and economic development is not required;

(3) the Department of Corrections shall be furnished and shall record information concerning each project as it may prescribe, in lieu of reports required on other projects to the commissioner of employment and economic development;

(4) the rentals required to be paid under the lease agreement shall not exceed in any year one-tenth of one percent of the estimated market value of property within the county or group of counties as last equalized before the execution of the lease agreement;

(5) the county or group of counties shall provide for payment of all rentals due during the term of the lease agreement in the manner required in subdivision 4;

(6) no mortgage on the facilities shall be granted for the security of the bonds, but compliance with clause (5) may be enforced as a nondiscretionary duty of the county or group of counties; and

(7) the county or the joint powers board of the group of counties may sublease any part of the facilities for purposes consistent with their maintenance and operation.

Sec. 64. Minnesota Statutes 2012, section 410.32, is amended to read:

**410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 65. Minnesota Statutes 2012, section 412.221, subdivision 2, is amended to read:

Subd. 2. **Contracts.** The council shall have power to make such contracts as may be deemed necessary or desirable to make effective any power possessed by the council. The city may purchase personal property through a conditional sales contract and real property through a contract for deed under which contracts the seller is confined to the remedy of recovery of the property in case of nonpayment of all or part of the purchase price, which shall be payable over a period of not to exceed five years. When the contract price of property to be purchased by contract for deed or conditional sales contract exceeds 0.24177 percent of the estimated market value of the city, the city may not enter into such a contract for at least ten days after publication in the official newspaper of a council resolution determining to purchase property by such a contract; and, if before the end of that time a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular city election is filed with the clerk, the city may not enter into such a contract until the proposition has been approved by a majority of the votes cast on the question at a regular or special election.

Sec. 66. Minnesota Statutes 2012, section 412.301, is amended to read:

**412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 67. Minnesota Statutes 2012, section 428A.02, subdivision 1, is amended to read:

Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance establishing a special service district. Only property that is classified under section 273.13 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use and located in the special service district, may be subject to the charges imposed by the city on the special service district. Other types of property may be included within the boundaries of the special service district but are not subject to the levies or charges imposed by the city on the special service district. If 50 percent or more of the estimated market value of a parcel of property is classified under section 273.13 as commercial, industrial, or vacant land zoned or designated on a land use plan for commercial or industrial use, or public utility for the current assessment year, then the entire taxable market value of the property is subject to a service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10. The ordinance shall describe with particularity the area within the city to be included in the district and the special services to be furnished in the district. The ordinance may not be adopted until after a public hearing has been held on the question. Notice of the hearing shall include the time and place of hearing, a map showing the boundaries of the proposed district, and a statement that all persons owning property in the proposed district that would be subject to a service charge will be given opportunity to be heard at the hearing. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

Sec. 68. Minnesota Statutes 2012, section 430.102, subdivision 2, is amended to read:

Subd. 2. **Council approval; special tax levy limitation.** The council shall receive and consider the estimate required in subdivision 1 and the items of cost after notice and hearing before it or its appropriate committee as it considers necessary or expedient, and shall approve the estimate, with necessary amendments. The amounts of each item of cost estimated are then appropriated to operate, maintain, and improve the pedestrian mall during the next fiscal year. The amount of the special tax to be charged under subdivision 1, clause (3), must not, however, exceed 0.12089 percent of estimated market value of taxable property in the district. The council shall make any necessary adjustment in costs of operating and maintaining the district to keep the amount of the tax within this limitation.



Sec. 69. Minnesota Statutes 2012, section 447.10, is amended to read:

**447.10 TAX LEVY FOR OPERATING AND MAINTAINING HOSPITAL.**

The governing body of a city of the first class owning a hospital may annually levy a tax to operate and maintain the hospital. The tax must not exceed 0.00806 percent of taxable estimated market value.

Sec. 70. Minnesota Statutes 2012, section 450.19, is amended to read:

**450.19 TOURIST CAMPING GROUNDS.**

A home rule charter or statutory city or town may establish and maintain public tourist camping grounds. The governing body thereof may acquire by lease, purchase, or gift, suitable lands located either within or without the corporate limits for use as public tourist camping grounds and provide for the equipment, operation, and maintenance of the same. The amount that may be expended for the maintenance, improvement, or operation of tourist camping grounds shall not exceed, in any year, a sum equal to 0.00806 percent of taxable estimated market value.

Sec. 71. Minnesota Statutes 2012, section 450.25, is amended to read:

**450.25 MUSEUM, GALLERY, OR SCHOOL OF ARTS OR CRAFTS; TAX LEVY.**

After the acquisition of any museum, gallery, or school of arts or crafts, the board of park commissioners of the city in which it is located shall cause to be included in the annual tax levy upon all the taxable property of the county in which the museum, gallery, or school of arts or crafts is located, a tax of 0.00846 percent of estimated market value. The board shall certify the levy to the county auditor and it shall be added to, and collected with and as part of, the general, real, and personal property taxes, with like penalties and interest, in case of nonpayment and default, and all provisions of law in respect to the levy, collection, and enforcement of other taxes shall, so far as applicable, be followed in respect of these taxes. All of these taxes, penalties, and interest, when collected, shall be paid to the city treasurer of the city in which is located the museum, gallery, or school of arts or crafts and credited to a fund to be known as the park museum fund, and shall be used only for the purposes specified in sections 450.23 to 450.25. Any part of the proceeds of the levy not expended for the purposes specified in section 450.24 may be used for the erection of new buildings for the same purposes.

Sec. 72. Minnesota Statutes 2012, section 458A.10, is amended to read:

**458A.10 PROPERTY TAX.**

The commission shall annually levy a tax not to exceed 0.12089 percent of estimated market value on all the taxable property in the transit area at a rate sufficient to produce an amount necessary for the purposes of sections 458A.01 to 458A.15, other than the payment of principal and interest due on any revenue bonds issued pursuant to section 458A.05. Property taxes levied under this section shall be certified by the commission to the county auditors of the transit area, extended, assessed, and collected in the manner provided by law for the property taxes levied by the governing bodies of cities. The proceeds of the taxes levied under this section shall be remitted by the respective county treasurers to the treasurer of the commission, who shall credit the same to the funds of the commission for use for the purposes of sections 458A.01 to 458A.15 subject to any applicable pledges or limitations on account of tax anticipation certificates or other specific purposes. At any time after making a tax levy under this section and certifying it to the county

auditors, the commission may issue general obligation certificates of indebtedness in anticipation of the collection of the taxes as provided by section 412.261.

Sec. 73. Minnesota Statutes 2012, section 458A.31, subdivision 1, is amended to read:

Subdivision 1. **Levy limit.** Notwithstanding anything to the contrary contained in the charter of the city of Duluth, any ordinance thereof, or any statute applicable thereto, limiting the amount levied in any one year for general or special purposes, the city council of the city of Duluth shall each year levy a tax in an amount not to exceed 0.07253 percent of taxable estimated market value, by ordinance. An ordinance fixing the levy shall take effect immediately upon its passage and approval. The proceeds of the levy shall be paid into the city treasury and deposited in the operating fund provided for in section 458A.24, subdivision 3.

Sec. 74. Minnesota Statutes 2012, section 465.04, is amended to read:

#### **465.04 ACCEPTANCE OF GIFTS.**

Cities of the second, third, or fourth class, having at any time a an estimated market value of not more than \$41,000,000, ~~exclusive of money and credits~~, as officially equalized by the commissioner of revenue, either under home rule charter or under the laws of this state, in addition to all other powers possessed by them, hereby are authorized and empowered to receive and accept gifts and donations for the use and benefit of such cities and the inhabitants thereof upon terms and conditions to be approved by the governing bodies of such cities; and such cities are authorized to comply with and perform such terms and conditions, which may include payment to the donor or donors of interest on the value of the gift at not exceeding five percent per annum payable annually or semiannually, during the remainder of the natural life or lives of such donor or donors.

Sec. 75. Minnesota Statutes 2012, section 469.033, subdivision 6, is amended to read:

Subd. 6. **Operation area as taxing district, special tax.** All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy a tax upon all taxable property within that taxing district. The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed 0.0185 percent of ~~taxable~~ taxable estimated market value. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget.

Sec. 76. Minnesota Statutes 2012, 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~~ estimated 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 Management and Budget 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. 77. Minnesota Statutes 2012, section 469.053, subdivision 4, is amended to read:

Subd. 4. **Mandatory city levy.** A city shall, at the request of the port authority, levy a tax in any year for the benefit of the port authority. The tax must not exceed 0.01813 percent of taxable estimated market value. The amount levied must be paid by the city treasurer to the treasurer of the port authority, to be spent by the authority.

Sec. 78. Minnesota Statutes 2012, section 469.053, subdivision 4a, is amended 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 estimated market value. The county auditor shall distribute the proceeds of the property tax levy to the seaway port authority.

Sec. 79. Minnesota Statutes 2012, section 469.053, subdivision 6, is amended to read:

Subd. 6. **Discretionary city levy.** Upon request of a port authority, the port authority's city may levy a tax to be spent by and for its port authority. The tax must enable the port authority to carry out efficiently and in the public interest sections 469.048 to 469.068 to create and develop industrial development districts. The levy must not be more than 0.00282 percent of taxable estimated market value. The county treasurer shall pay the proceeds of the tax to the port authority treasurer. The money may be spent by the authority in performance of its duties to create and develop industrial development districts. In spending the money the authority must judge what best serves the public interest. The levy in this subdivision is in addition to the levy in subdivision 4.

Sec. 80. Minnesota Statutes 2012, section 469.107, subdivision 1, is amended to read:

Subdivision 1. **City tax levy.** A city may, at the request of the authority, levy a tax in any year for the benefit of the authority. The tax must be not more than 0.01813 percent of taxable estimated market value. The amount levied must be paid by the city treasurer to the treasurer of the authority, to be spent by the authority.

Sec. 81. Minnesota Statutes 2012, section 469.180, subdivision 2, is amended to read:

Subd. 2. **Tax levies.** Notwithstanding any law, the county board of any county may appropriate from the general revenue fund a sum not to exceed a county levy of 0.00080 percent of taxable estimated market value to carry out the purposes of this section.

Sec. 82. Minnesota Statutes 2012, section 469.187, is amended to read:

**469.187 FIRST CLASS CITY SPENDING FOR PUBLICITY; PUBLICITY BOARD.**

Any city of the first class may expend money for city publicity purposes. The city may levy a tax, not exceeding 0.00080 percent of taxable estimated market value. The proceeds of the levy shall be expended in the manner and for the city publicity purposes the council directs. The council may establish and provide for a publicity board or bureau to administer the fund, subject to the conditions and limitations the council prescribes by ordinance.

Sec. 83. Minnesota Statutes 2012, section 469.206, is amended to read:

**469.206 HAZARDOUS PROPERTY PENALTY.**

A city may assess a penalty up to one percent of the estimated market value of real property, including any building located within the city that the city determines to be hazardous as defined in section 463.15, subdivision 3. The city shall send a written notice to the address to which the property tax statement is sent at least 90 days before it may assess the penalty. If the owner of the property has not paid the penalty or fixed the property within 90 days after receiving notice of the penalty, the penalty is considered delinquent and is increased by 25 percent each 60 days the penalty is not paid and the property remains hazardous. For the purposes of this section, a penalty that is delinquent is considered a delinquent property tax and subject to chapters 279, 280, and 281, in the same manner as delinquent property taxes.

Sec. 84. Minnesota Statutes 2012, section 471.24, is amended to read:

**471.24 TOWNS, STATUTORY CITIES; JOINT MAINTENANCE OF CEMETERY.**

Where a statutory city or town owns and maintains an established cemetery or burial ground, either within or without the municipal limits, the statutory city or town may, by mutual agreement with contiguous statutory cities and towns, each having a an estimated market value of not less than \$2,000,000, join together in the maintenance of such public cemetery or burial ground for the use of the inhabitants of each of such municipalities; and each such municipality is hereby authorized, by action of its council or governing body, to levy a tax or make an appropriation for the annual support and maintenance of such cemetery or burial ground; provided, the amount thus appropriated by each municipality shall not exceed a total of \$10,000 in any one year.

Sec. 85. Minnesota Statutes 2012, section 471.571, subdivision 1, is amended to read:

Subdivision 1. **Application.** This section applies to each city in which the net tax capacity of real and personal property consists in part of iron ore or lands containing taconite or semitaconite and in which the total taxable estimated market value of real and personal property exceeds \$2,500,000.

Sec. 86. Minnesota Statutes 2012, section 471.571, subdivision 2, is amended to read:

Subd. 2. **Creation of fund, tax levy.** The governing body of the city may create a permanent improvement and replacement fund to be maintained by an annual tax levy. The governing body may levy a tax in excess of any charter limitation for the support of the permanent improvement and replacement fund, but not exceeding the following:

(a) in cities having a population of not more than 500 inhabitants, the lesser of \$20 per capita or 0.08059 percent of taxable estimated market value;

(b) in cities having a population of more than 500 and less than ~~2500~~ 2,500, the greater of \$12.50 per capita or \$10,000 but not exceeding 0.08059 percent of ~~taxable~~ estimated market value;

(c) in cities having a population of ~~more than 2500~~ 2,500 or more inhabitants, the greater of \$10 per capita or \$31,500 but not exceeding 0.08059 percent of ~~taxable~~ estimated market value.

Sec. 87. Minnesota Statutes 2012, section 471.73, is amended to read:

#### **471.73 ACCEPTANCE OF PROVISIONS.**

In the case of any city within the class specified in section 471.72 having ~~a an estimated market value, as defined in section 471.72~~, in excess of \$37,000,000; and in the case of any statutory city within such class having ~~a an estimated market value, as defined in section 471.72~~, of less than \$5,000,000; and in the case of any statutory city within such class which is governed by Laws 1933, chapter 211, or Laws 1937, chapter 356; and in the case of any statutory city within such class which is governed by Laws 1929, chapter 208, and has ~~a an estimated market value of less than \$83,000,000~~; and in the case of any school district within ~~such class having a an estimated market value, as defined in section 471.72~~, of more than \$54,000,000; and in the case of all towns within said class; sections 471.71 to 471.83 apply only if the governing body of the city or statutory city, the board of the school district, or the town board of the town shall have adopted a resolution determining to issue bonds under the provisions of sections 471.71 to 471.83 or to go upon a cash basis in accordance with the provisions thereof.

Sec. 88. Minnesota Statutes 2012, section 473.325, subdivision 2, is amended to read:

Subd. 2. **Chapter 475 applies; exceptions.** The Metropolitan Council shall sell and issue the bonds in the manner provided in chapter 475, and shall have the same powers and duties as a municipality issuing bonds under that law, except that the approval of a majority of the electors shall not be required and the net debt limitations shall not apply. The terms of each series of bonds shall be fixed so that the amount of principal and interest on all outstanding and undischarged bonds, together with the bonds proposed to be issued, due in any year shall not exceed 0.01209 percent of estimated market value of all taxable property in the metropolitan area as last finally equalized prior to a proposed issue. The bonds shall be secured in accordance with section 475.61, subdivision 1, and any taxes required for their payment shall be levied by the council, shall not affect the amount or rate of taxes which may be levied by the council for other purposes, shall be spread against all taxable property in the metropolitan area and shall not be subject to limitation as to rate or amount. Any taxes certified by the council to the county auditors for collection shall be reduced by the amount received by the council from the commissioner of management and budget or the federal government for the purpose of paying the principal and interest on bonds to which the levy relates. The council shall certify the fact and amount of all money so received to the county auditors, and the auditors shall reduce the levies previously made for the bonds in the manner and to the extent provided in section 475.61, subdivision 3.

Sec. 89. Minnesota Statutes 2012, section 473.629, is amended to read:

#### **473.629 VALUE OF PROPERTY FOR BOND ISSUES BY SCHOOL DISTRICTS.**

As to any lands ~~to be detached from any school district under the provisions hereof~~ section 473.625, notwithstanding ~~such prospective~~ the detachment, the estimated market value of such the detached lands and the net tax capacity of taxable properties now located therein or thereon shall be and on the lands on the date of the detachment constitute from and after the date of the enactment

~~hereof a part of the estimated market value of properties upon the basis of which such used to calculate the net debt limit of the school district may issue its bonds. The value of such the lands for such purpose to be and other taxable properties for purposes of the school district's net debt limit are 33-1/3 percent of the estimated market value thereof as determined and certified by said the assessor to said the school district, and it shall be the duty of such the assessor annually on or before the tenth day of October from and after the passage hereof, to so of each year, shall determine and certify that value; provided, however, that the value of such the detached lands and such taxable properties shall never exceed 20 percent of the estimated market value of all properties constituting and making up the basis aforesaid used to calculate the net debt limit of the school district.~~

Sec. 90. Minnesota Statutes 2012, section 473.661, subdivision 3, is amended to read:

Subd. 3. **Levy limit.** In any budget certified by the commissioners under this section, the amount included for operation and maintenance shall not exceed an amount which, when extended against the property taxable therefor under section 473.621, subdivision 5, will require a levy at a rate of 0.00806 percent of estimated market value. Taxes levied by the corporation shall not affect the amount or rate of taxes which may be levied by any other local government unit within the metropolitan area under the provisions of any charter.

