

## SIXTY-SECOND DAY

St. Paul, Minnesota, Monday, May 20, 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. Dennis Morreim.

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

The President declared a quorum present.

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

**EXECUTIVE AND OFFICIAL COMMUNICATIONS**

The following communication was received.

May 16, 2013

The Honorable Paul Thissen  
Speaker of the House of Representatives

The Honorable Sandra L. Pappas  
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 2013 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 2013	Date Filed 2013
	760	62	5:31 p.m. May 16	May 16
	767	63	5:31 p.m. May 16	May 16
340		64	5:33 p.m. May 16	May 16
250		65	5:34 p.m. May 16	May 16
1564		66	5:35 p.m. May 16	May 16
	1284	67	5:36 p.m. May 16	May 16
	634	68	5:37 p.m. May 16	May 16
683		69	5:38 p.m. May 16	May 16
1234		70	5:40 p.m. May 16	May 16
	459	71	5:41 p.m. May 16	May 16

Sincerely,  
Mark Ritchie  
Secretary of State

#### INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

##### **Senators Dzedzic, Marty, Eken and Hoffman introduced—**

**S.F. No. 1679:** A bill for an act relating to capital investment; appropriating money for the aquatic invasive species laboratory at the University of Minnesota; authorizing the sale and issuance of state bonds.

Referred to the Committee on Finance.

##### **Senator Tomassoni introduced—**

**S.F. No. 1680:** A bill for an act relating to natural resources; modifying water appropriation permit provisions; amending Minnesota Statutes 2012, section 103G.271, by adding a subdivision.

Referred to the Committee on Environment and Energy.

##### **Senators Johnson and Thompson introduced—**

**S.F. No. 1681:** A bill for an act relating to the State Lottery; prohibiting sale of lottery tickets at fuel pumps; amending Minnesota Statutes 2012, section 349A.13.

Referred to the Committee on State and Local Government.

**Senator Pratt introduced—**

**S.F. No. 1682:** A bill for an act relating to education; modifying certain academic standards and assessment provisions; proposing coding for new law in Minnesota Statutes, chapter 120B.

Referred to the Committee on Education.

**MOTIONS AND RESOLUTIONS**

**Senator Goodwin introduced –**

**Senate Resolution No. 84:** A Senate resolution honoring Siah L. St. Clair on the occasion of his retirement.

Referred to the Committee on Rules and Administration.

**Senators Ortman, Limmer, Chamberlain, Nelson and Marty introduced –**

**Senate Resolution No. 85:** A Senate resolution requesting that the Senate Committee on Taxes not recommend that a judicial appointment be confirmed, and, if the Senate Taxes Committee does not issue a recommendation, requesting that the Senate not confirm a judicial appointment.

Referred to the Committee on Rules and Administration.

Senator Franzen moved that S.F. No. 875, No. 23 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Johnson moved that S.F. No. 1480, No. 77 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Kent moved that S.F. No. 772, No. 9 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Kent moved that S.F. No. 802, No. 10 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Kent moved that S.F. No. 948, No. 36 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Kent moved that S.F. No. 923, No. 50 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Bakk, for Senator Pappas, moved that S.F. No. 966, No. 44 on General Orders, be stricken and re-referred to the Committee on State and Local Government. The motion prevailed.

Senator Bakk, for Senator Pappas, moved that S.F. No. 1190, No. 48 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Bakk, for Senator Pappas, moved that S.F. No. 1191, No. 72 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Bakk, for Senator Pappas, moved that S.F. No. 1294, No. 69 on General Orders, be stricken and returned to its author. The motion prevailed.

Senator Bakk, for Senator Hayden, moved that S.F. No. 976, No. 67 on General Orders, be stricken and returned to its author. The motion prevailed.

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 Skoe moved that the report from the Committee on Taxes, reported May 19, 2013, pertaining to appointments to the Tax Court, be taken from the table. The motion prevailed.

Senator Skoe moved that the foregoing report be now adopted. The motion prevailed.

Pursuant to Rule 8.3, Senator Skoe moved that the Senate, having given its advice, do now consent to and confirm the appointment of:

#### TAX COURT JUDGE

George W. Perez, 2522 Claremont Dr., Mendota Heights, in the county of Dakota, effective June 30, 2011, for a term expiring on January 2, 2017.

The question was taken on the adoption of the Skoe motion to consent to and confirm the appointment of George W. Perez.

The roll was called, and there were yeas 0 and nays 57, as follows:

Those who voted in the negative were:

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

The motion did not prevail. So the Senate refused to consent and the appointment was not confirmed.

### MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 661 and the Conference Committee Report thereon were reported to the Senate.

### CONFERENCE COMMITTEE REPORT ON S.F. NO. 661

A bill for an act relating to campaign finance; providing for additional disclosure; making various changes to campaign finance and public disclosure law; expanding jurisdiction of Campaign Finance and Public Disclosure Board; expanding definition of public official; amending Minnesota

Statutes 2012, sections 10A.01, subdivisions 10, 11, 16, 27, 28, 35, by adding subdivisions; 10A.02, subdivisions 9, 10, 11, 12, 15; 10A.025, subdivisions 2, 3, 4; 10A.04, subdivision 5; 10A.071, subdivision 3; 10A.105, subdivision 1; 10A.12, subdivisions 1, 1a, 2; 10A.121; 10A.14, subdivision 1, by adding a subdivision; 10A.15, subdivisions 1, 3; 10A.16; 10A.20, subdivisions 1, 2, 3, 4, 5, 6, 7, 12, by adding a subdivision; 10A.241; 10A.242, subdivision 1; 10A.25, subdivisions 2, 2a, 3, 3a; 10A.257, subdivision 1; 10A.27, subdivisions 1, 2, 9, 10, 11, 13, 14, 15; 10A.273, subdivisions 1, 4; 10A.30; 10A.31, subdivisions 1, 4, 7; 10A.315; 10A.321, subdivision 1; 10A.322, subdivision 4; 10A.323; 10A.324, subdivision 1; 211B.32, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 10A; repealing Minnesota Statutes 2012, sections 10A.24; 10A.242; 10A.25, subdivision 6.

May 18, 2013

The Honorable Sandra L. Pappas  
President of the Senate

The Honorable Paul Thissen  
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 661 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 661 be further amended as follows:

Delete everything after the enacting clause and insert:

#### "ARTICLE 1

#### POLICY CHANGES

Section 1. Minnesota Statutes 2012, section 10A.01, is amended by adding a subdivision to read:

Subd. 7c. **Ballot question political committee.** "Ballot question political committee" means a political committee that makes only expenditures to promote or defeat a ballot question and disbursements permitted under section 10A.121, subdivision 1.