Sec. 91. Minnesota Statutes 2012, section 473.667, subdivision 9, is amended to read:

Subd. 9. **Additional taxes.** Nothing herein shall prevent the commission from levying a tax not to exceed 0.00121 percent of estimated market value on taxable property within its taxing jurisdiction, in addition to any levies found necessary for the debt service fund authorized by section 473.671. Nothing herein shall prevent the levy and appropriation for purposes of the commission of any other tax on property or on any income, transaction, or privilege, when and if authorized by law. All collections of any taxes so levied shall be included in the revenues appropriated for the purposes referred to in this section, unless otherwise provided in the law authorizing the levies; but no covenant as to the continuance or as to the rate and amount of any such levy shall be made with the holders of the commission's bonds unless specifically authorized by law.

Sec. 92. Minnesota Statutes 2012, section 473.671, is amended to read:

#### **473.671 LIMIT OF TAX LEVY.**

The taxes levied against the property of the metropolitan area in any one year shall not exceed 0.00806 percent of taxable estimated market value, exclusive of taxes levied to pay the principal or interest on any bonds or indebtedness of the city issued under Laws 1943, chapter 500, and exclusive of any taxes levied to pay the share of the city for payments on bonded indebtedness of the corporation provided for in Laws 1943, chapter 500. The levy of taxes authorized in Laws 1943, chapter 500, shall be in addition to the maximum rate allowed to be levied to defray the cost of government under the provisions of the charter of any city affected by Laws 1943, chapter 500.

Sec. 93. Minnesota Statutes 2012, section 473.711, subdivision 2a, is amended to read:

Subd. 2a. **Tax levy.** (a) The commission may levy a tax on all taxable property in the district as defined in section 473.702 to provide funds for the purposes of sections 473.701 to 473.716. The tax shall not exceed the property tax levy limitation determined in this subdivision. A participating county may agree to levy an additional tax to be used by the commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and commission's taxes may not exceed the county's proportionate share of the property tax levy limitation determined under this subdivision based on

the ratio of its total net tax capacity to the total net tax capacity of the entire district as adjusted by section 270.12, subdivision 3. The auditor of each county in the district shall add the amount of the levy made by the district to other taxes of the county for collection by the county treasurer with other taxes. When collected, the county treasurer shall make settlement of the tax with the district in the same manner as other taxes are distributed to political subdivisions. No county shall levy any tax for mosquito, disease vectoring tick, and black gnat (*Simuliidae*) control except under this section. The levy shall be in addition to other taxes authorized by law.

(b) The property tax levied by the Metropolitan Mosquito Control Commission shall not exceed the product of (i) the commission's property tax levy limitation for the previous year determined under this subdivision multiplied by (ii) an index for market valuation changes equal to the total estimated market valuation value of all taxable property for the current tax payable year located within the district plus any area that has been added to the district since the previous year, divided by the total estimated market valuation value of all taxable property located within the district for the previous taxes payable year.

~~(c) For the purpose of determining the commission's property tax levy limitation under this subdivision, "total market valuation" means the total market valuation of all taxable property within the district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).~~

Sec. 94. Minnesota Statutes 2012, section 473F.02, subdivision 12, is amended to read:

Subd. 12. **Adjusted market value.** "Adjusted market value" of real and personal property within a municipality means the assessor's estimated taxable market value, as defined in section 272.03, of all real and personal property, including the value of manufactured housing, within the municipality, adjusted for sales ratios in a manner similar to the adjustments made to city and town net tax capacities. ~~For purposes of sections 473F.01 to 473F.13, the commissioner of revenue shall annually make determinations and reports with respect to each municipality which are comparable to those it makes for school districts under section 127A.48, subdivisions 1 to 6, in the same manner and at the same times as are prescribed by the subdivisions. The commissioner of revenue shall annually determine, for each municipality, information comparable to that required by section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes available. The commissioner of revenue shall then compute the equalized market value of property within each municipality using the aggregate sales ratios from the Department of Revenue's sales ratio study.~~

Sec. 95. Minnesota Statutes 2012, section 473F.02, subdivision 14, is amended to read:

Subd. 14. **Fiscal capacity.** "Fiscal capacity" of a municipality means its valuation adjusted market value, determined as of January 2 of any year, divided by its population, determined as of a date in the same year.

Sec. 96. Minnesota Statutes 2012, section 473F.02, subdivision 15, is amended to read:

Subd. 15. **Average fiscal capacity.** "Average fiscal capacity" of municipalities means the sum of the valuations adjusted market values of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Sec. 97. Minnesota Statutes 2012, section 473F.02, subdivision 23, is amended to read:



Subd. 23. **Net tax capacity.** "Net tax capacity" means the taxable market value of real and personal property multiplied by its net tax capacity rates in section 273.13.

Sec. 98. Minnesota Statutes 2012, section 473F.08, subdivision 10, is amended to read:

Subd. 10. **Adjustment of value or net tax capacity.** For the purpose of computing ~~the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where such authorization, requirement, or limitation is related in any manner to any value or valuation of taxable property within any governmental unit, such value or net tax capacity~~ fiscal capacity under section 473F.02, subdivision 14, a municipality's taxable market value shall be adjusted to reflect the adjustments reductions to net tax capacity effected by subdivision 2, clause (a), provided that: (1) in determining the taxable market value of commercial-industrial property or any class thereof within a governmental unit for any purpose other than section 473F.07 municipality, (a) the reduction required by this subdivision shall be that amount which bears the same proportion to the amount subtracted from the governmental unit's municipality's net tax capacity pursuant to subdivision 2, clause (a), as the taxable market value of commercial-industrial property, or such class thereof, located within the governmental unit municipality bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit, and (b) the increase required by this subdivision shall be that amount which bears the same proportion to the amount added to the governmental unit's net tax capacity pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the net tax capacity of commercial-industrial property, or such class thereof, located within the governmental unit; and (2) in determining the market value of real property within a municipality for purposes of section 473F.07, the adjustment prescribed by clause (1)(a) hereof shall be made and that prescribed by clause (1)(b) hereof shall not be made municipality. No adjustment shall be made to taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

Sec. 99. Minnesota Statutes 2012, section 475.521, subdivision 4, is amended to read:

Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued under this section, including the bonds to be issued, will equal or exceed 0.16 percent of the taxable estimated market value of property in the municipality. Calculation of the limit must be made using the taxable estimated market value for the taxes payable year in which the obligations are issued and sold. In the case of a municipality with a population of 2,500 or more, the bonds are subject to the net debt limits under section 475.53. In the case of a shared facility in which more than one municipality participates, upon compliance by each participating municipality with the requirements of subdivision 2, the limitations in this subdivision and the net debt represented by the bonds shall be allocated to each participating municipality in proportion to its required financial contribution to the financing of the shared facility, as set forth in the joint powers agreement relating to the shared facility. This section does not limit the authority to issue bonds under any other special or general law.

Sec. 100. Minnesota Statutes 2012, section 475.53, subdivision 1, is amended to read:

Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to 475.74, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of three percent of the estimated market value of taxable property in the municipality.

Sec. 101. Minnesota Statutes 2012, section 475.53, subdivision 3, is amended to read:

Subd. 3. **Cities first class.** Unless its charter permits a greater net debt a city of the first class may not incur a net debt in excess of two percent of the estimated market value of all taxable property therein. If the charter of the city permits a net debt of the city in excess of two percent of its valuation, it may not incur a net debt in excess of 3-2/3 percent of the estimated market value of the taxable property therein.

The county auditor, at the time of preparing the tax list of the city, shall compile a statement setting forth the total net tax capacity and the total estimated market value of each class of taxable property in such city for such year.

Sec. 102. Minnesota Statutes 2012, section 475.53, subdivision 4, is amended to read:

Subd. 4. **School districts.** Except as otherwise provided by law, no school district shall be subject to a net debt in excess of 15 percent of the ~~actual~~ estimated market value of all taxable property situated within its corporate limits, as computed in accordance with this subdivision. The county auditor of each county containing taxable real or personal property situated within any school district shall certify to the district upon request the estimated market value of all such property. Whenever the commissioner of revenue, in accordance with section 127A.48, subdivisions 1 to 6, has determined that the net tax capacity of any district furnished by county auditors is not based upon the adjusted market value of taxable property in the district exceeds the estimated market value of property within the district, the commissioner of revenue shall certify to the district upon request the ratio most recently ascertained to exist between ~~such the estimated market value and the actual adjusted market value of property within the district, and the actual market value of property within a district, on which its debt limit under this subdivision is will be based, is (a) the value certified by the county auditors, or (b) this on the estimated market value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value.~~

Sec. 103. Minnesota Statutes 2012, section 475.58, subdivision 2, is amended to read:

Subd. 2. **Funding, refunding.** Any county, city, town, or school district whose outstanding gross debt, including all items referred to in section 475.51, subdivision 4, exceed in amount 1.62 percent of its estimated market value may issue bonds under this subdivision for the purpose of funding or refunding such indebtedness or any part thereof. A list of the items of indebtedness to be funded or refunded shall be made by the recording officer and treasurer and filed in the office of the recording officer. The initial resolution of the governing body shall refer to this subdivision as authority for the issue, state the amount of bonds to be issued and refer to the list of indebtedness to be funded or refunded. This resolution shall be published once each week for two successive weeks in a legal newspaper published in the municipality or if there be no such newspaper, in a legal newspaper published in the county seat. Such bonds may be issued without the submission of the question of their issue to the electors unless within ten days after the second publication of the resolution a petition requesting such election signed by ten or more voters who are taxpayers of the municipality, shall be filed with the recording officer. In event such petition is filed, no bonds shall be issued hereunder unless authorized by a majority of the electors voting on the question.

Sec. 104. Minnesota Statutes 2012, section 475.73, subdivision 1, is amended to read:

Subdivision 1. **May purchase these bonds; conditions.** Obligations sold under the provisions of section 475.60 may be purchased by the State Board of Investment if the obligations meet the requirements of section 11A.24, subdivision 2, upon the approval of the attorney general as to

form and execution of the application therefor, and under rules as the board may specify, and the state board shall have authority to purchase the same to an amount not exceeding 3.63 percent of the estimated market value of the taxable property of the municipality, according to the last preceding assessment. The obligations shall not run for a shorter period than one year, nor for a longer period than 30 years and shall bear interest at a rate to be fixed by the state board but not less than two percent per annum. Forthwith upon the delivery to the state of Minnesota of any obligations issued by virtue thereof, the commissioner of management and budget shall certify to the respective auditors of the various counties wherein are situated the municipalities issuing the same, the number, denomination, amount, rate of interest and date of maturity of each obligation.

Sec. 105. Minnesota Statutes 2012, section 477A.011, subdivision 20, is amended to read:

Subd. 20. **City net tax capacity.** "City net tax capacity" means ~~(1) the net tax capacity computed using the net tax capacity rates in section 273.13 for taxes payable in the year of the aid distribution, and the market values, after the exclusion in section 273.13, subdivision 35, for taxes payable in the year prior to the aid distribution plus (2) a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2, paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing city net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The city net tax capacity will be computed using equalized market values~~ the city's adjusted net tax capacity under section 273.1325.

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

Sec. 106. Minnesota Statutes 2012, section 477A.011, subdivision 32, is amended to read:

Subd. 32. **Commercial industrial percentage.** "Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, to the total estimated market value of all taxable real and personal property in the city. The estimated market values are the amounts computed before any adjustments for fiscal disparities under section 276A.06 or 473F.08. The estimated market values used for this subdivision are not equalized.

**EFFECTIVE DATE.** This section is effective for aids payable in 2014 and thereafter.

Sec. 107. Minnesota Statutes 2012, section 477A.0124, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them.

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population over age 65 within the county divided by the percentage of the population over age 65 within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population over age 65" means the population over age 65 established as of July 15 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the Metropolitan Council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year and which has been certified to the commissioner of revenue on or before July 15 of the aid calculation year. A revision to an estimate or count is effective for these purposes only if certified to the commissioner on or before July 15 of the aid calculation year. Clerical errors in the certification or use of estimates and counts established as of July 15 in the aid calculation year are subject to correction within the time periods allowed under section 477A.014.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the Department of Public Safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the ~~net tax capacity of the county, computed analogously to city net tax capacity under section 477A.011, subdivision 20~~ county's adjusted net tax capacity under section 273.1325.

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

Sec. 108. Minnesota Statutes 2012, section 641.23, is amended to read:

**641.23 FUNDS; HOW PROVIDED.**

Before any contract is made for the erection of a county jail, sheriff's residence, or both, the county board shall either levy a sufficient tax to provide the necessary funds, or issue county bonds therefor in accordance with the provisions of chapter 475, provided that no election is required if the amount of all bonds issued for this purpose and interest on them which are due and payable in any year does not exceed an amount equal to 0.09671 percent of estimated market value of taxable property within the county, as last determined before the bonds are issued.

Sec. 109. Minnesota Statutes 2012, section 641.24, is amended to read:

**641.24 LEASING.**

The county may, by resolution of the county board, enter into a lease agreement with any statutory or home rule charter city situated within the county, or a county housing and redevelopment authority established pursuant to chapter 469 or any special law whereby the city or county housing and redevelopment authority will construct a jail or other law enforcement facilities for the county sheriff, deputy sheriffs, and other employees of the sheriff and other

law enforcement agencies, in accordance with plans prepared by or at the request of the county board and, when required, approved by the commissioner of corrections and will finance it by the issuance of revenue bonds, and the county may lease the site and improvements for a term and upon rentals sufficient to produce revenue for the prompt payment of the bonds and all interest accruing thereon and, upon completion of payment, will acquire title thereto. The real and personal property acquired for the jail shall constitute a project and the lease agreement shall constitute a revenue agreement as contemplated in chapter 469, and all proceedings shall be taken by the city or county housing and redevelopment authority and the county in the manner and with the force and effect provided in chapter 469; provided that:

- (1) no tax shall be imposed upon or in lieu of a tax upon the property;
- (2) the approval of the project by the commissioner of commerce shall not be required;
- (3) the Department of Corrections shall be furnished and shall record such information concerning each project as it may prescribe;
- (4) the rentals required to be paid under the lease agreement shall not exceed in any year one-tenth of one percent of the estimated market value of property within the county, as last finally equalized before the execution of the agreement;
- (5) the county board shall provide for the payment of all rentals due during the term of the lease, in the manner required in section 641.264, subdivision 2;
- (6) no mortgage on the property shall be granted for the security of the bonds, but compliance with clause (5) hereof may be enforced as a nondiscretionary duty of the county board; and
- (7) the county board may sublease any part of the jail property for purposes consistent with the maintenance and operation of a county jail or other law enforcement facility.

Sec. 110. Minnesota Statutes 2012, section 645.44, is amended by adding a subdivision to read:

Subd. 20. **Estimated market value.** When used in determining or calculating a limit on taxation, spending, state aid amounts, or debt, bond, certificate of indebtedness, or capital note issuance by or for a local government unit, "estimated market value" has the meaning given in section 273.032.

Sec. 111. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall recodify Minnesota Statutes, section 127.48, subdivisions 1 to 6, as section 273.1325, subdivisions 1 to 6, and change all cross-references to the affected subdivisions accordingly.

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

Sec. 112. **REPEALER.**

Minnesota Statutes 2012, sections 273.11, subdivision 1a; 276A.01, subdivision 11; 473F.02, subdivision 13; and 477A.011, subdivision 21, are repealed.

Sec. 113. **EFFECTIVE DATE.**

Unless otherwise specifically provided, this act is effective the day following final enactment for purposes of limits on net debt, the issuance of bonds, certificates of indebtedness, and capital notes and is effective beginning for taxes payable in 2014 for all other purposes.

**ARTICLE 13****DEPARTMENT POLICY AND TECHNICAL: INCOME AND FRANCHISE TAXES;  
ESTATE TAXES**

Section 1. Minnesota Statutes 2012, section 289A.10, is amended by adding a subdivision to read:

Subd. 1a. **Recapture tax return required.** If a disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as defined under section 291.03, subdivision 8, paragraph (c), or personal representative of the decedent's estate must submit a recapture tax return to the commissioner.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after June 30, 2011.

Sec. 2. Minnesota Statutes 2012, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The return must be provided to the shareholder by February 15 of the year following the year of the payment. The return provided to the shareholder must include a clear statement, in the form prescribed by the commissioner, that the exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the regulated investment company must file a copy of the return with the commissioner.

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

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

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

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

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

Sec. 3. Minnesota Statutes 2012, section 289A.12, is amended by adding a subdivision to read:

Subd. 18. **Returns by qualified heirs.** A qualified heir, as defined in section 291.03, subdivision 8, paragraph (c), must file two returns with the commissioner attesting that no disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a), occurred. The first return must be filed no earlier than 24 months and no later than 26 months after the decedent's death. The second return must be filed no earlier than 36 months and no later than 39 months after the decedent's death.

**EFFECTIVE DATE.** This section is effective for returns required to be filed after December 31, 2013.

Sec. 4. Minnesota Statutes 2012, section 289A.18, is amended by adding a subdivision to read:

Subd. 3a. **Recapture tax return.** A recapture tax return must be filed with the commissioner within six months after the date of the disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a).

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after June 30, 2011.

Sec. 5. Minnesota Statutes 2012, section 289A.20, subdivision 3, is amended to read:

Subd. 3. **Estate tax.** Taxes imposed by ~~chapter 291~~ section 291.03, subdivision 1, take effect at and upon the death of the person whose estate is subject to taxation and are due and payable on or before the expiration of nine months from that death.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after June 30, 2011.

Sec. 6. Minnesota Statutes 2012, section 289A.20, is amended by adding a subdivision to read:

Subd. 3a. **Recapture tax.** The additional estate tax imposed by section 291.03, subdivision 11, paragraph (b), is due and payable on or before the expiration of the date provided by section 291.03, subdivision 11, paragraph (c).

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after June 30, 2011.

Sec. 7. Minnesota Statutes 2012, section 289A.26, subdivision 3, is amended to read:

Subd. 3. **Short taxable year.** (a) A corporation or an entity with a short taxable year of less than 12 months, but at least four months, must pay estimated tax in equal installments on or before the 15th day of the third, sixth, ninth, and final month of the short taxable year, to the extent applicable based on the number of months in the short taxable year.

(b) A corporation or an entity is not required to make estimated tax payments for a short taxable year unless its tax liability before the first day of the last month of the taxable year can reasonably be expected to exceed \$500.

(c) No payment is required for a short taxable year of less than four months.

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

Sec. 8. Minnesota Statutes 2012, section 289A.26, subdivision 4, is amended to read:

Subd. 4. **Underpayment of estimated tax.** If there is an underpayment of estimated tax by a corporation or an entity, there shall be added to the tax for the taxable year an amount determined at the rate in section 270C.40 on the amount of the underpayment, determined under subdivision 5, for the period of the underpayment determined under subdivision 6. This subdivision does not apply in the first taxable year that a corporation is subject to the tax imposed under section 290.02 or an entity is subject to the tax imposed under section 290.05, subdivision 3.

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

Sec. 9. Minnesota Statutes 2012, section 289A.26, subdivision 7, is amended to read:

Subd. 7. **Required installments.** (a) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

(b) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(1) 100 percent of the tax shown on the return for the taxable year, or, if no return is filed, 100 percent of the tax for that year; or

(2) 100 percent of the tax shown on the return of the corporation or entity for the preceding taxable year provided the return was for a full 12-month period, showed a liability, and was filed by the corporation or entity.

(c) Except for determining the first required installment for any taxable year, paragraph (b), clause (2), does not apply in the case of a large corporation. The term "large corporation" means a corporation or any predecessor corporation that had taxable net income of \$1,000,000 or more for any taxable year during the testing period. The term "testing period" means the three taxable years immediately preceding the taxable year involved. A reduction allowed to a large corporation for the first installment that is allowed by applying paragraph (b), clause (2), must be recaptured by increasing the next required installment by the amount of the reduction.

(d) In the case of a required installment, if the corporation or entity establishes that the annualized income installment is less than the amount determined in paragraph (a), the amount of the required installment is the annualized income installment and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing later required installments to the extent the reductions have not previously been recovered.

(e) The "annualized income installment" is the excess, if any, of:

(1) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the taxable income:

(i) for the first two months of the taxable year, in the case of the first required installment;

(ii) for the first two months or for the first five months of the taxable year, in the case of the second required installment;

(iii) for the first six months or for the first eight months of the taxable year, in the case of the third required installment; and

(iv) for the first nine months or for the first 11 months of the taxable year, in the case of the fourth required installment, over

(2) the aggregate amount of any prior required installments for the taxable year.

(3) For the purpose of this paragraph, the annualized income shall be computed by placing on an annualized basis the taxable income for the year up to the end of the month preceding the due date for the quarterly payment multiplied by 12 and dividing the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as the case may be) referred to in clause (1).

(4) The "applicable percentage" used in clause (1) is:



For the following required installments:	The applicable percentage is:
1st	25
2nd	50
3rd	75
4th	100

(f)(1) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

- (i) take the taxable income for the months during the taxable year preceding the filing month;
- (ii) divide that amount by the base period percentage for the months during the taxable year preceding the filing month;
- (iii) determine the tax on the amount determined under item (ii); and
- (iv) multiply the tax computed under item (iii) by the base period percentage for the filing month and the months during the taxable year preceding the filing month.

(2) For purposes of this paragraph:

- (i) the "base period percentage" for a period of months is the average percent that the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years;
- (ii) the term "filing month" means the month in which the installment is required to be paid;
- (iii) this paragraph only applies if the base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent; and
- (iv) the commissioner may provide by rule for the determination of the base period percentage in the case of reorganizations, new corporations or entities, and other similar circumstances.

(3) In the case of a required installment determined under this paragraph, if the corporation or entity determines that the installment is less than the amount determined in paragraph (a), the amount of the required installment is the amount determined under this paragraph and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing later required installments to the extent the reductions have not previously been recovered.

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

Sec. 10. Minnesota Statutes 2012, section 289A.26, subdivision 9, is amended to read:

Subd. 9. **Failure to file an estimate.** In the case of a corporation or an entity that fails to file an estimated tax for a taxable year when one is required, the period of the underpayment runs from the four installment dates in subdivision 2 or 3, whichever applies, to the earlier of the periods in subdivision 6, clauses (1) and (2).

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

Sec. 11. Minnesota Statutes 2012, section 290.01, subdivision 6b, is amended to read:

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

- (1) it is part of a unitary business at least one member of which is taxable in this state;
- (2) it is not a foreign sales corporation under section 922 of the Internal Revenue Code, as amended through December 31, 1999, for the taxable year;
- (3) it is not an interest charge domestic international sales corporation under sections 992, 993, 994, and 995 of the Internal Revenue Code;
- (4) ~~either (i) it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii)~~ at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and
- (5) for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.

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

Sec. 12. Minnesota Statutes 2012, 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, under the provisions of Public Law 109-1 and Public Law 111-126;

(7) 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;

(8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

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

(10) 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, 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); or (ii) federally funded state active service as defined in section 190.05, subdivision 5b, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

(11) 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 under United States Code, title 10; or the authority of the United Nations;

(12) 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;

(13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

(14) to the extent included in the federal taxable income of a nonresident of Minnesota, 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);

(15) 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;

(16) 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); and

(17) the amount of the net operating loss allowed under section 290.095, subdivision 11, paragraph (c).

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

Sec. 13. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **Corporations; additions to federal taxable income.** For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes, including but not limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; the District of Columbia; or Indian tribal governments;

(3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code;

(4) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss deduction under section 810 of the Internal Revenue Code;

(5) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 and 965 of the Internal Revenue Code;

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

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

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

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

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

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (19), (20), (21), and (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)~~ (13) any increase in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that in the taxable year generates a deduction for depreciation under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal Revenue Code of 1986, as amended through December 31, 2003;

~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

~~(20)~~ (19) an amount equal to the interest and intangible expenses, losses, and costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit of a corporation that is a member of the taxpayer's unitary business group that qualifies as a foreign operating corporation. For purposes of this clause, intangible expenses and costs include:

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

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

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

(iv) licensing fees; and

(v) other similar expenses and costs.

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

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

~~(21)~~ (20) except as already included in the taxpayer's taxable income pursuant to clause ~~(20)~~ (19), any interest income and income generated from intangible property received or accrued by a foreign operating corporation that is a member of the taxpayer's unitary group. For purposes of this clause, income generated from intangible property includes:

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

(ii) income from factoring transactions or discounting transactions;

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

(iv) licensing fees; and

(v) other similar income.

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

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

~~(22)~~ (21) the dividends attributable to the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to the dividends paid deduction of a real estate investment trust under section 561(a) of the Internal Revenue Code for amounts paid or accrued by the real estate investment trust to the foreign operating corporation;

~~(23)~~ (22) the income of a foreign operating corporation that is a member of the taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or personal property located in the United States;

~~(24)~~ (23) for taxable years beginning before January 1, 2010, 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)~~ (24) 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 the day following final enactment.

Sec. 14. Minnesota Statutes 2012, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the amount of salary expense not allowed for federal income tax purposes due to claiming the 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 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;~~

~~(16)~~ (15) 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 303(b) of Public Law 110-343;

~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The resulting delayed depreciation cannot be less than zero;

~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth of the amount of the addition; and

~~(19)~~ (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 19c, clause ~~(25)~~ (24).

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

Sec. 15. Minnesota Statutes 2012, section 290.0921, subdivision 3, is amended to read:

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

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

any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

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

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(15)~~ (14), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative minimum taxable income.

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

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

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

~~(7) (6)~~ The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

~~(8) (7)~~ The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

~~(9) (8)~~ The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

~~(10) (9)~~ The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

~~(11) (10)~~ For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

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

~~(12) (11)~~ For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

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

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

Sec. 16. Minnesota Statutes 2012, section 290.17, subdivision 4, is amended to read:

Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly within this state or partly within and partly without this state is part of a unitary business, the entire income of the unitary business is subject to apportionment pursuant to section 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary business is considered to be derived from any particular source and none may be allocated to a particular place except as provided by the applicable apportionment formula. The provisions of this subdivision do not apply to business income subject to subdivision 5, income of an insurance company, or income of an investment company determined under section 290.36.

(b) The term "unitary business" means business activities or operations which result in a flow of value between them. The term may be applied within a single legal entity or between multiple entities and without regard to whether each entity is a sole proprietorship, a corporation, a partnership or a trust.

(c) Unity is presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction, but the absence of these centralized activities will not necessarily evidence a nonunitary business. Unity is also presumed when business activities or operations are of mutual benefit, dependent upon or contributory to one another, either individually or as a group.

(d) Where a business operation conducted in Minnesota is owned by a business entity that carries on business activity outside the state different in kind from that conducted within this state, and the other business is conducted entirely outside the state, it is presumed that the two business operations are unitary in nature, interrelated, connected, and interdependent unless it can be shown to the contrary.

(e) Unity of ownership is does not deemed to exist when a corporation is two or more corporations are involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group corporation is directly or indirectly owned by a common owner or by common owners, either corporate or

noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 66A.40.

(f) The net income and apportionment factors under section 290.191 or 290.20 of foreign corporations and other foreign entities which are part of a unitary business shall not be included in the net income or the apportionment factors of the unitary business. A foreign corporation or other foreign entity which is required to file a return under this chapter shall file on a separate return basis. The net income and apportionment factors under section 290.191 or 290.20 of foreign operating corporations shall not be included in the net income or the apportionment factors of the unitary business except as provided in paragraph (g).

(g) The adjusted net income of a foreign operating corporation shall be deemed to be paid as a dividend on the last day of its taxable year to each shareholder thereof, in proportion to each shareholder's ownership, with which such corporation is engaged in a unitary business. Such deemed dividend shall be treated as a dividend under section 290.21, subdivision 4.

Dividends actually paid by a foreign operating corporation to a corporate shareholder which is a member of the same unitary business as the foreign operating corporation shall be eliminated from the net income of the unitary business in preparing a combined report for the unitary business. The adjusted net income of a foreign operating corporation shall be its net income adjusted as follows:

(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto Rico, or a United States possession or political subdivision of any of the foregoing shall be a deduction; and

(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause (10), shall not be allowed.

If a foreign operating corporation incurs a net loss, neither income nor deduction from that corporation shall be included in determining the net income of the unitary business.

(h) For purposes of determining the net income of a unitary business and the factors to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there must be included only the income and apportionment factors of domestic corporations or other domestic entities other than foreign operating corporations that are determined to be part of the unitary business pursuant to this subdivision, notwithstanding that foreign corporations or other foreign entities might be included in the unitary business.

(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause (10), shall not be disallowed.

(j) Each corporation or other entity, except a sole proprietorship, that is part of a unitary business must file combined reports as the commissioner determines. On the reports, all intercompany transactions between entities included pursuant to paragraph (h) must be eliminated and the entire net income of the unitary business determined in accordance with this subdivision is apportioned among the entities by using each entity's Minnesota factors for apportionment purposes in the numerators of the apportionment formula and the total factors for apportionment purposes of all entities included pursuant to paragraph (h) in the denominators of the apportionment formula.

(k) If a corporation has been divested from a unitary business and is included in a combined report for a fractional part of the common accounting period of the combined report:

(1) its income includable in the combined report is its income incurred for that part of the year determined by proration or separate accounting; and

(2) its sales, property, and payroll included in the apportionment formula must be prorated or accounted for separately.

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

Sec. 17. Minnesota Statutes 2012, section 290.9705, subdivision 1, is amended to read:

Subdivision 1. **Withholding of payments to out-of-state contractors.** (a) In this section, "person" means a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota.

(b) A person who in the regular course of business is hiring, contracting, or having a contract with a nonresident person or foreign corporation, ~~as defined in Minnesota Statutes 1986, section 290.01, subdivision 5,~~ to perform construction work in Minnesota, shall deduct and withhold eight percent of ~~cumulative calendar year payments made to the contractor which exceed~~ if the value of the contract exceeds \$50,000.

**EFFECTIVE DATE.** This section is effective for payments made to contractors after December 31, 2013.

## ARTICLE 14

### DEPARTMENT POLICY AND TECHNICAL: SALES AND USE TAXES; SPECIAL TAXES

Section 1. Minnesota Statutes 2012, section 287.20, is amended by adding a subdivision to read:

Subd. 11. **Partition.** "Partition" means the division by conveyance of real property that is held jointly or in common by two or more persons into individually owned interests. If one of the co-owners gives consideration for all or a part of the individually owned interest conveyed to them, that portion of the conveyance is not a part of the partition.

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

Sec. 2. Minnesota Statutes 2012, 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:

(1) 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; ~~and~~

(2) ~~except as provided in paragraph (f), for a vendor having a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the commissioner monthly in the following manner:~~

~~(i) On or before the 14th day of the month following the month in which the taxable event occurred, the vendor must remit to the commissioner 90 percent of the estimated liability for the month in which the taxable event occurred.~~

~~(ii) On or before the 20th day of the month in which the taxable event occurs, the vendor must remit to the commissioner a prepayment for the month in which the taxable event occurs equal to 67 percent of the liability for the previous month.~~

~~(iii) On or before the 20th day of the month following the month in which the taxable event occurred, the vendor must pay any additional amount of tax not previously remitted under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than the vendor's liability for the month in which the taxable event occurred, the vendor may take a credit against the next month's liability in a manner prescribed by the commissioner.~~

~~(iv) Once the vendor first pays under either item (i) or (ii), the vendor is required to continue to make payments in the same manner, as long as the vendor continues having a liability of \$120,000 or more during the most recent fiscal year ending June 30.~~

~~(v) Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required payment in the first month that the vendor is required to make a payment under either item (i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make subsequent monthly payments in the manner provided in item (ii).~~

~~(vi) For vendors making an accelerated payment under item (ii), for the first month that the vendor is required to make the accelerated payment, on the 20th of that month, the vendor will pay 100 percent of the liability for the previous month and a prepayment for the first month equal to 67 percent of the liability for the previous month.~~

~~(b) Notwithstanding paragraph (a), 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) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in the subsequent calendar year 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; or~~

~~(2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a), clause (2), on returns due for periods beginning in the subsequent calendar year, 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.

~~(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and paid with the chapter 297A taxes, then the payment of all the liabilities on the return must be accelerated as provided in this subdivision.~~

~~(f) At the start of the first calendar quarter at least 90 days after the cash flow account established in section 16A.152, subdivision 1, and the budget reserve account established in section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision 2, paragraph (a), the remittance of the accelerated payments required under paragraph (a), clause (2), must be suspended. The commissioner of management and budget shall notify the commissioner of revenue when the accounts have reached the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day of the month following the month in which the taxable event occurred. Payments of tax liabilities for taxable events occurring in June under paragraph (b) are not changed.~~

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

Sec. 3. Minnesota Statutes 2012, section 297G.04, subdivision 2, is amended to read:

Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

- (1) the liability for tax; or
- (2) \$115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the ~~calendar~~ fiscal year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

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

Sec. 4. Minnesota Statutes 2012, section 297I.05, subdivision 11, is amended to read:

Subd. 11. **Retaliatory provisions.** (a) If any other state or country imposes any taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this state and their agents doing business in another state or country that are in addition to or in excess of those imposed by

the laws of this state upon foreign insurance companies and their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses, and fees are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state.

(b) If any conditions precedent to the right to do business in any other state or country are imposed by the laws of that state or country, beyond those imposed upon foreign companies by the laws of this state, the same conditions precedent are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in that state.

(c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or fees" means an amount of money that is deposited in the general revenue fund of the state or other similar fund in another state or country and is not dedicated to a special purpose or use or money deposited in the general revenue fund of the state or other similar fund in another state or country and appropriated to the commissioner of commerce or insurance for the operation of the Department of Commerce or other similar agency with jurisdiction over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

(1) special purpose obligations or assessments imposed in connection with particular kinds of insurance, including but not limited to assessments imposed in connection with residual market mechanisms; or

(2) assessments made by the insurance guaranty association, life and health guarantee association, or similar association.