Sec. 2. Minnesota Statutes 2012, section 10A.01, is amended by adding a subdivision to read:

Subd. 7d. **Ballot question political fund.** "Ballot question political fund" means a political fund that makes only expenditures to promote or defeat a ballot question and disbursements permitted under section 10A.121, subdivision 1.

Sec. 3. Minnesota Statutes 2012, section 10A.01, subdivision 10, is amended to read:

Subd. 10. **Candidate.** "Candidate" means an individual who seeks nomination or election as a state constitutional officer, legislator, or judge. An individual is deemed to seek nomination or election if the individual has taken the action necessary under the law of this state to qualify for nomination or election, has received contributions or made expenditures in excess of \$100, or has given implicit or explicit consent for any other person to receive contributions or make expenditures in excess of \$100, for the purpose of bringing about the individual's nomination or election. A candidate remains a candidate until the candidate's principal campaign committee is dissolved as provided in section ~~10A.24~~ 10A.243.

Sec. 4. Minnesota Statutes 2012, section 10A.01, subdivision 11, is amended to read:

Subd. 11. **Contribution.** (a) "Contribution" means money, a negotiable instrument, or a donation in kind that is given to a political committee, political fund, principal campaign committee, or party unit. An allocation by an association of general treasury money to be used for activities that must be or are reported through the association's political fund is considered to be a contribution for the purposes of disclosure required by this chapter.

(b) "Contribution" includes a loan or advance of credit to a political committee, political fund, principal campaign committee, or party unit, if the loan or advance of credit is: (1) forgiven; or (2) repaid by an individual or an association other than the political committee, political fund, principal campaign committee, or party unit to which the loan or advance of credit was made. If an advance of credit or a loan is forgiven or repaid as provided in this paragraph, it is a contribution in the year in which the loan or advance of credit was made.

(c) "Contribution" does not include services provided without compensation by an individual volunteering personal time on behalf of a candidate, ballot question, political committee, political fund, principal campaign committee, or party unit; the publishing or broadcasting of news items or editorial comments by the news media; or an individual's unreimbursed personal use of an automobile owned by the individual while volunteering personal time.

Sec. 5. Minnesota Statutes 2012, section 10A.01, subdivision 16, is amended to read:

Subd. 16. **Election cycle.** "Election cycle" means the period from January 1 following a general election for an office to December 31 following the next general election for that office, except that "election cycle" for a special election means the period from the date the special election writ is issued to 60 days after the special election is held. For a regular election, the period from January 1 of the year prior to an election year through December 31 of the election year is the "election segment" of the election cycle. Each other two-year segment of an election cycle is a "non-election segment" of the election cycle. An election cycle that consists of two calendar years has only an election segment. The election segment of a special election cycle includes the entire special election cycle.

Sec. 6. Minnesota Statutes 2012, section 10A.01, is amended by adding a subdivision to read:

Subd. 16a. **Expressly advocating.** "Expressly advocating" means that a communication clearly identifies a candidate and uses words or phrases of express advocacy.

Sec. 7. Minnesota Statutes 2012, section 10A.01, is amended by adding a subdivision to read:

Subd. 17c. **General treasury money.** "General treasury money" means money that an association other than a principal campaign committee, party unit, or political committee accumulates through membership dues and fees, donations to the association for its general purposes, and income from the operation of a business. General treasury money does not include money collected to influence the nomination or election of candidates or to promote or defeat a ballot question.

Sec. 8. Minnesota Statutes 2012, section 10A.01, is amended by adding a subdivision to read:

Subd. 26a. **Person.** "Person" means an individual, an association, a political subdivision, or a public higher education system.

Sec. 9. Minnesota Statutes 2012, section 10A.01, subdivision 27, is amended to read:

Subd. 27. **Political committee.** "Political committee" means an association whose major purpose is to influence the nomination or election of ~~a candidate~~ one or more candidates or to promote or defeat a ballot question, other than a principal campaign committee or a political party unit.

Sec. 10. Minnesota Statutes 2012, section 10A.01, subdivision 28, is amended to read:

Subd. 28. **Political fund.** "Political fund" means an accumulation of dues or voluntary contributions by an association other than a political committee, principal campaign committee, or party unit, if the accumulation is collected or expended to influence the nomination or election of ~~a candidate~~ one or more candidates or to promote or defeat a ballot question. The term "political fund" as used in this chapter may also refer to the association acting through its political fund.

Sec. 11. Minnesota Statutes 2012, section 10A.02, subdivision 9, is amended to read:

Subd. 9. **Documents; information.** The executive director must inspect all material filed with the board as promptly as necessary to comply with this chapter ~~and, with other provisions of law requiring the filing of a document with the board, and with other provisions of law under the board's jurisdiction pursuant to subdivision 11.~~ The executive director must immediately notify ~~the an individual required to file a document with the board~~ if a written complaint is filed with the board alleging, or it otherwise appears, that a document filed with the board is inaccurate or does not comply with this chapter, or that the individual has failed to file a document required by this chapter or has failed to comply with this chapter or other provisions under the board's jurisdiction pursuant to subdivision 11. ~~The executive director may provide an individual required to file a document under this chapter with factual information concerning the limitations on corporate campaign contributions imposed by section 211B.15.~~

Sec. 12. Minnesota Statutes 2012, section 10A.02, subdivision 10, is amended to read:

Subd. 10. **Audits and investigations.** The board may make audits and investigations, impose statutory civil penalties, and issue orders for compliance with respect to statements and reports that are filed or that should have been filed under the requirements of this chapter and provisions under the board's jurisdiction pursuant to subdivision 11. In all matters relating to its official duties, the board has the power to issue subpoenas and cause them to be served. If a person does not comply with a subpoena, the board may apply to the District Court of Ramsey County for issuance of an order compelling obedience to the subpoena. A person failing to obey the order is punishable by the court as for contempt.

Sec. 13. Minnesota Statutes 2012, section 10A.02, subdivision 11, is amended to read:

Subd. 11. **Violations; enforcement.** (a) The board may investigate any alleged violation of this chapter. The board may also investigate an alleged violation of section 211B.04, 211B.12, or 211B.15 by or related to a candidate, treasurer, principal campaign committee, political committee, political fund, or party unit, as those terms are defined in this chapter. The board must investigate any violation that is alleged in a written complaint filed with the board and must within 30 days after the filing of the complaint ~~make a public finding of whether there is probable cause to believe a violation has occurred~~ findings and conclusions as to whether a violation has occurred and must issue an order, except that if the complaint alleges a violation of section 10A.25 or 10A.27, the board must either enter a conciliation agreement or make a public finding of whether there is probable cause, findings and conclusions as to whether a violation has occurred and must issue an order within 60 days after the filing of the complaint. The deadline for action on a written complaint may be extended by majority vote of the board.