(d) This subdivision applies to taxes imposed under subdivisions 1~~;~~ 3~~;~~ 4~~;~~ 6, and 12, paragraph (a), clauses (1) and (2); and 14.

(e) This subdivision does not apply to insurance companies organized or domiciled in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits, penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies domiciled in this state.

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

Sec. 5. **REPEALER.**

Minnesota Statutes 2012, section 289A.60, subdivision 31, is repealed.

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

## ARTICLE 15

### DEPARTMENT POLICY AND TECHNICAL: MINERALS TAXES; PROPERTY TAX

Section 1. Minnesota Statutes 2012, section 13.4965, subdivision 3, is amended to read:

Subd. 3. **Homestead and other applications.** The classification and disclosure of certain information collected to determine eligibility of property for a homestead or other classification or benefit under section 273.13 are governed by section sections 273.124, subdivision subdivisions 13, 13a, 13b, 13c, and 13d; 273.1245; and 273.1315.

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

Sec. 2. Minnesota Statutes 2012, section 123A.455, subdivision 1, is amended to read:



Subdivision 1. **Definitions.** "Split residential property parcel" means a parcel of real estate that is located within the boundaries of more than one school district and that is classified as residential property under:

- (1) section 273.13, subdivision 22, paragraph (a) or (b);
- (2) section 273.13, subdivision 25, paragraph (b), clause (1); or
- (3) section 273.13, subdivision 25, paragraph (c), ~~clause (1).~~

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 3. Minnesota Statutes 2012, section 270.077, is amended to read:

**270.077 TAXES CREDITED TO STATE AIRPORTS FUND.**

All taxes levied under sections 270.071 to 270.079 must be collected by the commissioner and credited to the state airports fund created in section 360.017.

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

Sec. 4. Minnesota Statutes 2012, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.021, subdivisions 2, 4, 6, and 7, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes or performing duties enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, land exchanges, or special assessments.

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

Sec. 5. Minnesota Statutes 2012, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late payment of tax or late filing of a return, or any part of an additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

(b) The commissioner shall abate any part of a penalty or additional tax charge under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous advice given to the taxpayer in writing by an employee of the department acting in an official capacity, if the advice:

(1) was reasonably relied on and was in response to a specific written request of the taxpayer; and

(2) was not the result of failure by the taxpayer to provide adequate or accurate information.

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

Sec. 6. Minnesota Statutes 2012, section 272.01, subdivision 2, is amended to read:

Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to:

(1) property leased or used as a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 469, municipal auditorium, municipal parking facility, municipal museum, or municipal stadium;

(2) property of an airport owned by a city, town, county, or group thereof which is:

(i) leased to or used by any person or entity including a fixed base operator; and

(ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods, services, or facilities to the airport or general public;

the exception from taxation provided in this clause does not apply to:

(i) property located at an airport owned or operated by the Metropolitan Airports Commission or by a city of over 50,000 population according to the most recent federal census or such a city's airport authority; or

(ii) hangars leased by a private individual, association, or corporation in connection with a business conducted for profit other than an aviation-related business;

(3) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport;

(4) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the Metropolitan Airports Commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes is not exempt;

(5) property leased, loaned, or otherwise made available to a private individual, corporation, or association under a cooperative farming agreement made pursuant to section 97A.135; or

(6) property leased, loaned, or otherwise made available to a private individual, corporation, or association under section 272.68, subdivision 4.

(c) Taxes imposed by this subdivision are payable as in the case of personal property taxes and shall be assessed to the lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county, and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) The tax on real property of the federal government, the state or any of its political subdivisions that is leased by, loaned, or otherwise made available to a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

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

Sec. 7. Minnesota Statutes 2012, section 272.02, subdivision 97, is amended to read:

Subd. 97. **Property used in business of mining subject to net proceeds tax.** The following property used in the business of mining that is subject to the net proceeds tax under section 298.015 is exempt:

(1) deposits of ores, metals, and minerals and the lands in which they are contained;

(2) all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals, including lands occupied by or used in connection with the mining, quarrying, production, or ore refining facilities; and

(3) concentrate ~~or direct reduced ore~~.

This exemption applies for each year that a person subject to tax under section 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or minerals.

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

Sec. 8. Minnesota Statutes 2012, section 272.03, subdivision 9, is amended to read:

Subd. 9. **Person.** "Person" ~~includes~~ means an individual, association, estate, trust, partnership, firm, company, or corporation.

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

Sec. 9. Minnesota Statutes 2012, section 273.032, is amended to read:

### **273.032 MARKET VALUE DEFINITION.**

For the purpose of determining any property tax levy limitation based on market value, any qualification to receive state aid based on market value, or any state aid amount based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean the total taxable market value of property within the local unit of government

before any adjustments for tax increment, fiscal disparity, powerline credit, or wind energy values, but after ~~the limited market adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16.~~ Unless otherwise provided, "market value," "taxable market value," and "market valuation" for purposes of this paragraph, refer to the taxable market value for the previous assessment year.

For the purpose of determining any net debt limit based on market value, or any limit on the issuance of bonds, certificates of indebtedness, or capital notes based on market value, the terms "market value," "taxable market value," and "market valuation," whether equalized or unequalized, mean the total taxable market value of property within the local unit of government before any adjustments for tax increment, fiscal disparity, powerline credit, or wind energy values, but after ~~the limited market value adjustments under section 273.11, subdivision 1a, and after the market value exclusions of certain improvements to homestead property under section 273.11, subdivision 16.~~ Unless otherwise provided, "market value," "taxable market value," and "market valuation" for purposes of this paragraph, mean the taxable market value as last finally equalized.

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

Sec. 10. Minnesota Statutes 2012, section 273.114, subdivision 6, is amended to read:

Subd. 6. **Additional taxes.** (a) When real property which is being, or has been valued and assessed under this section is sold, transferred, or no longer qualifies under subdivision 2, the portion sold, transferred, or no longer qualifying shall be subject to additional taxes in the amount equal to the difference between the taxes determined in accordance with subdivision 3 and the amount determined under subdivision 4, provided that the amount determined under subdivision 4 shall not be greater than it would have been had the actual bona fide sale price of the real property at an arm's-length transaction been used in lieu of the market value determined under subdivision 4. The additional taxes shall be extended against the property on the tax list for taxes payable in the current year, provided that no interest or penalties shall be levied on the additional taxes if timely paid and provided that the additional taxes shall only be levied with respect to the current year plus two prior years that the property has been valued and assessed under this section.

(b) In the case of a sale or transfer, the additional taxes under paragraph (a) shall not be extended against the property if the new owner submits a successful application under this section by the later of May 1 of the current year or 30 days after the sale or transfer.

(c) For the purposes of this section, the following events do not constitute a sale or transfer for property that qualified under subdivision 2 prior to the event:

- (1) death of a property owner when the surviving owners retain ownership of the property;
- (2) divorce of a married couple when one of the spouses retains ownership of the property;
- (3) marriage of a single property owner when that owner retains ownership of the property in whole or in part;
- (4) the organization or reorganization of a farm ownership entity that is not prohibited from owning agricultural land in this state under section 500.24, if all owners maintain the same beneficial interest both before and after the organization or reorganization; and

(5) transfer of the property to a trust or trustee, provided that the individual owners of the property are the grantors of the trust and they maintain the same beneficial interest both before and after placement of the property in trust.

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

Sec. 11. Minnesota Statutes 2012, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county assessor to initially obtain homestead classification.

(b) The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to receive homestead treatment.

(c) Every property owner applying for homestead classification must furnish to the county assessor the Social Security number of each occupant who is listed as an owner of the property on the deed of record, the name and address of each owner who does not occupy the property, and the name and Social Security number of each owner's spouse who occupies the property. The application must be signed by each owner who occupies the property and by each owner's spouse who occupies the property, or, in the case of property that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

If a property owner occupies a homestead, the property owner's spouse may not claim another property as a homestead unless the property owner and the property owner's spouse file with the assessor an affidavit or other proof required by the assessor stating that the property qualifies as a homestead under subdivision 1, paragraph (e).

Owners or spouses occupying residences owned by their spouses and previously occupied with the other spouse, either of whom fail to include the other spouse's name and Social Security number on the homestead application or provide the affidavits or other proof requested, will be deemed to have elected to receive only partial homestead treatment of their residence. The remainder of the residence will be classified as nonhomestead residential. When an owner or spouse's name and Social Security number appear on homestead applications for two separate residences and only one application is signed, the owner or spouse will be deemed to have elected to homestead the residence for which the application was signed.

~~The Social Security numbers, state or federal tax returns or tax return information, including the federal income tax schedule F required by this section, or affidavits or other proofs of the property owners and spouses submitted under this or another section to support a claim for a property tax homestead classification are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.~~

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The Social Security number of each relative and spouse of a relative occupying the property shall be

required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The Social Security number of a relative or relative's spouse occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue, or, for the purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(e) The homestead application shall also notify the property owners that ~~the application filed under this section will not be mailed annually and that~~ if the property is granted homestead status for any assessment year, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) ~~If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. If a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.~~

**Subd. 13a. Occupant list.** ~~(g)~~ At the request of the commissioner, each county must give the commissioner a list that includes the name and Social Security number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

**Subd. 13b. Improper homestead.** ~~(h)~~ (a) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this ~~section~~ subdivision, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.

The county auditor shall send a notice to the person who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. Procedurally,

the appeal is governed by the provisions in chapter 271 which apply to the appeal of a property tax assessment or levy, but without requiring any prepayment of the amount in controversy. If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided in section 279.03 for real property taxes becoming delinquent in the calendar year during which the amount remains unpaid. Interest may be assessed for the period beginning 60 days after demand for payment was made.

If the person notified is the current owner of the property, the treasurer may add the total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes otherwise payable on the property by including the amounts on the property tax statements under section 276.04, subdivision 3. The amounts added under this paragraph to the ad valorem taxes shall include interest accrued through December 31 of the year preceding the taxes payable year for which the amounts are first added. These amounts, when added to the property tax statement, become subject to all the laws for the enforcement of real or personal property taxes for that year, and for any subsequent year.

If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the homestead benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property as provided in this paragraph to the extent that the current owner agrees in writing. On all demands, billings, property tax statements, and related correspondence, the county must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

(i) (b) Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

(j) (c) If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

Subd. 13c. **Property lists.** (k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The Social Security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270C.12. The commissioner shall use the information provided on the lists

as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

Subd. 13d. Homestead data. (†) On or before April 30 each year beginning in 2007, each county must provide the commissioner with the following data for each parcel of homestead property by electronic means as defined in section 289A.02, subdivision 8:

(i) (1) the property identification number assigned to the parcel for purposes of taxes payable in the current year;

(ii) (2) the name and Social Security number of each occupant of homestead property who is the property owner, property owner's spouse, qualifying relative of a property owner, or spouse of a qualifying relative;

(iii) (3) the classification of the property under section 273.13 for taxes payable in the current year and in the prior year;

(iv) (4) an indication of whether the property was classified as a homestead for taxes payable in the current year because of occupancy by a relative of the owner or by a spouse of a relative;

(v) (5) the property taxes payable as defined in section 290A.03, subdivision 13, for the current year and the prior year;

(vi) (6) the market value of improvements to the property first assessed for tax purposes for taxes payable in the current year;

(vii) (7) the assessor's estimated market value assigned to the property for taxes payable in the current year and the prior year;

(viii) (8) the taxable market value assigned to the property for taxes payable in the current year and the prior year;

(ix) (9) whether there are delinquent property taxes owing on the homestead;

(x) (10) the unique taxing district in which the property is located; and

(xi) (11) such other information as the commissioner decides is necessary.

The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

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

**Sec. 12. [273.1245] CLASSIFICATION OF DATA.**

Subdivision 1. Private or nonpublic data. The following data are private or nonpublic data as defined in 13.02, subdivisions 9 and 12, when they are submitted to a county or local assessor under section 273.124, 273.13, or another section, to support a claim for the property tax homestead classification under section 273.13, or other property tax classification or benefit that is provided under section 273.13:

(1) Social Security numbers;

(2) copies of state or federal income tax returns; and



(3) state or federal income tax return information, including the federal income tax schedule F.

Subd. 2. **Disclosure.** The assessor shall disclose the data described in subdivision 1 to the commissioner of revenue as provided by law. The assessor shall also disclose all or portions of the data described in subdivision 1 to the county treasurer solely for the purpose of proceeding under the Revenue Recapture Act to recover personal property taxes owing.

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

Sec. 13. Minnesota Statutes 2012, 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 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 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:

(1) contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes; or

(2) contiguous acreage used during the preceding year for an intensive livestock or poultry confinement operation, provided that land used only for pasturing or grazing does not qualify under this clause.

"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~~ taxes payable in 2003 because of its enrollment in a qualifying program and the land remains enrolled 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.

"Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion of, a set of contiguous tax parcels under that section that are owned by the same person.

(f) ~~Real estate of~~ Agricultural land under this section also includes:

(1) contiguous acreage that is less than ten acres, which is in size and exclusively or intensively used in the preceding year 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; or

(2) contiguous acreage that contains a residence and is less than 11 acres in size, if the contiguous acreage exclusive of the house, garage, and surrounding one acre of land was used in the preceding year for one or more of the following three uses:

(i) for an intensive grain drying or storage of grain operation, or for intensive machinery or equipment storage of machinery or equipment activities 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 intensively to produce nursery stock are considered agricultural land; or

(iii) for livestock or poultry confinement, provided that land that is used only for pasturing and grazing does not qualify; or

(iv) (iii) for intensive 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.

"Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as described in section 272.193, or all of a set of contiguous tax parcels under that section that are owned by the same person.

(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, which may include related horse training and riding instruction, if the boarding is done on property that is also used for raising pasture to graze horses or raising or cultivating other 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 (i) on a game farm licensed under section 97A.105, provided that the annual licensing report to the Department of Natural Resources, which must be submitted annually by March 30 to the assessor, indicates that at least 500 birds were raised or used for breeding stock on the property during the preceding year and that the owner provides a copy of the owner's most recent schedule F; or (ii) 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.

(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.

(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.

(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 and are exempt from the rulemaking provisions of chapter 14, and the provisions in section 14.386 concerning exempt rules do not apply.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and thereafter.

Sec. 14. Minnesota Statutes 2012, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential recreational property;

(2) manufactured homes not classified under any other provision;

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units; and

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of 1.25 percent.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential recreational property; and

(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to commercial temporary and seasonal residential occupancy for recreation purposes, for not 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. 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 under this clause, either (i) the business located on the property must provide recreational activities, 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 (A) 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 (B) at least 20 percent of the annual gross receipts must be from charges for providing recreational activities, or (ii) the business must contain 20 or fewer rental units, and must be located in a township or a city with a population of 2,500 or less located outside the metropolitan area, as defined under section 473.121, subdivision 2, that contains a portion of a state trail administered by the Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or more nights shall be counted as two bookings. Class 4c property 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. In order for a property to qualify for classification under this clause, the owner 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. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(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 not used for residential purposes on either a temporary or permanent basis, provided that:

(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) 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)(i) manufactured home parks as defined in section 327.14, subdivision 3, excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii) manufactured home parks as defined in section 327.14, subdivision 3, that are described in section 273.124, subdivision 3a;

(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;

(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;

(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 by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. 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; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property under clause (12) has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5), item (i), have the same class rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has the same class rate as class 4d property if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a class rate of one percent if 50 percent or less of the lots are so occupied, (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 taxes payable in 2014 and thereafter.

Sec. 15. Minnesota Statutes 2012, section 273.1315, subdivision 1, is amended to read:

Subdivision 1. **Class 1b homestead declaration before 2009.** Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2008, shall file with the commissioner of revenue a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) (1) the information necessary to verify that on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for 1b classification; and

(b) (2) any additional information prescribed by the commissioner.

The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this subdivision shall be subject to chapter 270B. If approved by the commissioner, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the commissioner within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision ~~13~~ 13b, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

The commissioner shall provide to the assessor on or before November 1 a listing of the parcels of property qualifying for 1b classification.

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

Sec. 16. Minnesota Statutes 2012, section 273.1315, subdivision 2, is amended to read:

Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file with the county assessor a class 1b homestead declaration, on a form prescribed by the commissioner of revenue. The declaration must contain the following information:

(1) the information necessary to verify that, on or before June 30 of the filing year, the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), for class 1b classification; and

(2) any additional information prescribed by the commissioner.

(b) The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The Social Security numbers and income and medical information received from the property owner pursuant to this subdivision are private data on individuals as defined in section 13.02. If approved by the assessor, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30 days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13 ~~13~~ 13b, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

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

Sec. 17. Minnesota Statutes 2012, section 273.19, subdivision 1, is amended to read:

Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or 4, tax-exempt property held under a lease for a term of at least one year, and not taxable under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall be considered, for all purposes of taxation, as the property of the person holding it. In this subdivision, "tax-exempt property" means property owned by the United States, the state or any of its political subdivisions, a school, or any religious, scientific, or benevolent society or institution, incorporated or unincorporated, or any corporation whose property is not taxed in the same manner as other property. This subdivision does not apply to property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses (2), (3), and (4), or to property exempt from taxation under section 272.0213.