(b) The board may bring legal actions or negotiate settlements in its own name to recover money raised from contributions subject to the conditions in this paragraph.

(1) No action may be commenced unless the board has made a formal determination, after an investigation, that the money was raised for political purposes as defined in section 211B.01, subdivision 6, and that the money was used for purposes not permitted under this chapter or under section 211B.12.

(2) Prior to commencing an action, the board must give the association whose money was misused written notice by certified mail of its intent to take action under this subdivision and must give the association a reasonable opportunity, for a period of not less than 90 days, to recover the money without board intervention. This period must be extended for at least an additional 90 days for good cause if the association is actively pursuing recovery of the money. The board may not commence a legal action under this subdivision if the association has commenced a legal action for the recovery of the same money.

(3) Any funds recovered under this subdivision must be deposited in a campaign finance recovery account in the special revenue fund and are appropriated as follows:

(i) an amount equal to the board's actual costs and disbursements in the action, including court reporter fees for depositions taken in the course of an investigation, is appropriated to the board for its operations;

(ii) an amount equal to the reasonable value of legal services provided by the Office of the Attorney General in the recovery matter, calculated on the same basis as is used for charging legal fees to state agencies, is appropriated to the attorney general for the attorney general's operations; and

(iii) any remaining balance is appropriated to the board for distribution to the association to which the money was originally contributed.

(4) Notwithstanding clause (3), item (iii), if the candidate of a principal campaign committee is the person who used the association's money for illegal purposes, or if the association or political fund whose money was misused is no longer registered with the board, any money remaining after the payments specified in clause (3), items (i) and (ii), must be transferred to the general account of the state elections campaign account.

(5) Any action by the board under this paragraph must be commenced not later than four years after the improper use of money is shown on a report filed with the board or the board has actual knowledge of improper use. No action may be commenced under this paragraph for improper uses disclosed on reports for calendar years prior to 2011.

(6) If the board prevails in an action brought under this subdivision and the court makes a finding that the misuse of funds was willful, the court may enter judgment in favor of the board and against the person misusing the funds in the amount of the misused funds.

(b) (c) Within a reasonable time after beginning an investigation of an individual or association, the board must notify the individual or association of the fact of the investigation. The board must not make a finding of whether there is probable cause to believe a violation has occurred without notifying the individual or association of the nature of the allegations and affording an opportunity to answer those allegations.



(e) (d) A hearing or action of the board concerning a complaint or investigation other than a finding concerning probable cause or a conciliation agreement is confidential. Until the board makes a public finding concerning probable cause or enters a conciliation agreement:

(1) a member, employee, or agent of the board must not disclose to an individual information obtained by that member, employee, or agent concerning a complaint or investigation except as required to carry out the investigation or take action in the matter as authorized by this chapter; and

(2) an individual who discloses information contrary to this subdivision is subject to a civil penalty imposed by the board of up to \$1,000.

(e) A matter that is under the board's jurisdiction pursuant to this section and that may result in a criminal offense must be finally disposed of by the board before the alleged violation may be prosecuted by a city or county attorney.

Sec. 14. Minnesota Statutes 2012, section 10A.02, subdivision 12, is amended to read:

Subd. 12. **Advisory opinions.** (a) The board may issue and publish advisory opinions on the requirements of this chapter and of those sections listed in subdivision 11 based upon real or hypothetical situations. An application for an advisory opinion may be made only by an individual or association a person who is subject to chapter 10A and who wishes to use the opinion to guide the individual's or the association's person's own conduct. The board must issue written opinions on all such questions submitted to it within 30 days after receipt of written application, unless a majority of the board agrees to extend the time limit.

(b) A written advisory opinion issued by the board is binding on the board in a subsequent board proceeding concerning the person making or covered by the request and is a defense in a judicial proceeding that involves the subject matter of the opinion and is brought against the person making or covered by the request unless:

(1) the board has amended or revoked the opinion before the initiation of the board or judicial proceeding, has notified the person making or covered by the request of its action, and has allowed at least 30 days for the person to do anything that might be necessary to comply with the amended or revoked opinion;

(2) the request has omitted or misstated material facts; or

(3) the person making or covered by the request has not acted in good faith in reliance on the opinion.

(c) A request for an opinion and the opinion itself are nonpublic data. The board, however, may publish an opinion or a summary of an opinion, but may not include in the publication the name of the requester, the name of a person covered by a request from an agency or political subdivision, or any other information that might identify the requester, unless the person consents to the inclusion.

Sec. 15. Minnesota Statutes 2012, section 10A.02, subdivision 15, is amended to read:

Subd. 15. **Disposition of fees.** The board must deposit all fees and civil penalties collected under this chapter into the general fund in the state treasury.

Sec. 16. Minnesota Statutes 2012, section 10A.025, subdivision 2, is amended to read:

Subd. 2. **Penalty for false statements.** (a) A report or statement required to be filed under this chapter must be signed and certified as true by the individual required to file the report. The signature may be an electronic signature consisting of a password assigned by the board.

(b) An individual who signs and certifies shall not sign and certify to be true a report or statement knowing it contains false information or who knowingly knowing it omits required information is guilty of a gross misdemeanor and subject to a civil penalty imposed by the board of up to \$3,000.

(c) An individual shall not knowingly provide false or incomplete information to a treasurer with the intent that the treasurer will rely on that information in signing and certifying to be true a report or statement.

(d) A person who violates paragraph (b) or (c) is subject to a civil penalty imposed by the board of up to \$3,000. A violation of paragraph (b) or (c) is a gross misdemeanor.

(e) The board may impose an additional civil penalty of up to \$3,000 on the principal campaign committee or candidate, party unit, political committee, or association that has a political fund that is affiliated with an individual who violated paragraph (b) or (c).

Sec. 17. Minnesota Statutes 2012, section 10A.025, subdivision 3, is amended to read:

Subd. 3. **Record keeping; penalty.** (a) A person required to file a report or statement or who has accepted record-keeping responsibility for the filer must maintain records on the matters required to be reported, including vouchers, canceled checks, bills, invoices, worksheets, and receipts, that will provide in sufficient detail the necessary information from which the filed reports and statements may be verified, explained, clarified, and checked for accuracy and completeness. The person must keep the records available for audit, inspection, or examination by the board or its authorized representatives for four years from the date of filing of the reports or statements or of changes or corrections to them. ~~A person who knowingly violates this subdivision is guilty of a misdemeanor.~~

(b) The board may impose a civil penalty of up to \$3,000 on a person who knowingly violates this subdivision. The board may impose a separate civil penalty of up to \$3,000 on the principal campaign committee or candidate, party unit, political committee, or association that has a political fund that is affiliated with an individual who violated this subdivision.

(c) A knowing violation of this subdivision is a misdemeanor.

Sec. 18. Minnesota Statutes 2012, section 10A.071, subdivision 3, is amended to read:

Subd. 3. **Exceptions.** (a) The prohibitions in this section do not apply if the gift is:

- (1) a contribution as defined in section 10A.01, subdivision 11;
- (2) services to assist an official in the performance of official duties, including but not limited to providing advice, consultation, information, and communication in connection with legislation, and services to constituents;
- (3) services of insignificant monetary value;
- (4) a plaque with a resale value of \$5 or less;
- (5) a trinket or memento costing \$5 or less;

(6) informational material with a resale value of \$5 or less; or

(7) food or a beverage given at a reception, meal, or meeting if:

(i) the reception, meal, or meeting is held away from the recipient's place of work by an organization before whom the recipient appears to make a speech or answer questions as part of a program; or

(ii) the recipient is a member or employee of the legislature and an invitation to attend the reception, meal, or meeting was provided to all members of the legislature at least five days prior to the date of the event.

(b) The prohibitions in this section do not apply if the gift is given:

(1) because of the recipient's membership in a group, a majority of whose members are not officials, and an equivalent gift is given to the other members of the group; or

(2) by a lobbyist or principal who is a member of the family of the recipient, unless the gift is given on behalf of someone who is not a member of that family.

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

Sec. 19. Minnesota Statutes 2012, section 10A.105, subdivision 1, is amended to read:

Subdivision 1. **Single committee.** A candidate must not accept contributions from a source, other than self, in aggregate in excess of ~~\$100~~ \$750 or accept a public subsidy unless the candidate designates and causes to be formed a single principal campaign committee for each office sought. A candidate may not authorize, designate, or cause to be formed any other political committee bearing the candidate's name or title or otherwise operating under the direct or indirect control of the candidate. However, a candidate may be involved in the direct or indirect control of a party unit.

Sec. 20. Minnesota Statutes 2012, section 10A.12, subdivision 1, is amended to read:

Subdivision 1. **When required for contributions and approved expenditures.** An association other than a political committee or party unit may not contribute more than ~~\$100~~ \$750 in aggregate in any ~~one~~ calendar year to candidates, political committees, or party units or ~~make any approved or independent expenditure or expenditure to promote or defeat a ballot question~~ expenditures of more than \$750 in aggregate in any calendar year unless the contribution or expenditure is made ~~from~~ through a political fund.

Sec. 21. Minnesota Statutes 2012, section 10A.12, subdivision 1a, is amended to read:

Subd. 1a. **When required for independent expenditures or ballot questions.** An association other than a political committee that makes only independent expenditures ~~and disbursements permitted under section 10A.121, subdivision 1, or expenditures to promote or defeat a ballot question~~ must do so by forming and registering through an independent expenditure or ballot question political fund if the expenditure is in excess of \$100 independent expenditures aggregate more than \$1,500 in a calendar year or if the expenditures to promote or defeat a ballot question aggregate more than \$5,000 in a calendar year, or by contributing to an existing independent expenditure or ballot question political committee or political fund.

Sec. 22. Minnesota Statutes 2012, section 10A.12, subdivision 2, is amended to read:

Subd. 2. **Commingling prohibited.** The contents of ~~a an~~ association's political fund may not be commingled with other funds or with the personal funds of an officer or member of the association or the fund. It is not commingling for an association that uses only its own general treasury money to make expenditures and disbursements permitted under section 10A.121, subdivision 1, directly from the depository used for its general treasury money. An association that accepts more than \$1,500 in contributions to influence the nomination or election of candidates or more than \$5,000 in contributions to promote or defeat a ballot question must establish a separate depository for those contributions.

Sec. 23. Minnesota Statutes 2012, section 10A.121, is amended to read:

**10A.121 INDEPENDENT EXPENDITURE AND BALLOT QUESTION POLITICAL COMMITTEES AND ~~INDEPENDENT EXPENDITURE POLITICAL FUNDS.~~**

Subdivision 1. **Permitted disbursements.** An independent expenditure political committee or ~~an independent expenditure political fund~~, or a ballot question political committee or fund, ~~in addition to making independent expenditures~~, may:

- (1) pay costs associated with its fund-raising and general operations;
- (2) pay for communications that do not constitute contributions or approved expenditures; ~~and~~
- (3) make contributions to ~~other independent expenditure or ballot question political committees or independent expenditure political funds~~;
- (4) make independent expenditures;
- (5) make expenditures to promote or defeat ballot questions;
- (6) return a contribution to its source;
- (7) for a political fund, record bookkeeping entries transferring the association's general treasury money allocated for political purposes back to the general treasury of the association; and
- (8) for a political fund, return general treasury money transferred to a separate depository to the general depository of the association.

Subd. 2. **Penalty.** (a) An independent expenditure political committee or independent expenditure political fund is subject to a civil penalty of up to four times the amount of the contribution or approved expenditure if it does the following:

(1) makes a contribution to a candidate, party unit, political committee, or political fund other than an independent expenditure political committee or an independent expenditure political fund; or

(2) makes an approved expenditure.

(b) No other penalty provided in law may be imposed for conduct that is subject to a civil penalty under this section.

Sec. 24. Minnesota Statutes 2012, section 10A.14, subdivision 1, is amended to read:

Subdivision 1. **First registration.** The treasurer of a political committee, political fund, principal campaign committee, or party unit must register with the board by filing a registration statement of organization no later than 14 days after the committee, fund, or party unit has made a contribution,

received contributions, or made expenditures in excess of ~~\$100~~ \$750, or by the end of the next business day after it has received a loan or contribution that must be reported under section 10A.20, subdivision 5, whichever is earlier. This subdivision does not apply to ballot question or independent expenditure political committees or funds, which are subject to subdivision 1a.