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

Sec. 18. Minnesota Statutes 2012, section 273.372, subdivision 4, is amended to read:

Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under section 270.82 or 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner prior to bringing an action in court by submitting.

(b) Companies that must submit reports under section 270.82 must submit a written request with to the commissioner for a conference within ten days after the date of the commissioner's valuation certification or notice to the company, or by ~~May~~ June 15, whichever is earlier.

(c) Companies that submit reports under section 273.371 must submit a written request to the commissioner for a conference within ten days after the date of the commissioner's valuation certification or notice to the company, or by July 1, whichever is earlier.

(d) The commissioner shall conduct the conference upon the commissioner's entire files and records and such further information as may be offered. The conference must be held no later than 20 days after the date of the commissioner's valuation certification or notice to the company, or by the date specified by the commissioner in an extension. Within 60 days after the conference the



- (a) ~~nonagricultural homesteaded land as defined in section 273.13, subdivision 22;~~
- (b) ~~homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a);~~
- (c) ~~seasonal residential recreational land as defined in section 273.13, subdivisions 22, paragraph (c), and 25, paragraph (d), clause (1), in which event the period of redemption is five years from the date of sale to the state of Minnesota;~~
- (d) ~~abandoned property and pursuant to section 281.173 a court order has been entered shortening the redemption period to five weeks; or~~
- (e) ~~vacant property as described under section 281.174, subdivision 2, and for which a court order is entered shortening the redemption period under section 281.174.~~

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Inquiries as to the proceedings set forth above can be made to the county auditor of ..... county whose address is .....

(Signed) ..... ,  
 Court Administrator of the District Court of the  
 County of .....  
 (Here insert list.)

The notice must contain a narrative description of the various periods to redeem specified in sections 281.17, 281.173, and 281.174, in the manner prescribed by the commissioner of revenue under subdivision 2.

The list referred to in the notice shall be substantially in the following form:

List of real property for the county of ....., on which taxes remain delinquent on the first Monday in January, .....

Town of (Fairfield),  
 Township (40), Range (20),

Names (and Current  
 Filed Addresses) for the  
 Taxpayers and Fee Owners  
 and in Addition Those  
 Parties Who Have Filed  
 Their Addresses Pursuant  
 to section 276.041

Subdivision of Section	Section	Tax Parcel Number	Total Tax and Penalty \$ cts.
John Jones (825 Fremont Fairfield, MN 55000)	S.E. 1/4 of S.W. 1/4	10	23101 2.20

Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	That part of N.E. 1/4 of S.W. 1/4 desc. as follows: Beg. at the S.E. corner of said N.E. 1/4 of S.W. 1/4; thence N. along the E. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence W. parallel with the S. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence S. parallel with said E. line a distance of 600 ft. to S. line of said N.E. 1/4 of S.W. 1/4; thence E. along said S. line a distance of 600 ft. to the point of beg.	21	33211	3.15
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As to platted property, the form of heading shall conform to circumstances and be substantially in the following form:

City of (Smithtown)  
Brown's Addition, or Subdivision

Names (and Current  
Filed Addresses) for the  
Taxpayers and Fee Owners  
and in Addition Those  
Parties Who Have Filed  
Their Addresses Pursuant  
to section 276.041

	Lot	Block	Tax Parcel Number	Total Tax and Penalty \$ cts.
John Jones (825 Fremont Fairfield, MN 55000)	15	9	58243	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	16	9	58244	3.15

The names, descriptions, and figures employed in parentheses in the above forms are merely for purposes of illustration.

The name of the town, township, range or city, and addition or subdivision, as the case may be, shall be repeated at the head of each column of the printed lists as brought forward from the preceding column.

Errors in the list shall not be deemed to be a material defect to affect the validity of the judgment and sale.

**EFFECTIVE DATE.** This section is effective for lists and notices required after December 31, 2013.

Sec. 21. Minnesota Statutes 2012, section 290A.25, is amended to read:

**290A.25 VERIFICATION OF SOCIAL SECURITY NUMBERS.**

Annually, the commissioner of revenue shall furnish a list to the county assessor containing the names and Social Security numbers of persons who have applied for both homestead classification under section 273.13 and a property tax refund as a renter under this chapter.

Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was improperly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that has been improperly allowed. For the purpose of this section, "homestead benefits" has the meaning given in section 273.124, subdivision 13, ~~paragraph (h)~~ 13b. The county auditor shall send a notice to persons who owned the affected property at the time the homestead application related to the improper homestead was filed, demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent of the homestead benefits. The person notified may appeal the county's determination with the Minnesota Tax Court within 60 days of the date of the notice from the county as provided in section 273.124, subdivision 13, ~~paragraph (h)~~ 13b.

If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of taxes and penalty to the county treasurer. The county treasurer will add interest to the unpaid homestead benefits and penalty amounts at the rate provided for delinquent personal property taxes for the period beginning 60 days after demand for payment was made until payment. If the person notified is the current owner of the property, the treasurer may add the total amount of benefits, penalty, interest, and costs to the real estate taxes otherwise payable on the property in the following year. If the person notified is not the current owner of the property, the treasurer may collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those amounts were delinquent tax obligations of the person who owned the property at the time the application related to the improperly allowed homestead was filed. The treasurer may relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and instead extend those amounts on the tax lists against the property for taxes payable in the following year to the extent that the current owner agrees in writing.

Any amount of homestead benefits recovered by the county from the property owner shall be distributed to the county, city or town, and school district where the property is located in the same proportion that each taxing district's levy was to the total of the three taxing districts' levy for the current year. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis County auditor to be deposited in the taconite property tax relief account. Any amount recovered that is attributable to supplemental homestead credit is to be transmitted to the commissioner of revenue for deposit in the general fund of the state treasury. The total amount of penalty collected must be deposited in the county general fund.

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

Sec. 22. Minnesota Statutes 2012, section 290B.04, subdivision 2, is amended to read:

Subd. 2. **Approval; recording.** The commissioner shall approve all initial applications that qualify under this chapter and shall notify qualifying homeowners on or before December 1. The commissioner may investigate the facts or require confirmation in regard to an application. The commissioner shall record or file a notice of qualification for deferral, including the names of the qualifying homeowners and a legal description of the property, in the office of the county recorder, or registrar of titles, whichever is applicable, in the county where the qualifying property is located. The notice must state that it serves as a notice of lien and that it includes deferrals under this section for future years. The commissioner shall prescribe the form of the notice. Execution of the notice by the original or facsimile signature of the commissioner or a delegate entitles them to be recorded, and no other attestation, certification, or acknowledgment is necessary. The homeowner shall pay the recording or filing fees for the notice, which, notwithstanding section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

**EFFECTIVE DATE.** This section is effective for notices that are both executed and recorded after June 30, 2013.

Sec. 23. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of mining, refining, or producing ores, metals, or minerals in this state, except iron ore or taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided in this subdivision. For purposes of this subdivision, mining includes the application of hydrometallurgical processes. Hydrometallurgical processes are processes that extract the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and recover the ore, metal, or mineral. The tax is determined in the same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be computed by applying to taxable income the rate of 2.45 percent. A person subject to occupation tax under this section shall apportion its net income on the basis of the percentage obtained by taking the sum of:

(1) 75 percent of the percentage which the sales made within this state in connection with the trade or business during the tax period are of the total sales wherever made in connection with the trade or business during the tax period;

(2) 12.5 percent of the percentage which the total tangible property used by the taxpayer in this state in connection with the trade or business during the tax period is of the total tangible property, wherever located, used by the taxpayer in connection with the trade or business during the tax period; and

(3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with the trade or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

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



Sec. 24. Minnesota Statutes 2012, section 298.018, is amended to read:

**298.018 DISTRIBUTION OF PROCEEDS.**

Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~ mined or extracted within the taconite assistance area defined in section 273.1341, shall be allocated as follows:

(1) five percent to the city or town within which the minerals or energy resources are mined or extracted;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282;

(3) ten percent to the school district within which the minerals or energy resources are mined or extracted;

(4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions;

(5) 20 percent to the county within which the minerals or energy resources are mined or extracted;

(6) 20 percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the Iron Range Resources and Rehabilitation Board for the purposes of section 298.22;

(8) five percent to the Douglas J. Johnson economic protection trust fund; and

(9) five percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Subd. 2. **Outside taconite assistance area.** The proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~ mined or extracted outside of the taconite assistance area defined in section 273.1341, shall be deposited in the general fund.

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

Sec. 25. Minnesota Statutes 2012, section 373.01, subdivision 1, is amended to read:

Subdivision 1. **Public corporation; listed powers.** (a) Each county is a body politic and corporate and may:

(1) Sue and be sued.

(2) Acquire and hold real and personal property for the use of the county, and lands sold for taxes as provided by law.

(3) Purchase and hold for the benefit of the county real estate sold by virtue of judicial proceedings, to which the county is a party.

(4) Sell, lease, and convey real or personal estate owned by the county, and give contracts or options to sell, lease, or convey it, and make orders respecting it as deemed conducive to the interests of the county's inhabitants.

(5) Make all contracts and do all other acts in relation to the property and concerns of the county necessary to the exercise of its corporate powers.

(b) No sale, lease, or conveyance of real estate owned by the county, except the lease of a residence acquired for the furtherance of an approved capital improvement project, nor any contract or option for it, shall be valid, without first advertising for bids or proposals in the official newspaper of the county for three consecutive weeks and once in a newspaper of general circulation in the area where the property is located. The notice shall state the time and place of considering the proposals, contain a legal description of any real estate, and a brief description of any personal property. Leases that do not exceed \$15,000 for any one year may be negotiated and are not subject to the competitive bid procedures of this section. All proposals estimated to exceed \$15,000 in any one year shall be considered at the time set for the bid opening, and the one most favorable to the county accepted, but the county board may, in the interest of the county, reject any or all proposals.

(c) Sales of personal property the value of which is estimated to be \$15,000 or more shall be made only after advertising for bids or proposals in the county's official newspaper, on the county's Web site, or in a recognized industry trade journal. At the same time it posts on its Web site or publishes in a trade journal, the county must publish in the official newspaper, either as part of the minutes of a regular meeting of the county board or in a separate notice, a summary of all requests for bids or proposals that the county advertises on its Web site or in a trade journal. After publication in the official newspaper, on the Web site, or in a trade journal, bids or proposals may be solicited and accepted by the electronic selling process authorized in section 471.345, subdivision 17. Sales of personal property the value of which is estimated to be less than \$15,000 may be made either on competitive bids or in the open market, in the discretion of the county board. "Web site" means a specific, addressable location provided on a server connected to the Internet and hosting World Wide Web pages and other files that are generally accessible on the Internet all or most of a day.

(d) Notwithstanding anything to the contrary herein, the county may, when acquiring real property for county highway right-of-way, exchange parcels of real property of substantially similar or equal value without advertising for bids. The estimated values for these parcels shall be determined by the county assessor.

(e) Notwithstanding anything in this section to the contrary, the county may, when acquiring real property for purposes other than county highway right-of-way, exchange parcels of real property of substantially similar or equal value without advertising for bids. The estimated values for these parcels must be determined by the county assessor or a private appraisal performed by a licensed Minnesota real estate appraiser. For the purpose of determining for the county the estimated values

of parcels proposed to be exchanged, the county assessor need not be licensed under chapter 82B. Before giving final approval to any exchange of land, the county board shall hold a public hearing on the exchange. At least two weeks before the hearing, the county auditor shall post a notice in the auditor's office and the official newspaper of the county of the hearing that contains a description of the lands affected.

(f) If real estate or personal property remains unsold after advertising for and consideration of bids or proposals the county may employ a broker to sell the property. The broker may sell the property for not less than 90 percent of its appraised market value as determined by the county. The broker's fee shall be set by agreement with the county but may not exceed ten percent of the sale price and must be paid from the proceeds of the sale.

(g) A county or its agent may rent a county-owned residence acquired for the furtherance of an approved capital improvement project subject to the conditions set by the county board and not subject to the conditions for lease otherwise provided by paragraph (a), clause (4), and paragraphs (b), (c), (d), (f), and (h).

(h) In no case shall lands be disposed of without there being reserved to the county all iron ore and other valuable minerals in and upon the lands, with right to explore for, mine and remove the iron ore and other valuable minerals, nor shall the minerals and mineral rights be disposed of, either before or after disposition of the surface rights, otherwise than by mining lease, in similar general form to that provided by section 93.20 for mining leases affecting state lands. The lease shall be for a term not exceeding 50 years, and be issued on a royalty basis, the royalty to be not less than 25 cents per ton of 2,240 pounds, and fix a minimum amount of royalty payable during each year, whether mineral is removed or not. Prospecting options for mining leases may be granted for periods not exceeding one year. The options shall require, among other things, periodical showings to the county board of the results of exploration work done.

(i) Notwithstanding anything in this subdivision to the contrary, the county may, when selling real property owned in fee simple that cannot be improved because of noncompliance with local ordinances regarding minimum area, shape, frontage, or access, proceed to sell the nonconforming parcel without advertising for bid. At the county's discretion, the real property may be restricted to sale to adjoining landowners or may be sold to any other interested party. The property shall be sold to the highest bidder, but in no case shall the property be sold for less than 90 percent of its fair market value as determined by the county assessor. All owners of land adjoining the land to be sold shall be given a written notice at least 30 days before the sale. This paragraph shall be liberally construed to encourage the sale of nonconforming real property and promote its return to the tax roles.

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

Sec. 26. **REPEALER.**

Minnesota Statutes 2012, sections 272.69; and 273.11, subdivisions 1a and 22, are repealed.

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

**ARTICLE 16****DEPARTMENT POLICY AND TECHNICAL: MISCELLANEOUS**

Section 1. Minnesota Statutes 2012, section 16A.46, is amended to read:

**16A.46 LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.**

Subdivision 1. **Duplicate warrant.** The commissioner may issue a duplicate of an unpaid warrant to an owner if the owner certifies that the original was lost or destroyed. The commissioner may require certification be documented by affidavit. The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith, the commissioner is not liable, whether the application is granted or denied.

Subd. 2. **Original warrant is void.** When the duplicate is issued, the original is void. The commissioner may require an indemnity bond from the applicant to the state for double the amount of the warrant for anyone damaged by the issuance of the duplicate. The commissioner ~~may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith the commissioner is not liable, whether the application is granted or denied~~ is not liable to any holder who took the void original warrant for value, whether or not the commissioner required an indemnity bond from the applicant.

Subd. 3. **Unpaid refund or rebate.** For an unpaid refund or rebate issued under a tax law administered by the commissioner of revenue that has been lost or destroyed, an affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued to the same name and Social Security number as the original warrant and that information is verified on a tax return filed by the recipient.

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

Sec. 2. Minnesota Statutes 2012, section 270C.38, subdivision 1, is amended to read:

Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written determination or action of the commissioner is otherwise specifically provided for by law, notice of the determination or action sent postage prepaid by United States mail to the taxpayer or other person affected by the determination or action at the taxpayer's or person's last known address, is sufficient. If the taxpayer or person being notified is deceased or is under a legal disability, or, in the case of a corporation being notified that has terminated its existence, notice to the last known address of the taxpayer, person, or corporation is sufficient, unless the department has been provided with a new address by a party authorized to receive notices from the commissioner.

(b) If a taxpayer or other person agrees to accept notification by electronic means, notice of a determination or action of the commissioner sent by electronic mail to the taxpayer's or person's last known electronic mailing address as provided for in section 325L.08 is sufficient.

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

Sec. 3. Minnesota Statutes 2012, section 270C.42, subdivision 2, is amended to read:

Subd. 2. **Penalty for failure to pay electronically.** In addition to other applicable penalties imposed by law, after notification from the commissioner to the taxpayer that payments for a tax payable to the commissioner are required to be made by electronic means, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that

should have been remitted electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty can be abated under the abatement procedures prescribed in section 270C.34 if the failure to remit the payment electronically is due to reasonable cause. The penalty bears interest at the rate specified in section 270C.40 from the ~~due date of the payment of the tax~~ provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

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

Sec. 4. Minnesota Statutes 2012, section 287.385, subdivision 7, is amended to read:

Subd. 7. **Interest on penalties.** A penalty imposed under this chapter bears interest from the date ~~payment was required to be paid, including any extensions;~~ provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

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

Sec. 5. Minnesota Statutes 2012, section 289A.55, subdivision 9, is amended to read:

Subd. 9. **Interest on penalties.** (a) A penalty imposed under section 289A.60, subdivision 1, 2, 2a, 4, 5, 6, or 21 bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within 60 days from the date of notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 6. Minnesota Statutes 2012, section 289A.60, subdivision 4, is amended to read:

Subd. 4. **Substantial understatement of liability; penalty.** (a) The commissioner of revenue shall impose a penalty for substantial understatement of any tax payable to the commissioner, except a tax imposed under chapter 297A.

(b) There must be added to the tax an amount equal to 20 percent of the amount of any underpayment attributable to the understatement. There is a substantial understatement of tax for the period if the amount of the understatement for the period exceeds the greater of:

(1) ten percent of the tax required to be shown on the return for the period; or

(2)(i) \$10,000 in the case of a mining company or a corporation, other than an S corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or section 298.01 or 298.015, or

(ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

(c) For a corporation, other than an S corporation, there is also a substantial understatement of tax for any taxable year if the amount of the understatement for the taxable year exceeds the lesser of:

(1) ten percent of the tax required to be shown on the return for the taxable year (or, if greater, \$10,000); or

(2) \$10,000,000.

(d) The term "understatement" means the excess of the amount of the tax required to be shown on the return for the period, over the amount of the tax imposed that is shown on the return. The excess must be determined without regard to items to which subdivision 27 applies. The amount of the understatement shall be reduced by that part of the understatement that is attributable to the tax treatment of any item by the taxpayer if (1) there is or was substantial authority for the treatment, or (2)(i) any item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return and (ii) there is a reasonable basis for the tax treatment of the item. The exception for substantial authority under clause (1) does not apply to positions listed by the Secretary of the Treasury under section 6662(d)(3) of the Internal Revenue Code. A corporation does not have a reasonable basis for its tax treatment of an item attributable to a multiple-party financing transaction if the treatment does not clearly reflect the income of the corporation within the meaning of section 6662(d)(2)(B) of the Internal Revenue Code. The special rules in cases involving tax shelters provided in section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax shelter the principal purpose of which is the avoidance or evasion of state taxes.

(e) The commissioner may abate all or any part of the addition to the tax provided by this section on a showing by the taxpayer that there was reasonable cause for the understatement, or part of it, and that the taxpayer acted in good faith. The additional tax and penalty shall bear interest at the rate as specified in section 270C.40 from the time the tax should have been paid until paid.

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

Sec. 7. Minnesota Statutes 2012, section 296A.01, subdivision 19, is amended to read:

Subd. 19. **E85.** "E85" means a petroleum product that is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline that typically contains not more than 85 percent ethanol by volume, but at a minimum must contain 60 greater than 50 percent ethanol by volume. For the purposes of this chapter, the energy content of E85 will be considered to be 82,000 BTUs per gallon. E85 produced for use as a motor fuel in alternative fuel vehicles as defined in subdivision 5 must comply with ASTM specification ~~D5798-07~~ D5798-11.

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

Sec. 8. Minnesota Statutes 2012, section 296A.22, subdivision 1, is amended to read:

Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of any person to pay any tax or fee when due, a penalty of one percent per day for the first ten days of delinquency shall accrue, and thereafter the tax, fees, and penalty shall bear interest at the rate specified in section 270C.40 until paid.

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

Sec. 9. Minnesota Statutes 2012, section 296A.22, subdivision 3, is amended to read:

Subd. 3. **Operating without license.** If any person operates as a distributor, special fuel dealer, bulk purchaser, or motor carrier without first securing the license required under this chapter, any tax

or fee imposed by this chapter shall become immediately due and payable. A penalty of 25 percent is imposed upon the tax and fee due. The tax, ~~and fees, and penalty~~ shall bear interest at the rate specified in section 270C.40. The penalty imposed in this subdivision shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

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

Sec. 10. Minnesota Statutes 2012, section 297A.665, is amended to read:

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

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

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

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

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, a seller is relieved of liability if:

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

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

(i) obtains in good faith from the purchaser a fully completed exemption certificate or all the relevant information required by section 297A.72, subdivision 2, from the purchaser taken in good faith which means that the exemption certificate claims an exemption that (A) was statutorily available on the date of the transaction, (B) could be applicable to the item for which the exemption is claimed, and (C) is reasonable for the purchaser's type of business; or

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

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

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption.

(d) Notwithstanding paragraph (b), relief from liability does not apply to a seller who has obtained information under paragraph (b), clause (2), if through the audit process the commissioner finds the following:

(1) that at the time the information was provided the seller had knowledge or had reason to know that the information relating to the exemption was materially false; or

(2) that the seller knowingly participated in activity intended to purposefully evade the sales tax due on the transaction.

~~(d)~~ (e) A certified service provider, as defined in section 297A.995, subdivision 2, is relieved of liability under this section to the extent a seller who is its client is relieved of liability.

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

~~(f)~~ (g) If a seller claims that certain sales are exempt and does not provide the certificate, information, or proof required by paragraph (b), clause (2), within 120 days after the date of the commissioner's request for substantiation, then the exemptions claimed by the seller that required substantiation are disallowed.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

Sec. 11. Minnesota Statutes 2012, section 297B.11, is amended to read:

**297B.11 REGISTRAR AS AGENT OF COMMISSIONER OF REVENUE; POWERS.**

The state commissioner of revenue is charged with the administration of the sales tax on motor vehicles. The commissioner may prescribe all rules not inconsistent with the provisions of this chapter, necessary and advisable for the proper and efficient administration of the law. The collection of this sales tax on motor vehicles shall be carried out by the motor vehicle registrar who shall act as the agent of the commissioner and who shall be subject to all rules not inconsistent with the provisions of this chapter, that may be prescribed by the commissioner.

The provisions of chapters 270C, 289A, and 297A relating to the commissioner's authority to audit, assess, and collect the tax, and to issue refunds and to hear appeals, are applicable to the sales tax on motor vehicles. The commissioner may impose civil penalties as provided in chapters 289A and 297A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40 from the date provided in section 270C.40, subdivision 3, until paid.

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

Sec. 12. Minnesota Statutes 2012, section 297E.14, subdivision 7, is amended to read:

Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297E.12, subdivision 1, 2, 3, 4, or 5, bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ten days from the date of notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 13. Minnesota Statutes 2012, section 297F.01, subdivision 23, is amended to read:

Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price stated on the price list in effect at the time of sale for which a manufacturer or person sells a tobacco product to a distributor, exclusive of any discount, promotional offer, or other reduction. For purposes of this subdivision, "price list" means the manufacturer's price at which tobacco products are made available for sale to all distributors on an ongoing basis at which a distributor purchases a tobacco product. Wholesale



sales price includes the applicable federal excise tax, freight charges, or packaging costs, regardless of whether they were included in the purchase price.

**EFFECTIVE DATE.** This section is effective for purchases made after December 31, 2013.

Sec. 14. Minnesota Statutes 2012, section 297F.09, subdivision 9, is amended to read:

Subd. 9. **Interest.** ~~The amount of tax not timely paid, together with any penalty imposed in this section,~~ bears interest at the rate specified in section 270C.40 from the time such tax should have been paid until paid. The penalty imposed in this section bears interest at the rate specified in section 270C.40 from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

Sec. 15. Minnesota Statutes 2012, section 297F.18, subdivision 7, is amended to read:

Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297F.19, subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ten days from the date of the notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 16. Minnesota Statutes 2012, section 297G.09, subdivision 8, is amended to read:

Subd. 8. **Interest.** ~~The amount of tax not timely paid, together with any penalty imposed by this chapter,~~ bears interest at the rate specified in section 270C.40 from the time the tax should have been paid until paid. Any penalty imposed by this chapter bears interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

Sec. 17. Minnesota Statutes 2012, section 297G.17, subdivision 7, is amended to read:

Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297G.18, subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(b) A penalty not included in paragraph (a) bears interest only if it is not paid within ten days from the date of the notice. In that case interest is imposed from the date of notice to the date of payment.

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

Sec. 18. Minnesota Statutes 2012, section 297I.05, subdivision 7, is amended to read:

Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus lines brokers. The rate of tax is equal to three percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(b) A tax is imposed on ~~persons, firms, or corporations~~ a person, firm, corporation, or purchasing group as defined in section 60E.02, or any member of a purchasing group, that ~~procure~~ procures insurance directly from a nonadmitted insurer. The rate of tax is equal to two percent of the gross premiums less return premiums paid by an insured whose home state is Minnesota.

(c) No state other than the home state of an insured may require any premium tax payment for nonadmitted insurance. When Minnesota is the home state of the insured, as provided under section 297I.01, 100 percent of the gross premiums are taxable in Minnesota with no allocation of the tax to other states.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 19. Minnesota Statutes 2012, section 297I.05, subdivision 12, is amended to read:

Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

(1) gross premiums less return premiums written for risks resident or located in Minnesota by a risk retention group;

(2) gross premiums less return premiums received by an attorney in fact acting in accordance with chapter 71A;

(3) gross premiums less return premiums received pursuant to assigned risk policies and contracts of coverage under chapter 79; and

(4) the direct funded premium received by the reinsurance association under section 79.34 from self-insurers approved under section 176.181 and political subdivisions that self-insure; and.

~~(5) gross premiums less return premiums paid to an insurer other than a licensed insurance company or a surplus lines broker for coverage of risks resident or located in Minnesota by a purchasing group or any members of the purchasing group to a broker or agent for the purchasing group.~~

(b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The rate of tax is equal to two percent of the total amount of claims paid during the fund year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(c) A tax is imposed on a joint self-insurance plan operating under chapter 62H. The rate of tax is equal to two percent of the total amount of claims paid during the fund's fiscal year, with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

(d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5, on the gross premiums less return premiums on all coverages received by an accountable provider network or agents of an accountable provider network in Minnesota, in cash or otherwise, during the year.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 20. Minnesota Statutes 2012, section 297I.30, subdivision 1, is amended to read:

Subdivision 1. **General rule.** On or before March 1, every taxpayer subject to taxation under section 297I.05, subdivisions 1 to 5; 7, paragraph (b); 12, paragraphs (a), clauses (1) to (4), (b), (c), and (d); and 14, shall file an annual return for the preceding calendar year in the form prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 21. Minnesota Statutes 2012, section 297I.30, subdivision 2, is amended to read:

Subd. 2. **Surplus lines brokers and purchasing groups.** On or before February 15 and August 15 of each year, every surplus lines broker subject to taxation under section 297I.05, subdivision 7, paragraph (a), ~~and every purchasing group or member of a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a), clause (5)~~, shall file a return with the commissioner for the preceding six-month period ending December 31, or June 30, in the form prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for premiums received after December 31, 2013.

Sec. 22. Minnesota Statutes 2012, section 297I.80, subdivision 1, is amended to read:

Subdivision 1. **Payable to commissioner.** (a) When interest is required under this section, interest is computed at the rate specified in section 270C.40.

(b) If a tax or surcharge is not paid within the time named by law for payment, the unpaid tax or surcharge bears interest from the date the tax or surcharge should have been paid until the date the tax or surcharge is paid.

(c) Whenever a taxpayer is liable for additional tax or surcharge because of a redetermination by the commissioner or other reason, the additional tax or surcharge bears interest from the time the tax or surcharge should have been paid until the date the tax or surcharge is paid.

(d) A penalty bears interest from the date ~~the return or payment was required to be filed or paid~~ provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

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

Sec. 23. Minnesota Statutes 2012, section 469.319, subdivision 4, is amended to read:

Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after becoming subject to repayment under this section. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after becoming subject to repayment under this section.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business and to the taxpayer of record. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The business or the taxpayer of record may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under

paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40<sup>2</sup>. The additional tax shall bear interest from 30 days after becoming subject to repayment under this section until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the auditor provided the statement under paragraph (c).

(f) For determining the tax required to be repaid, a reduction of a state or local sales or use tax is deemed to have been received on the date that the good or service was purchased or first put to a taxable use. In the case of an income tax or franchise tax, including the credit payable under section 469.318, a reduction of tax is deemed to have been received for the two most recent tax years that have ended prior to the date that the business became subject to repayment under this section. In the case of a property tax, a reduction of tax is deemed to have been received for the taxes payable in the year that the business became subject to repayment under this section and for the taxes payable in the prior year.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business becomes subject to repayment under subdivision 1, or within any period of limitations for the assessment of tax under section 289A.38, whichever period is later. The county auditor may send the statement under paragraph (c) any time within three years after the business becomes subject to repayment under subdivision 1.

(h) A business is not entitled to any income tax or franchise tax benefits, including refundable credits, for any part of the year in which the business becomes subject to repayment under this section nor for any year thereafter. Property is not exempt from tax under section 272.02, subdivision 64, for any taxes payable in the year following the year in which the property became subject to repayment under this section nor for any year thereafter. A business is not eligible for any sales tax benefits beginning with goods or services purchased or first put to a taxable use on the day that the business becomes subject to repayment under this section.

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

Sec. 24. Minnesota Statutes 2012, section 469.340, subdivision 4, is amended to read:

Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ceasing to do business in the zone. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.336.

(b) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the valuation and determination of the property tax to the Tax Court within 30 days after receipt of the tax statement.

(c) The provisions of chapters 270C and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraph (a). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270C.40. The additional tax shall bear interest from 30 days after ceasing to do business in the biotechnology and health sciences industry zone until the date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

(d) If a property tax is not repaid under paragraph (b), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the treasurer discovers that the business ceased to operate in the biotechnology and health sciences industry zone.

(e) For determining the tax required to be repaid, a tax reduction is deemed to have been received on the date that the tax would have been due if the taxpayer had not been entitled to the exemption, or on the date a refund was issued for a refundable credit.

(f) The commissioner may assess the repayment of taxes under paragraph (c) any time within two years after the business ceases to operate in the biotechnology and health sciences industry zone, or within any period of limitations for the assessment of tax under section 289A.38, whichever period is later.

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

Delete the title and insert:

"A bill for an act relating to financing and operation of state and local government; making changes to individual income, corporate franchise, property, sales and use, estate, mineral, tobacco, local, and other taxes and tax-related provisions; modifying the property tax refund for renters; changing property tax aids and credits; modifying pension aids; providing pension funding; changing provisions of the Sustainable Forest Incentive Act; modifying definitions and distributions for property taxes; providing exemptions; modifying education aids and levies; imposing a sports memorabilia gross receipts tax; changing tax rates on tobacco; providing reimbursement for certain property tax abatements; modifying the small business investment tax credit; making changes to additions and subtractions from federal taxable income; changing rates for individuals, estates, and trusts; providing income tax credits; modifying estate tax exclusions for qualifying small business and farm property; expanding the sales tax base and reducing the sales tax rate; modifying the definition of sale and purchase; changing the tax rate and modifying provisions for the rental motor vehicle tax; providing for multiple points of use certificates; modifying exemptions; authorizing local sales taxes; authorizing economic development powers; providing authority, organization, powers, and duties for development of a Destination Medical Center; authorizing state infrastructure aid; modifying the distribution of taconite production taxes; authorizing taconite production tax bonds for grants to school districts; modifying and providing provisions for public finance; providing funding for capitol renovations; modifying the definition of market value for tax, debt, and other purposes; making conforming, policy, and technical changes to tax provisions; requiring studies and reports; appropriating money; amending Minnesota Statutes 2012, sections 13.4965, subdivision 3; 16A.46; 16C.03, subdivision 18; 38.18; 40A.15, subdivision 2; 69.011, subdivision 1; 69.021, subdivisions 7, 8, by adding a subdivision; 88.51, subdivision 3; 103B.102, subdivision 3; 103B.245, subdivision 3; 103B.251, subdivision