Sec. 25. Minnesota Statutes 2012, section 10A.14, is amended by adding a subdivision to read:

Subd. 1a. **Independent expenditure or ballot question political committees and funds; first registration; reporting.** The treasurer of an independent expenditure or ballot question political committee or fund must register with the board by filing a registration statement:

(1) no later than 14 calendar days after the committee or the association registering the political fund has:

(i) received aggregate contributions for independent expenditures of more than \$1,500 in a calendar year;

(ii) received aggregate contributions for expenditures to promote or defeat a ballot question of more than \$5,000 in a calendar year;

(iii) made aggregate independent expenditures of more than \$1,500 in a calendar year; or

(iv) made aggregate expenditures to promote or defeat a ballot question of more than \$5,000 in a calendar year; or

(2) by the end of the next business day after it has received a loan or contribution that must be reported under section 10A.20, subdivision 5, and it has met one of the requirements of clause (1).

Sec. 26. Minnesota Statutes 2012, section 10A.15, subdivision 1, is amended to read:

Subdivision 1. **Anonymous contributions.** A political committee, political fund, principal campaign committee, or party unit may not retain an anonymous contribution in excess of \$20, but must forward it to the board for deposit in the general account of the state elections campaign fund account.

Sec. 27. Minnesota Statutes 2012, section 10A.15, subdivision 3, is amended to read:

Subd. 3. **Deposit.** All contributions received by or on behalf of a candidate, principal campaign committee, political committee, political fund, or party unit must be deposited in an account designated "Campaign Fund of ..... (name of candidate, committee, fund, or party unit)." All contributions must be deposited promptly upon receipt and, except for contributions received during the last three days of a reporting period as described in section 10A.20, must be deposited during the reporting period in which they were received. A contribution received during the last three days of a reporting period must be deposited within 72 hours after receipt and must be reported as received during the reporting period whether or not deposited within that period. A candidate, principal campaign committee, political committee, political fund, or party unit may refuse to accept a contribution. A deposited contribution may be returned to the contributor within 60 90 days after deposit. A contribution deposited and not returned within 60 90 days after that deposit must be reported as accepted.

Sec. 28. Minnesota Statutes 2012, section 10A.20, subdivision 1, is amended to read:

Subdivision 1. **First filing; duration.** The treasurer of a political committee, political fund, principal campaign committee, or party unit must begin to file the reports required by this section in for the first year it receives contributions or makes expenditures in excess of \$100 that require it to register under section 10A.14 and must continue to file until the committee, fund, or party unit is terminated. The reports must be filed electronically in a standards-based open format specified by the board. For good cause shown, the board must grant exemptions to the requirement that reports be filed electronically.

Sec. 29. Minnesota Statutes 2012, section 10A.20, subdivision 2, is amended to read:

Subd. 2. **Time for filing.** (a) The reports must be filed with the board on or before January 31 of each year and additional reports must be filed as required and in accordance with paragraphs (b) to (d).

(b) In each year in which the name of the a candidate for legislative or district court judicial office is on the ballot, the report of the principal campaign committee must be filed 15 days before a primary and ten days before a general election, seven days before a special primary and a special election, and ten days after a special election cycle.

(c) In each general election year, a political committee or, a political fund must file reports 28 and 15 days before a primary and 42 and ten days before a general election. Beginning in 2012, reports required under this paragraph must also be filed 56 days before a primary; a state party committee, a party unit established by all or a part of the party organization within a house of the legislature, and the principal campaign committee of a candidate for constitutional or appellate court judicial office must file reports on the following schedule:

(1) a first-quarter report covering the calendar year through March 31, which is due April 14;

(2) in a year in which a primary election is held in August, a report covering the calendar year through May 31, which is due June 14;

(3) in a year in which a primary election is held before August, a pre-general-election report covering the calendar year through July 15, which is due July 29;

(4) a pre-primary-election report due 15 days before a primary election;

(5) a pre-general-election report due 42 days before the general election;

(6) a pre-general-election report due ten days before a general election; and

(7) for a special election, a constitutional office candidate whose name is on the ballot must file reports seven days before a special primary and a special election, and ten days after a special election cycle.

(d) In each general election year, a party unit not included in paragraph (c) must file reports 15 days before a primary election and ten days before a general election.

(e) Notwithstanding paragraphs (a) to (d), the principal campaign committee of a candidate whose name will not be on the general election ballot is not required to file the report due ten days before a general election or seven days before a special election.

Sec. 30. Minnesota Statutes 2012, section 10A.20, subdivision 3, is amended to read:

Subd. 3. **Contents of report.** (a) The report required by this section must include each of the items listed in paragraphs (b) to (o) that are applicable to the filer. The board shall prescribe forms based on filer type indicating which of those items must be included on the filer's report.

~~(a)~~ (b) The report must disclose the amount of liquid assets on hand at the beginning of the reporting period.

~~(b)~~ (c) The report must disclose the name, address, and employer, or occupation if self-employed, of each individual or association that has made one or more contributions to the reporting entity, including the purchase of tickets for a fund-raising effort, that in aggregate within the year exceed ~~\$100~~ \$200 for legislative or statewide candidates or more than \$500 for ballot questions, together with the amount and date of each contribution, and the aggregate amount of contributions within the year from each source so disclosed. A donation in kind must be disclosed at its fair market value. An approved expenditure must be listed as a donation in kind. A donation in kind is considered consumed in the reporting period in which it is received. The names of contributors must be listed in alphabetical order. Contributions from the same contributor must be listed under the same name. When a contribution received from a contributor in a reporting period is added to previously reported unitemized contributions from the same contributor and the aggregate exceeds the disclosure threshold of this paragraph, the name, address, and employer, or occupation if self-employed, of the contributor must then be listed on the report.

~~(c)~~ (d) The report must disclose the sum of contributions to the reporting entity during the reporting period.

~~(d)~~ (e) The report must disclose each loan made or received by the reporting entity within the year in aggregate in excess of ~~\$100~~ \$200, continuously reported until repaid or forgiven, together with the name, address, occupation, and principal place of business, if any, of the lender and any endorser and the date and amount of the loan. If a loan made to the principal campaign committee of a candidate is forgiven or is repaid by an entity other than that principal campaign committee, it must be reported as a contribution for the year in which the loan was made.

~~(e)~~ (f) The report must disclose each receipt over ~~\$100~~ \$200 during the reporting period not otherwise listed under paragraphs ~~(b)~~ (c) to ~~(d)~~ (e).

~~(f)~~ (g) The report must disclose the sum of all receipts of the reporting entity during the reporting period.