8; 103B.335; 103B.3369, subdivision 5; 103B.635, subdivision 2; 103B.691, subdivision 2; 103C.501, subdivision 4; 103D.905, subdivisions 2, 3, 8; 103F.405, subdivision 1; 116J.8737, subdivisions 1, 2, 5, 7, 9, 12, by adding a subdivision; 117.025, subdivision 7; 118A.04, subdivision 3; 118A.05, subdivision 5; 123A.455, subdivision 1; 124D.11, subdivision 1; 126C.10, subdivisions 1, 27, by adding subdivisions; 126C.13, subdivision 4, by adding a subdivision; 126C.17; 126C.48, subdivision 8; 127A.48, subdivision 1; 138.053; 144F.01, subdivision 4; 162.07, subdivisions 3, 4; 163.04, subdivision 3; 163.06, subdivision 6; 165.10, subdivision 1; 168.012, subdivision 9, by adding a subdivision; 237.52, subdivision 3, by adding a subdivision; 270.077; 270.41, subdivision 5; 270B.01, subdivision 8; 270B.12, subdivision 4; 270C.03, subdivision 1; 270C.34, subdivision 1; 270C.38, subdivision 1; 270C.42, subdivision 2; 270C.56, subdivision 1; 272.01, subdivision 2; 272.02, subdivisions 10, 97, by adding subdivisions; 272.025, subdivision 1; 272.03, subdivision 9, by adding subdivisions; 273.032; 273.11, subdivision 1; 273.114, subdivision 6; 273.117; 273.124, subdivisions 3a, 13, 14, 21; 273.128, by adding a subdivision; 273.13, subdivisions 21b, 23, 25; 273.1315, subdivisions 1, 2; 273.1398, subdivisions 3, 4; 273.19, subdivision 1; 273.372, subdivision 4; 273.39; 275.011, subdivision 1; 275.025, subdivisions 1, 2; 275.077, subdivision 2; 275.71, subdivision 4; 276.04, subdivision 2; 276A.01, subdivisions 10, 12, 13, 15; 276A.06, subdivision 10; 279.06, subdivision 1; 279.37, subdivisions 1a, 2; 281.14; 281.17; 287.05, by adding a subdivision; 287.08; 287.20, by adding a subdivision; 287.23, subdivision 1; 287.385, subdivision 7; 289A.08, subdivision 3; 289A.10, by adding a subdivision; 289A.12, subdivision 14, by adding a subdivision; 289A.18, by adding a subdivision; 289A.20, subdivisions 3, 4, by adding a subdivision; 289A.26, subdivisions 3, 4, 7, 9; 289A.55, subdivision 9; 289A.60, subdivision 4; 290.01, subdivisions 6b, 19b, 19c, 19d; 290.06, subdivisions 1, 2c, 2d, by adding a subdivision; 290.0677, subdivisions 1, 1a, 2; 290.068, subdivision 1; 290.0681, subdivisions 1, 3, 4, 5, 7, 10; 290.091, subdivision 2; 290.0921, subdivisions 1, 3; 290.0922, subdivision 1; 290.095, subdivision 2; 290.17, subdivision 4; 290.191, subdivision 5; 290.21, subdivision 4; 290.9705, subdivision 1; 290A.03, subdivision 3; 290A.04, subdivisions 2a, 4; 290A.25; 290B.04, subdivision 2; 290C.02, subdivision 6; 290C.03; 290C.055; 290C.07; 291.03, subdivisions 8, 9, 10, 11; 296A.01, subdivision 19; 296A.09, subdivision 2; 296A.17, subdivision 3; 296A.22, subdivisions 1, 3; 297A.61, subdivisions 3, 4, 10, 17a, 25, 38, 45, by adding subdivisions; 297A.62, subdivisions 1, 1a; 297A.64, subdivision 1; 297A.65; 297A.66, subdivisions 1, 3, by adding a subdivision; 297A.665; 297A.668, by adding a subdivision; 297A.67, subdivision 7, by adding a subdivision; 297A.68, subdivisions 2, 5, 10, 42, by adding a subdivision; 297A.70, subdivisions 2, 4, 5, 7, 13, 14, by adding subdivisions; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 3; 297A.82, subdivision 4, by adding a subdivision; 297A.99, subdivision 1; 297B.11; 297E.02, subdivisions 1, 6; 297E.14, subdivision 7; 297F.01, subdivisions 19, 23, by adding subdivisions; 297F.05, subdivisions 1, 3, 4, by adding subdivisions; 297F.09, subdivision 9; 297F.18, subdivision 7; 297F.24, subdivision 1; 297F.25, subdivision 1; 297G.04, subdivision 2; 297G.09, subdivision 8; 297G.17, subdivision 7; 297I.05, subdivisions 7, 11, 12; 297I.30, subdivisions 1, 2; 297I.80, subdivision 1; 298.01, subdivisions 3, 3b; 298.018; 298.17; 298.227, as amended; 298.24, subdivision 1; 298.28, subdivisions 4, 6; 325F.781, subdivision 1; 349.166; 353G.08, subdivision 2; 360.531; 360.66; 365.025, subdivision 4; 366.095, subdivision 1; 366.27; 368.01, subdivision 23; 368.47; 370.01; 373.01, subdivision 1; 373.40, subdivisions 1, 2, 4; 375.167, subdivision 1; 375.18, subdivision 3; 375.555; 383A.80, subdivision 4; 383B.152; 383B.245; 383B.73, subdivision 1; 383B.80, subdivision 4; 383D.41, by adding a subdivision; 383E.20; 383E.23; 385.31; 394.36, subdivision 1; 398A.04, subdivision 8; 401.05, subdivision 3; 403.02, subdivision 21, by adding subdivisions; 403.06, subdivision 1a; 403.11, subdivision 1, by adding a subdivision; 410.32; 412.221, subdivision 2; 412.301; 428A.02, subdivision 1; 428A.101;

428A.21; 430.102, subdivision 2; 435.19, subdivision 2, by adding a subdivision; 447.10; 450.19; 450.25; 458A.10; 458A.31, subdivision 1; 465.04; 469.033, subdivision 6; 469.034, subdivision 2; 469.053, subdivisions 4, 4a, 6; 469.107, subdivision 1; 469.174, subdivision 2, by adding subdivisions; 469.175, subdivision 3; 469.176, subdivisions 1b, 4b, 4c, 4m, 6, by adding a subdivision; 469.1763, subdivisions 3, 4; 469.177, subdivision 1a; 469.180, subdivision 2; 469.187; 469.190, by adding a subdivision; 469.206; 469.319, subdivision 4; 469.340, subdivision 4; 471.24; 471.571, subdivisions 1, 2; 471.73; 473.325, subdivision 2; 473.606, subdivision 3; 473.629; 473.661, subdivision 3; 473.667, subdivision 9; 473.671; 473.711, subdivision 2a; 473F.02, subdivisions 12, 14, 15, 23; 473F.08, subdivision 10, by adding a subdivision; 474A.04, subdivision 1a; 474A.062; 474A.091, subdivision 3a; 475.521, subdivisions 1, 2, 4; 475.53, subdivisions 1, 3, 4; 475.58, subdivisions 2, 3b; 475.73, subdivision 1; 477A.011, subdivisions 20, 30, 32, 34, 42, by adding subdivisions; 477A.0124, subdivision 2; 477A.013, subdivisions 1, 8, 9, by adding a subdivision; 477A.03, subdivisions 2a, 2b, by adding a subdivision; 477A.11, subdivisions 3, 4, by adding subdivisions; 477A.12, subdivisions 1, 2, 3; 477A.14, subdivision 1, by adding a subdivision; 641.23; 641.24; 645.44, by adding a subdivision; Laws 1971, chapter 773, section 1, subdivision 2, as amended; Laws 1988, chapter 645, section 3, as amended; Laws 1993, chapter 375, article 9, section 46, subdivisions 2, as amended, 5, as amended; Laws 1998, chapter 389, article 8, section 43, subdivisions 1, 3, as amended, 5, as amended; Laws 1999, chapter 243, article 6, section 11; Laws 2002, chapter 377, article 3, section 25, as amended; Laws 2005, First Special Session chapter 3, article 5, section 37, subdivisions 2, 4; Laws 2006, chapter 259, article 11, section 3, as amended; Laws 2008, chapter 366, article 5, sections 26; 33; 34, as amended; article 7, section 19, subdivision 3, as amended; Laws 2010, chapter 216, sections 11; 55; Laws 2010, chapter 389, article 1, section 12; proposing coding for new law in Minnesota Statutes, chapters 116J; 124D; 136A; 270C; 273; 287; 290; 295; 403; 469; 477A; repealing Minnesota Statutes 2012, sections 16A.725; 256.9658; 272.69; 273.11, subdivisions 1a, 22; 275.025, subdivision 4; 276A.01, subdivision 11; 289A.60, subdivision 31; 290.01, subdivision 6b; 290.0921, subdivision 7; 290.171; 290.173; 290.174; 297A.61, subdivision 27; 297A.66, subdivision 4; 297A.67, subdivision 8; 297A.68, subdivisions 9, 22, 35; 473F.02, subdivision 13; 477A.011, subdivisions 2a, 19, 21, 29, 31, 32, 33, 36, 39, 40, 41, 42; 477A.013, subdivisions 11, 12; 477A.0133; 477A.0134; Minnesota Rules, part 8130.0500, subpart 2."

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

## **SECOND READING OF SENATE BILLS**

S.F. No. 552 was read the second time.

## **MOTIONS AND RESOLUTIONS - CONTINUED**

### **SPECIAL ORDERS**

Pursuant to Rule 26, Senator Bakk, Chair of the Committee on Rules and Administration, designated the following bills a Special Orders Calendar to be heard immediately:

H.F. Nos. 748, 19, 283, 669 and 1378.

**SPECIAL ORDER**

**H.F. No. 748:** A bill for an act relating to employment; modifying prompt payment of wages requirements; modifying penalties; amending Minnesota Statutes 2012, sections 181.13; 181.14.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 60 and nays 2, as follows:

Those who voted in the affirmative were:

Anderson	Dibble	Hoffman	Miller	Ruud
Bakk	Dziedzic	Housley	Nelson	Saxhaug
Benson	Eaton	Ingebrigtsen	Newman	Scalze
Bonoff	Eken	Jensen	Nienow	Schmit
Brown	Fischbach	Johnson	Ortman	Sheran
Carlson	Franzen	Kent	Osmek	Skoe
Chamberlain	Gazelka	Kiffmeyer	Pappas	Sparks
Champion	Goodwin	Koenen	Pederson, J.	Thompson
Clausen	Hall	Limmer	Pratt	Tomassoni
Cohen	Hann	Lourey	Reinert	Weber
Dahle	Hawj	Marty	Rest	Wiger
Dahms	Hayden	Metzen	Rosen	Wiklund

Those who voted in the negative were:

Petersen, B.                      Westrom

So the bill passed and its title was agreed to.

**SPECIAL ORDER**

**H.F. No. 19:** A bill for an act relating to accounts; allowing agency designations in certain situations; providing form language; making clarifying changes; amending Minnesota Statutes 2012, sections 524.6-201, subdivision 7, by adding a subdivision; 524.6-203; 524.6-204; 524.6-211; 524.6-213, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 524.

Senator Newman moved to amend H.F. No. 19, as amended pursuant to Rule 45, adopted by the Senate April 18, 2013, as follows:

(The text of the amended House File is identical to S.F. No. 84.)

Page 1, after line 10, insert:

"Sec. 2. Minnesota Statutes 2012, section 524.6-201, subdivision 7, is amended to read:

Subd. 7. **Party.** "Party" means a person who, by the terms of the account, has a present right, subject to request, to payment from a multiple-party account other than as an agent. A P.O.D. payee is a party only after the account becomes payable by reason of the payee surviving the original party. Unless the context otherwise requires, it includes a guardian, conservator, personal representative, or assignee, including an attaching creditor, of a party. It also includes a person identified as a trustee of an account for another whether or not a beneficiary is named, but it does not include any named beneficiary unless the beneficiary has a present right of withdrawal."

Page 1, delete section 3



Page 3, line 25, after "or" insert "that"

Page 5, after line 6, insert:

**"Sec. 8. [524.6-215] DESIGNATION OF AGENT.**

(a) By a writing signed by all parties, or by less than all of the parties if the contract of deposit expressly so provides, the parties may designate, as an agent of all parties on an account, a person other than a party.

(b) Unless the terms of an agency designation provide that the authority of the agent terminates on disability or incapacity of a party, the agent's authority survives disability and incapacity. The agent may act for a party until the authority of the agent is terminated by the party, by an attorney-in-fact appointed by the party, or by a conservator appointed to protect the interests of the party.

(c) Death of the sole party or last surviving party terminates the authority of an agent.

(d) Except as otherwise provided for in section 524.6-211, a financial institution is not liable for account transactions performed at the direction of, or authorized by, an agent under an agency designation for an account if:

(1) the financial institution has no actual notice of the termination of the agent's authority before the transaction;

(2) the financial institution has no actual knowledge of the death of the sole party or last surviving party; or

(3) the agent's authority does not survive the disability or incapacity of all the parties, and the financial institution has not received actual notice of the disability or incapacity.

**Sec. 9. [524.6-216] TYPES OF ACCOUNT; EXISTING ACCOUNTS.**

(a) An account may be for a single party or multiple parties. A multiple-party account may be with or without a right of survivorship between the parties. Subject to section 524.6-204, either a single-party account or a multiple-party account may have a P.O.D. designation, an agency designation, or both.

(b) An account established before, on or after August 1, 2013, whether in the form prescribed in section 524.6-213 or in any other form acceptable to the financial institution, is either a single-party account or a multiple-party account, with or without right of survivorship, and with or without a P.O.D. designation or an agency designation within the meaning of this chapter, and is governed by this chapter.

(c) An agency designation created on or after August 1, 2013, is governed by this chapter."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Newman moved to amend H.F. No. 19, as amended pursuant to Rule 45, adopted by the Senate April 18, 2013, as follows:

(The text of the amended House File is identical to S.F. No. 84.)

Page 1, after line 6, insert:

"Section 1. Minnesota Statutes 2012, section 271.06, is amended by adding a subdivision to read:

Subd. 2a. **Timely mailing treated as timely filing.** (a) If, after the period prescribed by subdivision 2, the original notice of appeal, proof of service upon the commissioner, and filing fee are delivered by mail in the United States to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court, then the date of filing is the date of the United States postmark stamped on the envelope or other appropriate wrapper in which the notice of appeal, proof of service upon the commissioner, and filing fee are mailed.

(b) This subdivision applies only if the postmark date falls within the period prescribed by subdivision 2 and the original notice of appeal, proof of service upon the commissioner, and filing fee are deposited in the mail in the United States in an envelope or other appropriate wrapper, postage prepaid, properly addressed to the Tax Court administrator or the court administrator of district court acting as court administrator of the Tax Court.

(c) Only the postmark of the United States Postal Service qualifies as proof of timely mailing under this subdivision. Private postage meters do not qualify as proof of timely filing under this subdivision. If the original notice of appeal, proof of service upon the commissioner, and filing fee are sent by United States registered mail, the date of registration is the postmark date. If the original notice of appeal, proof of service upon the commissioner, and filing fee are sent by United States certified mail and the sender's receipt is postmarked by the postal employee to whom the envelope containing the original notice of appeal, proof of service upon the commissioner, and filing fee is presented, the date of the United States postmark on the receipt is the postmark date.

(d) A reference in this section to mail in the United States must be treated as including a reference to any designated delivery service and a reference in this section to a postmark by the United States Postal Service must be treated as including a reference to any date recorded or marked by any designated delivery service in accordance with section 7502(f) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for filings delivered by the United States Postal Service with a postmark date after August 1, 2013."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

H.F. No. 19 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 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Brown	Clausen	Dibble	Fischbach
Bakk	Carlson	Cohen	Dziedzic	Franzen
Benson	Chamberlain	Dahle	Eaton	Gazelka
Bonoff	Champion	Dahms	Eken	Goodwin

Hall	Kent	Newman	Rest	Stumpf
Hann	Kiffmeyer	Nienow	Rosen	Thompson
Hawj	Koenen	Ortman	Ruud	Tomassoni
Hayden	Limmer	Osmek	Saxhaug	Torres Ray
Hoffman	Lourey	Pappas	Scalze	Weber
Housley	Marty	Pederson, J.	Schmit	Westrom
Ingebrigtsen	Metzen	Petersen, B.	Sheran	Wiger
Jensen	Miller	Pratt	Skoe	Wiklund
Johnson	Nelson	Reinert	Sparks	

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

### SPECIAL ORDER

**H.F. No. 283:** A bill for an act relating to evidence; limiting availability of certain evidence arising from a collaborative law process; amending Minnesota Statutes 2012, section 595.02, subdivision 1.

Senator Wiklund moved that the amendment made to H.F. No. 283 by the Committee on Rules and Administration in the report adopted April 18, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 283 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 64 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Dziedzic	Ingebrigtsen	Nienow	Schmit
Bakk	Eaton	Jensen	Ortman	Sheran
Benson	Eken	Johnson	Osmek	Skoe
Bonoff	Fischbach	Kent	Pappas	Sparks
Brown	Franzen	Kiffmeyer	Pederson, J.	Stumpf
Carlson	Gazelka	Koenen	Petersen, B.	Thompson
Chamberlain	Goodwin	Limmer	Pratt	Tomassoni
Champion	Hall	Lourey	Reinert	Torres Ray
Clausen	Hann	Marty	Rest	Weber
Cohen	Hawj	Metzen	Rosen	Westrom
Dahle	Hayden	Miller	Ruud	Wiger
Dahms	Hoffman	Nelson	Saxhaug	Wiklund
Dibble	Housley	Newman	Scalze	

So the bill passed and its title was agreed to.

### SPECIAL ORDER

**H.F. No. 669:** A bill for an act relating to public safety; expanding and updating the authority of the Statewide Radio Board to include the latest emergency communication technologies; authorizing the Statewide Radio Board to elect to become a statewide emergency communication board; including tribal governments in regional radio board structure; providing comprehensive authority under board to address all emergency communications; providing for rulemaking; amending Minnesota Statutes 2012, sections 403.21, subdivisions 2, 13, by adding a subdivision; 403.37, subdivision 1; 403.38; 403.39; 403.40, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 403; repealing Minnesota Statutes 2012, sections 403.21, subdivision 6; 403.33.