~~(g)~~ (h) The report must disclose the name and address of each individual or association to whom aggregate expenditures, ~~including~~ approved expenditures, independent expenditures and ballot question expenditures have been made by or on behalf of the reporting entity within the year in excess of ~~\$100~~ \$200, together with the amount, date, and purpose of each expenditure and the name and address of, and office sought by, each candidate on whose behalf the expenditure was made, identification of the ballot question that the expenditure was intended to promote or defeat and an indication of whether the expenditure was to promote or to defeat the ballot question, and in the case of independent expenditures made in opposition to a candidate, the candidate's name, address, and office sought. A reporting entity making an expenditure on behalf of more than one candidate for state or legislative office must allocate the expenditure among the candidates on a reasonable cost basis and report the allocation for each candidate.

~~(h)~~ (i) The report must disclose the sum of all expenditures made by or on behalf of the reporting entity during the reporting period.

(i) (j) The report must disclose the amount and nature of an advance of credit incurred by the reporting entity, continuously reported until paid or forgiven. If an advance of credit incurred by the principal campaign committee of a candidate is forgiven by the creditor or paid by an entity other than that principal campaign committee, it must be reported as a donation in kind for the year in which the advance of credit was made.

(j) (k) The report must disclose the name and address of each political committee, political fund, principal campaign committee, or party unit to which contributions have been made that aggregate in excess of \$100 \$200 within the year and the amount and date of each contribution.

(k) (l) The report must disclose the sum of all contributions made by the reporting entity during the reporting period.

(l) (m) The report must disclose the name and address of each individual or association to whom noncampaign disbursements have been made that aggregate in excess of \$100 \$200 within the year by or on behalf of the reporting entity and the amount, date, and purpose of each noncampaign disbursement.

(m) (n) The report must disclose the sum of all noncampaign disbursements made within the year by or on behalf of the reporting entity.

(n) (o) The report must disclose the name and address of a nonprofit corporation that provides administrative assistance to a political committee or political fund as authorized by section 211B.15, subdivision 17, the type of administrative assistance provided, and the aggregate fair market value of each type of assistance provided to the political committee or political fund during the reporting period.

Sec. 31. Minnesota Statutes 2012, section 10A.20, subdivision 5, is amended to read:

Subd. 5. ~~Preelection~~ Pre-election reports. (a) Any loan, contribution, or contributions:

(1) to a political committee or political fund from any one source totaling more than \$1,000 ~~or more, or in a statewide election for~~;

(2) to the principal campaign committee of a candidate for an appellate court judicial office; ~~any loan, contribution, or contributions from any one source totaling more than~~ \$2,000 ~~or more, or in any judicial~~;

(3) to the principal campaign committee of a candidate for district court judge totaling more than \$400 ~~or more, and any loan, contribution, or contributions~~; ~~or~~

(4) to the principal campaign committee of a candidate for constitutional office or for the legislature ~~from any one source~~ totaling 80 more than 50 percent or more of the election cycle contribution limit for the office, received between the last day covered in the last report before an election and the election must be reported to the board ~~in one of the following ways:~~ in the manner provided in paragraph (b).

(b) A loan, contribution, or contributions required to be reported to the board under paragraph (a) must be reported to the board either:

(1) in person by the end of the next business day after its receipt; or

(2) by electronic means sent within 24 hours after its receipt.



(c) These loans and contributions must also be reported in the next required report.

(d) This notice requirement does not apply with respect to in a primary in which the statewide or legislative election to a candidate who is unopposed in the primary, in a primary election to a ballot question political committee or fund, or in a general election to a candidate whose name is not on the general election ballot. The board must post the report on its Web site by the end of the next business day after it is received.

(e) This subdivision does not apply to a ballot question or independent expenditure political committee or fund that has not met the registration threshold of section 10A.14, subdivision 1a. However, if a contribution that would be subject to this section triggers the registration requirement in section 10A.14, subdivision 1a, then both registration under that section and reporting under this section are required.

Sec. 32. Minnesota Statutes 2012, section 10A.20, subdivision 6, is amended to read:

Subd. 6. **Report when no committee.** (a) A candidate who does not designate and cause to be formed a principal campaign committee and an individual who makes independent expenditures or campaign expenditures expressly advocating the approval or defeat of a ballot question in aggregate in excess of \$100 \$750 in a year must file with the board a report containing the information required by subdivision 3. Reports required by this subdivision must be filed on by the dates on which reports by principal campaign committees, funds, and party units are must be filed.

(b) An individual who makes independent expenditures that aggregate more than \$1,500 in a calendar year or expenditures to promote or defeat a ballot question that aggregate more than \$5,000 in a calendar year must file with the board a report containing the information required by subdivision 3. A report required by this subdivision must be filed by the date on which the next report by political committees and political funds must be filed.

Sec. 33. Minnesota Statutes 2012, section 10A.20, subdivision 7, is amended to read:

Subd. 7. **Statement of inactivity.** If a reporting entity principal campaign committee, party unit, or political committee, has no receipts or expenditures during a reporting period, the treasurer must file with the board at the time required by this section a statement to that effect.

Sec. 34. Minnesota Statutes 2012, section 10A.20, is amended by adding a subdivision to read:

Subd. 7a. **Activity of political fund.** An association is not required to file any statement or report for a reporting period when the association accepted no contributions into the association's political fund and made no expenditures from its political fund since the last date included in its most recent filed report. If the association maintains a separate checking account for its political fund, the receipt of interest on the proceeds of that account and the payment of fees to maintain that account do not constitute activity that requires the filing of a report for an otherwise inactive political fund.

Sec. 35. Minnesota Statutes 2012, section 10A.241, is amended to read:

#### **10A.241 TRANSFER OF DEBTS.**

~~Notwithstanding section 10A.24,~~ A candidate may terminate the candidate's principal campaign committee for one state office by transferring any debts of that committee to the candidate's principal campaign committee for another state office if all outstanding unpaid bills or loans from the committee being terminated are assumed and continuously reported by the committee

to which the transfer is being made until paid or forgiven. A loan that is forgiven is covered by section 10A.20 and, ~~for purposes of section 10A.324,~~ is a contribution to the principal campaign committee from which the debt was transferred under this section.

**Sec. 36. [10A.243] TERMINATION OF REGISTRATION.**

**Subdivision 1. Termination report.** A political committee, political fund, principal campaign committee, or party unit may terminate its registration with the board after it has disposed of all its assets in excess of \$100 by filing a final report of receipts and expenditures. The final report must be identified as a termination report and must include all financial transactions that occurred after the last date included on the most recent report filed with the board. The termination report may be filed at any time after the asset threshold in this section is reached.

**Subd. 2. Asset disposition.** "Assets" include credit balances at vendors, prepaid postage and postage stamps, as well as physical assets. Assets must be disposed of at their fair market value. Assets of a political fund that consist of, or were acquired using, only the general treasury money of the fund's supporting association remain the property of the association upon termination of the association's political fund registration and are not subject to the disposal requirements of this section.

**Sec. 37. [10A.244] VOLUNTARY INACTIVE STATUS; POLITICAL FUNDS.**

**Subdivision 1. Election of voluntary inactive status.** An association that has a political fund registered under this chapter may elect to have the fund placed on voluntary inactive status if the following conditions are met:

- (1) the association makes a written request for inactive status;
- (2) the association has filed all periodic reports required by this chapter and has received no contributions into its political fund and made no expenditures or disbursements through its political fund since the last date included on the association's most recent report; and
- (3) the association has satisfied all obligations to the state for late filing fees and civil penalties imposed by the board or the board has waived this requirement.

**Subd. 2. Effect of voluntary inactive status.** After an association has complied with the requirements of subdivision 1:

- (1) the board must notify the association that its political fund has been placed in voluntary inactive status and of the terms of this section;
- (2) the board must stop sending the association reports, forms, and notices of report due dates that are periodically sent to entities registered with the board;
- (3) the association is not required to file periodic disclosure reports for its political fund as otherwise required under this chapter;
- (4) the association may not accept contributions into its political fund and may not make expenditures, contributions, or disbursements through its political fund; and
- (5) if the association maintains a separate depository account for its political fund, it may continue to pay bank service charges and receive interest paid on that account while its political fund is in inactive status.

Subd. 3. **Resumption of active status or termination.** (a) An association that has placed its political fund in voluntary inactive status may resume active status upon written notice to the board.

(b) A political fund placed in voluntary inactive status must resume active status within 14 days of the date that it has accepted contributions or made expenditures, contributions, or disbursements that aggregate more than \$750 since the political fund was placed on inactive status. If, after meeting this threshold, the association does not notify the board that its fund has resumed active status, the board may place the association's political fund in active status and notify the association of the change in status.

(c) An association that has placed its political fund in voluntary inactive status may terminate the registration of the fund without returning it to active status.

Subd. 4. **Penalty for financial activity while in voluntary inactive status.** If an association fails to notify the board of its political fund's resumption of active status under subdivision 3, the board may impose a civil penalty of \$50 per day, not to exceed \$1,000 commencing on the 15th calendar day after the fund resumed active status.

Sec. 38. **[10A.245] ADMINISTRATIVE TERMINATION OF INACTIVE COMMITTEES AND FUNDS.**

Subdivision 1. **Inactivity defined.** (a) A principal campaign committee becomes inactive on the later of the following dates:

(1) six years after the last election in which the individual for whom the committee exists was a candidate for the office sought or held at the time the principal campaign committee registered with the board; or

(2) six years after the last day on which the individual for whom the committee exists served in an elective office subject to this chapter.

(b) A political committee, political fund, or party unit becomes inactive when four years have elapsed since the end of a reporting period during which the political committee, political fund, or party unit made an expenditure or disbursement requiring itemized disclosure under this chapter.

(c) A political fund that has elected voluntary inactive status under section 10A.244 becomes inactive within the meaning of this section when four years have elapsed during which the political fund was continuously in voluntary inactive status.

Subd. 2. **Termination by board.** The board may terminate the registration of a principal campaign committee, party unit, political committee, or political fund found to be inactive under this section 60 days after sending written notice of inactivity by certified mail to the affected association at the last address on record with the board for that association. Within 60 days after the board sends notice under this section, the affected association must dispose of its assets as provided in this subdivision. The assets of the principal campaign committee, party unit, or political committee must be used for the purposes authorized by this chapter or section 211B.12 or must be liquidated and deposited in the general account of the state elections campaign account. The assets of an association's political fund that were derived from the association's general treasury money revert to the association's general treasury. Assets of a political fund that resulted from contributions to the political fund must be used for the purposes authorized by this chapter or section 211B.12 or must be liquidated and deposited in the general account of the state elections campaign account.

Sec. 39. [10A.246] UNPAID DEBT UPON TERMINATION.

Termination of a registration with the board does not affect the liability, if any, of the association or its candidates, officers, or other individuals for obligations incurred in the name of the association or its political fund.

Sec. 40. Minnesota Statutes 2012, section 10A.25, subdivision 2, is amended to read:

Subd. 2. **Amounts.** (a) ~~In a year in which an election is held for an office sought by a candidate segment of an election cycle,~~ the principal campaign committee of the candidate must not make campaign expenditures nor permit approved expenditures to be made on behalf of the candidate that result in aggregate expenditures in excess of the following:

(1) for governor and lieutenant governor, running together, ~~\$2,577,200~~ \$3,500,000 in the election segment and \$1,500,000 in the nonelection segment;

(2) for attorney general, ~~\$429,600~~ \$600,000 in the election segment and \$200,000 in the nonelection segment;

(3) for secretary of state and state auditor, separately, ~~\$214,800~~ \$400,000 in the election segment and \$100,000 in the nonelection segment;

(4) for state senator, ~~\$68,100~~ \$90,000 in the election segment and \$30,000 in a non-election segment;

(5) for state representative, ~~\$34,300~~ \$60,000 in the election segment.

(b) In addition to the amount in paragraph (a), clause (1), a candidate for endorsement for the office of lieutenant governor at the convention of a political party may make campaign expenditures and approved expenditures of five percent of that amount to seek endorsement.

(c) If a special election cycle occurs during a general election cycle, expenditures by or on behalf of a candidate in the special election do not count as expenditures by or on behalf of the candidate in the general election.

(d) The expenditure limits in this subdivision for an office are increased by ten percent for a candidate who ~~is running for that~~ has not previously held the same office ~~for the first time~~, whose name has not previously been on the primary or general election ballot for that office, and who has not in the past ten years raised or spent more than \$750 in a run ~~previously~~ for any other office whose territory now includes a population that is more than one-third of the population in the territory of the new office. In the case of a legislative candidate, the office is that of a member of the house of representatives or senate without regard to any specific district.

Sec. 41. Minnesota Statutes 2012, section 10A.25, subdivision 2a, is amended to read:

Subd. 2a. **Aggregated expenditures.** If a candidate makes expenditures from more than one principal campaign committee for nomination or election to statewide office in the same segment of an election year cycle, the amount of expenditures from all of the candidate's principal campaign committees for statewide office for that segment of the election year cycle must be aggregated for purposes of applying the limits on expenditures under subdivision 2.