Senator Jensen moved to amend H.F. No. 669 as follows:

Page 6, after line 9, insert:

**"Sec. 10. ARMER AND 911 FUNDING STUDY.**

The Statewide Radio Board shall study long-term funding strategies for statewide public safety communications including but not limited to the Allied Radio Matrix for Emergency Response (ARMER) and 911 systems, including public and private funding options such as bonds, grants, public and private partnerships, leverage of private capital funding sources such as vendor financing or a higher degree of leveraging of commercial carrier assets, methods for covering the operational costs for sustainability, user fees, and local funding. The study must include a substantive assessment and evaluation of the funding strategies for and authorized uses of future ARMER system and 911 system needs and upgrades and capital and operating costs. The board shall report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over capital investment and criminal justice funding and policy by January 15, 2014, on the results of the study."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

H.F. No. 669 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 65 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Dziedzic	Ingebrigtsen	Nienow	Schmit
Bakk	Eaton	Jensen	Ortman	Senjem
Benson	Eken	Johnson	Osmek	Sheran
Bonoff	Fischbach	Kent	Pappas	Skoe
Brown	Franzen	Kiffmeyer	Pederson, J.	Sparks
Carlson	Gazelka	Koenen	Petersen, B.	Stumpf
Chamberlain	Goodwin	Limmer	Pratt	Thompson
Champion	Hall	Lourey	Reinert	Tomassoni
Clausen	Hann	Marty	Rest	Torres Ray
Cohen	Hawj	Metzen	Rosen	Weber
Dahle	Hayden	Miller	Ruud	Westrom
Dahms	Hoffman	Nelson	Saxhaug	Wiger
Dibble	Housley	Newman	Scalze	Wiklund

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

**SPECIAL ORDER**

**H.F. No. 1378:** A bill for an act relating to workers' compensation; modifying Workers' Compensation Court of Appeals personnel provisions; amending Minnesota Statutes 2012, section 175A.07, subdivision 2.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 65 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Dziedzic	Ingebrigtsen	Nienow	Schmit
Bakk	Eaton	Jensen	Ortman	Senjem
Benson	Eken	Johnson	Osmek	Sheran
Bonoff	Fischbach	Kent	Pappas	Skoe
Brown	Franzen	Kiffmeyer	Pederson, J.	Sparks
Carlson	Gazelka	Koenen	Petersen, B.	Stumpf
Chamberlain	Goodwin	Limmer	Pratt	Thompson
Champion	Hall	Lourey	Reinert	Tomassoni
Clausen	Hann	Marty	Rest	Torres Ray
Cohen	Hawj	Metzen	Rosen	Weber
Dahle	Hayden	Miller	Ruud	Westrom
Dahms	Hoffman	Nelson	Saxhaug	Wiger
Dibble	Housley	Newman	Scalze	Wiklund

So the bill passed and its title was agreed to.

### **MOTIONS AND RESOLUTIONS - CONTINUED**

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

### **CONFIRMATION**

Senator Sheran moved that the report from the Committee on Health, Human Services and Housing, reported January 31, 2013, pertaining to appointments to the Minnesota Housing Finance Agency, be taken from the table. The motion prevailed.

Senator Sheran moved that the foregoing report be now adopted. The motion prevailed.

Senator Sheran moved that in accordance with the report from the Committee on Health, Human Services and Housing, reported January 31, 2013, the Senate, having given its advice, do now consent to and confirm the appointment of:

### **MINNESOTA HOUSING FINANCE AGENCY**

Gloria Bostrom, 420 Owasso Hills Dr., Roseville, Ramsey County, effective March 5, 2012, for a term expiring on January 4, 2016.

John DeCramer, 113 G St., Marshall, Lyon County, effective June 18, 2012, for a term expiring on January 4, 2016.

Kenneth R. Johnson, 2232 Lamplight Dr., Woodbury, Washington County, effective March 28, 2011, for a term expiring on January 5, 2015.

Steven Johnson, 14197 Flagstone Tr., Apple Valley, Dakota County, effective February 8, 2012, to complete a term expiring on January 7, 2014.

Stephanie Klinzing, 20961 Olson St. N.W., Elk River, Sherburne County, effective March 28, 2011, for a term expiring on January 5, 2015.

The motion prevailed. So the appointments were confirmed.

**CONFIRMATION**

Senator Sheran moved that the report from the Committee on Health, Human Services and Housing, reported January 31, 2013, pertaining to appointments to the Emergency Medical Services Regulatory Board, be taken from the table. The motion prevailed.

Senator Sheran moved that the foregoing report be now adopted. The motion prevailed.

Senator Sheran moved that in accordance with the report from the Committee on Health, Human Services and Housing, reported January 31, 2013, the Senate, having given its advice, do now consent to and confirm the appointment of:

**EMERGENCY MEDICAL SERVICES REGULATORY BOARD**

Elizabeth Consie, 1414 Minneapolis Ave., Duluth, Saint Louis County, effective June 4, 2012, for a term expiring on January 4, 2016.

Jennifer Deschaine, 4135 Colorado St. S.E., Prior Lake, Scott County, effective May 1, 2011, for a term expiring on January 5, 2015.

Steve DuChien, P.O. Box 712, Grand Marais, Cook County, effective June 4, 2012, for a term expiring on January 4, 2016.

Dr. Paula Fink Kocken, 5515 – 26th Ave. S., Minneapolis, Hennepin County, effective June 4, 2012, for a term expiring on January 4, 2016.

Dr. Paul Satterlee, 167 Grand Ave., Saint Paul, Ramsey County, effective June 4, 2012, for a term expiring on January 4, 2016.

Jill Ryan Schultz, 3179 Lake St. N.W., Rochester, Olmsted County, effective May 1, 2011, for a term expiring on January 5, 2015.

Matthew Simpson, 4569 Cliff Ridge Ct., Eagan, Dakota County, effective May 9, 2011, for a term expiring on January 5, 2015.

Kelly Spratt, 8048 Ranchview Ln., Maple Grove, Hennepin County, effective May 1, 2011, for a term expiring on January 5, 2015.

Mari Thomas, 45 N. Main St., Sauk Centre, Stearns County, effective May 1, 2011, for a term expiring on January 5, 2015.

The motion prevailed. So the appointments were confirmed.

**CONFIRMATION**

Senator Pappas moved that the report from the Committee on State and Local Government, reported January 31, 2013, pertaining to appointments to the Metropolitan Council, be taken from the table. The motion prevailed.

Senator Pappas moved that the foregoing report be now adopted. The motion prevailed.

Senator Pappas moved that in accordance with the report from the Committee on State and Local Government, reported January 31, 2013, the Senate, having given its advice, do now consent to and confirm the appointment of:

## METROPOLITAN COUNCIL

Steven Chávez, 1587 Skyline Path, Eagan, Dakota County, effective March 7, 2011, for a term expiring on January 1, 2015.

Jon Commers, 2294 Commonwealth Ave., Saint Paul, Ramsey County, effective March 7, 2011, for a term expiring on January 1, 2015.

John Doan, 11482 Goodhue St., N.E., Blaine, Anoka County, effective March 7, 2011, for a term expiring on January 1, 2015.

Adam Duininck, 3628 – 24th Ave. S., Minneapolis, Hennepin County, effective March 7, 2011, for a term expiring on January 1, 2015.

Steven Elkins, 8709 Sandro Rd., Bloomington, Hennepin County, effective March 7, 2011, for a term expiring on January 1, 2015.

Richard Kramer, 1471 Barclay St., Saint Paul, Ramsey County, effective March 7, 2011, for a term expiring on January 1, 2015.

Jennifer Munt, 5261 Beachside Dr., Minnetonka, Hennepin County, effective March 7, 2011, for a term expiring on January 1, 2015.

Edward Reynoso, 3606 – 145th Ave. N.E., Ham Lake, Anoka County, effective March 7, 2011, for a term expiring on January 1, 2015.

Sandra Rummel, 4011 Lakehill Cir., White Bear Lake, Ramsey County, effective March 7, 2011, for a term expiring on January 1, 2015.

Roxanne Smith, 10118 Fernwood Ln., Champlin, Hennepin County, effective March 7, 2011, for a term expiring on January 1, 2015.

The motion prevailed. So the appointments were confirmed.

**CONFIRMATION**

Senator Pappas moved that the report from the Committee on State and Local Government, reported January 31, 2013, pertaining to appointments to the Gambling Control Board, be taken from the table. The motion prevailed.

Senator Pappas moved that the foregoing report be now adopted. The motion prevailed.

Senator Pappas moved that in accordance with the report from the Committee on State and Local Government, reported January 31, 2013, the Senate, having given its advice, do now consent to and confirm the appointment of:

**GAMBLING CONTROL BOARD**

William Goede, 630 – 3rd Ave. N.W., Plainview, Wabasha County, effective July 2, 2012, for a term expiring on June 30, 2016.

James Nardone, 2606 Audrey Ln., Grand Rapids, Itasca County, effective July 2, 2012, for a term expiring on June 30, 2016.

The motion prevailed. So the appointments were confirmed.

**CONFIRMATION**

Senator Pappas moved that the report from the Committee on State and Local Government, reported January 31, 2013, pertaining to appointments to the Board of the Arts, be taken from the table. The motion prevailed.

Senator Pappas moved that the foregoing report be now adopted. The motion prevailed.

Senator Pappas moved that in accordance with the report from the Committee on State and Local Government, reported January 31, 2013, the Senate, having given its advice, do now consent to and confirm the appointment of:

**BOARD OF THE ARTS**

Ardell Brede, 653 – 16th St. S.W., Rochester, Olmsted County, effective April 5, 2011, for a term expiring on January 5, 2015.

Michael Charron, 1630 Gilmore Valley Rd., Winona, Winona County, effective February 13, 2012, for a term expiring on January 4, 2016.

Sean Dowse, 2508 Hallquist Ave., Red Wing, Goodhue County, effective June 24, 2011, for a term expiring on January 5, 2015.

John Gunyou, 3624 Sussex Pl., Minnetonka, Hennepin County, effective June 20, 2011, for a term expiring on January 5, 2015.

Benjamin Klipfel, 619 Jefferson St., Alexandria, Douglas County, effective February 13, 2012, for a term expiring on January 4, 2016.

Ellen McInnis, 3406 – 46th Ave. N., Robbinsdale, Hennepin County, effective February 13, 2012, for a term expiring on January 4, 2016.

The motion prevailed. So the appointments were confirmed.

**CONFIRMATION**

Senator Sheran moved that the report from the Committee on Health, Human Services and Housing, reported March 7, 2013, pertaining to appointment to the Minnesota Housing Finance Agency, be taken from the table. The motion prevailed.

Senator Sheran moved that the foregoing report be now adopted. The motion prevailed.

Senator Sheran moved that in accordance with the report from the Committee on Health, Human Services and Housing, reported March 7, 2013, the Senate, having given its advice, do now consent to and confirm the appointment of:

**MINNESOTA HOUSING FINANCE AGENCY**

Joseph B. Johnson III, 131 W. Superior St., Duluth, Saint Louis County, effective January 28, 2013, for a term expiring on January 2, 2017.

The motion prevailed. So the appointment was confirmed.



**CONFIRMATION**

Senator Pappas moved that the report from the Committee on State and Local Government, reported April 10, 2013, pertaining to appointments to the Board of the Arts, be taken from the table. The motion prevailed.

Senator Pappas moved that the foregoing report be now adopted. The motion prevailed.

Senator Pappas moved that in accordance with the report from the Committee on State and Local Government, reported April 10, 2013, the Senate, having given its advice, do now consent to and confirm the appointment of:

**BOARD OF THE ARTS**

Anton Treuer, 701 Swenson Rd. N.E., Bemidji, Beltrami County, effective February 9, 2013, for a term expiring on January 2, 2017.

The motion prevailed. So the appointment was confirmed.

**MOTIONS AND RESOLUTIONS - CONTINUED**

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

**REPORTS OF COMMITTEES**

Senator Bakk 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. 712:** A bill for an act relating to public safety; providing enhanced penalties for causing the death of a prosecuting attorney, judge, or commissioner of corrections or assaulting a prosecuting attorney or judge; amending Minnesota Statutes 2012, sections 609.185; 609.221, subdivision 2; 609.2231, subdivision 3.

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

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

**S.F. No. 874:** A bill for an act relating to forfeiture; requiring a conviction for judicial forfeiture of property associated with controlled substance offenses and vehicles used in drive-by shootings; eliminating presumption for administrative forfeiture; amending Minnesota Statutes 2012, sections 609.531, subdivision 6a; 609.5313; 609.5314, subdivisions 2, 3; 609.5316, subdivision 3; 609.5318, subdivision 1; repealing Minnesota Statutes 2012, section 609.5314, subdivision 1.

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

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

**S.F. No. 941:** A bill for an act relating to human services; modifying medical assistance provisions related to quality assurance; amending Minnesota Statutes 2012, sections 256B.095; 256B.0951, subdivisions 1, 4; 256B.0952, subdivisions 1, 5; 256B.0955; 256B.097, subdivisions 1, 3; repealing Minnesota Statutes 2012, section 256B.096, subdivisions 1, 2, 3, 4.

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

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

**S.F. No. 647:** A bill for an act relating to civil commitment; limiting the time period that a person may be held in jail or state correctional facility pending or after civil commitment; proposing coding for new law in Minnesota Statutes, chapter 253B.

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 2012, section 253B.10, subdivision 1, is amended to read:

Subdivision 1. **Administrative requirements.** (a) When a person is committed, the court shall issue a warrant or an order committing the patient to the custody of the head of the treatment facility. The warrant or order shall state that the patient meets the statutory criteria for civil commitment.

(b) The commissioner shall prioritize patients being admitted from jail or a correctional institution who are:

(1) ordered confined in a state hospital for an examination under Minnesota Rules of Criminal Procedure, rules 20.01, subdivision 4, paragraph (a), and 20.02, subdivision 2;

(2) under civil commitment for competency treatment and continuing supervision under Minnesota Rules of Criminal Procedure, rule 20.01, subdivision 7;

(3) found not guilty by reason of mental illness under Minnesota Rules of Criminal Procedure, rule 20.02, subdivision 8, and under civil commitment or are ordered to be detained in a state hospital or other facility pending completion of the civil commitment proceedings; or

(4) committed under this chapter to the commissioner after dismissal of the patient's criminal charges.

Patients described in this paragraph must be admitted to a service operated by the commissioner within 48 hours. The commitment must be ordered by the court as provided in section 253B.09, subdivision 1, paragraph (c).

(c) Upon the arrival of a patient at the designated treatment facility, the head of the facility shall retain the duplicate of the warrant and endorse receipt upon the original warrant or acknowledge receipt of the order. The endorsed receipt or acknowledgment must be filed in the court of commitment. After arrival, the patient shall be under the control and custody of the head of the treatment facility.

(d) Copies of the petition for commitment, the court's findings of fact and conclusions of law, the court order committing the patient, the report of the examiners, and the prepetition report shall be provided promptly to the treatment facility."

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. 654:** A bill for an act relating to human services; modifying provisions related to health care and medical assistance; amending Minnesota Statutes 2012, sections 62J.495, subdivision 15; 256.01, subdivision 34; 256.962, subdivision 8; 256B.0625, subdivisions 8, 8a, 8b, 17, 18e, 18f, 25; repealing Minnesota Rules, part 9505.0315, subpart 7, item D.

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

Page 4, delete lines 14 to 16

Page 7, line 7, after the period, insert "Use of criteria or standards to select providers for whom prior authorization is required shall not impede access to the service involved for any group of individuals with unique or special needs due to disability or functional condition."

Page 7, after line 27, insert:

"Sec. 11. Minnesota Statutes 2012, section 256B.0755, subdivision 7, is amended to read:

Subd. 7. **Expansion.** The commissioner shall ~~explore the expansion of~~ expand the demonstration project to include additional medical assistance and MinnesotaCare enrollees, and shall seek participation of Medicare in demonstration projects. The commissioner shall seek to include participation of privately insured persons and Medicare recipients in the health care delivery demonstration. As part of the demonstration expansion, the commissioner may procure the services of the health care delivery systems authorized under this section by geographic area, to supplement or replace the services provided by managed care plans operating under section 256B.69."

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. 976:** A bill for an act relating to public safety; reenacting an expired program authorizing the release from prison of certain nonviolent controlled substance offenders; proposing coding for new law in Minnesota Statutes, chapter 244.

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

Page 2, line 16, delete "licensed" and insert "certified"

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 families; updating the Uniform Interstate Family Support Act; amending Minnesota Statutes 2012, sections 518C.101; 518C.102; 518C.103; 518C.201; 518C.202; 518C.203; 518C.204; 518C.205; 518C.206; 518C.207; 518C.208; 518C.209; 518C.301; 518C.303; 518C.304; 518C.305; 518C.306; 518C.307; 518C.308; 518C.310; 518C.311; 518C.312; 518C.313; 518C.314; 518C.316; 518C.317; 518C.318; 518C.319; 518C.401; 518C.501; 518C.503; 518C.504; 518C.505; 518C.506; 518C.508; 518C.601; 518C.602; 518C.603; 518C.604; 518C.605; 518C.606; 518C.607; 518C.608; 518C.609; 518C.610; 518C.611; 518C.612; 518C.613;

518C.701; 518C.801; 518C.902; proposing coding for new law in Minnesota Statutes, chapter 518C; repealing Minnesota Statutes 2012, section 518C.502.

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

#### **SECOND READING OF SENATE BILLS**

S.F. Nos. 712, 874, 941, 647, 654, 976 and 347 were read the second time.

#### **MEMBERS EXCUSED**

Senators Latz and Sieben were excused from the Session of today. Senators Nelson and Rosen were excused from the Session of today from 11:00 to 11:25 a.m. Senator Senjem was excused from the Session of today from 1:30 to 1:55 p.m.

#### **ADJOURNMENT**

Senator Bakk moved that the Senate do now adjourn until 10:00 a.m., Thursday, April 25, 2013. The motion prevailed.

JoAnne M. Zoff, Secretary of the Senate