Sec. 42. Minnesota Statutes 2012, section 10A.25, subdivision 3, is amended to read:

Subd. 3. **Governor and lieutenant governor a single candidate.** For the purposes of sections ~~10A.11 to 10A.34~~ this chapter, a candidate for governor and a candidate for lieutenant governor, running together, are considered a single candidate. Except as provided in subdivision 2, paragraph (b), all expenditures made by or all approved expenditures made on behalf of the candidate for lieutenant governor are considered to be expenditures by or approved expenditures on behalf of the candidate for governor.

Sec. 43. Minnesota Statutes 2012, section 10A.257, subdivision 1, is amended to read:

Subdivision 1. **Unused funds.** After all campaign expenditures and noncampaign disbursements for an election cycle have been made, an amount up to ~~50~~ 25 percent of the election year cycle expenditure limit for the office may be carried forward. Any remaining amount up to the total amount of the public subsidy from the state elections campaign fund must be returned to the state treasury for credit to the general fund under section 10A.324. Any remaining amount in excess of the total public subsidy must be contributed to the state elections campaign fund account or a political party for multicandidate expenditures as defined in section 10A.275.

Sec. 44. Minnesota Statutes 2012, section 10A.27, subdivision 1, is amended to read:

Subdivision 1. **Contribution limits.** (a) Except as provided in subdivision 2, a candidate must not permit the candidate's principal campaign committee to accept aggregate contributions made or delivered by any individual, political committee, ~~or political fund~~, or association not registered with the board in excess of the following:

(1) to candidates for governor and lieutenant governor running together, ~~\$2,000~~ \$4,000 in the election segment of an election year cycle for the office sought and ~~\$500~~ \$2,000 in other years the nonelection segment of the election cycle;

(2) to a candidate for attorney general, ~~secretary of state, or state auditor~~, ~~\$1,000~~ \$2,500 in the election segment of an election year cycle for the office sought and ~~\$200~~ \$1,500 in other years the nonelection segment of the election cycle;

(3) to a candidate for secretary of state or state auditor, ~~\$2,000~~ \$2,000 in the election segment of an election cycle and ~~\$1,000~~ \$1,000 in the nonelection segment of the election cycle;

~~(3)~~ (4) to a candidate for state senator, ~~\$500~~ \$1,000 in the election segment of an election year cycle for the office sought and ~~\$100~~ \$1,000 in other years a nonelection segment of the election cycle;

~~(4)~~ (5) to a candidate for state representative, ~~\$500~~ \$1,000 in the election segment of an election year cycle for the office sought and ~~\$100~~ \$1,000 in the other year; and

~~(5)~~ (6) to a candidate for judicial office, ~~\$2,000~~ \$2,500 in the election segment of an election year cycle for the office sought and ~~\$500~~ \$1,000 in other years a nonelection segment of the election cycle.

(b) The following deliveries are not subject to the bundling limitation in this subdivision:

(1) delivery of contributions collected by a member of the candidate's principal campaign committee, such as a block worker or a volunteer who hosts a fund-raising event, to the committee's treasurer; and

(2) a delivery made by an individual on behalf of the individual's spouse.

(c) A lobbyist, political committee, political party unit, ~~or an association that has a political fund, or an association not registered with the board~~ must not make a contribution a candidate is prohibited from accepting.

Sec. 45. Minnesota Statutes 2012, section 10A.27, subdivision 10, is amended to read:

Subd. 10. **Limited personal contributions.** A candidate who ~~accepts a public subsidy~~ signs an agreement under section 10A.322 may not contribute to the candidate's own campaign during a year segment of an election cycle more than ten five times the candidate's ~~election-year~~ contribution limit for that segment under subdivision 1.

Sec. 46. Minnesota Statutes 2012, section 10A.27, subdivision 11, is amended to read:

Subd. 11. **Contributions from certain types of contributors.** A candidate must not permit the candidate's principal campaign committee to accept a contribution from a political committee, political fund, lobbyist, ~~or large contributor, or association not registered with the board~~ if the contribution will cause the aggregate contributions from those types of contributors during an election cycle segment to exceed an amount equal to 20 percent of the election cycle segment expenditure limits for the office sought by the candidate, provided that the 20 percent limit must be rounded to the nearest \$100. For purposes of this subdivision, "large contributor" means an individual, other than the candidate, who contributes an amount that is ~~more than \$100 and~~ more than one-half the amount an individual may contribute during the election cycle segment.

Sec. 47. Minnesota Statutes 2012, section 10A.27, subdivision 13, is amended to read:

Subd. 13. **Unregistered association limit; statement; penalty.** (a) The treasurer of a political committee, political fund, principal campaign committee, or party unit must not accept a contribution of more than ~~\$100~~ \$200 from an association not registered under this chapter unless the contribution is accompanied by a written statement that meets the disclosure and reporting period requirements imposed by section 10A.20. This statement must be certified as true and correct by an officer of the contributing association. The committee, fund, or party unit that accepts the contribution must include a copy of the statement with the report that discloses the contribution to the board. ~~This subdivision does not apply when a national political party contributes money to its affiliate in this state.~~

(b) An unregistered association may provide the written statement required by this subdivision to no more than three committees, funds, or party units in a calendar year. Each statement must cover at least the 30 days immediately preceding and including the date on which the contribution was made. An unregistered association or an officer of it is subject to a civil penalty imposed by the board of up to \$1,000, if the association or its officer:

(1) fails to provide a written statement as required by this subdivision; or

(2) fails to register after giving the written statement required by this subdivision to more than three committees, funds, or party units in a calendar year.

(c) The treasurer of a political committee, political fund, principal campaign committee, or party unit who accepts a contribution in excess of ~~\$100~~ \$200 from an unregistered association without the required written disclosure statement is subject to a civil penalty up to four times the amount in excess of ~~\$100~~ \$200.

(d) This subdivision does not apply:

- (1) when a national political party contributes money to its state committee; or
- (2) to purchases by candidates for federal office of tickets to events or space rental at events held by party units in this state (i) if the geographical area represented by the party unit includes any part of the geographical area of the office that the federal candidate is seeking and (ii) the purchase price is not more than that paid by other attendees or renters of similar spaces.

Sec. 48. Minnesota Statutes 2012, section 10A.27, subdivision 14, is amended to read:

Subd. 14. **Contributions of business revenue.** An association may, if not prohibited by other law, contribute revenue from the operation of a business to an independent expenditure or ballot question political committee or an independent expenditure political fund without complying with subdivision 13.

Sec. 49. Minnesota Statutes 2012, section 10A.27, subdivision 15, is amended to read:

Subd. 15. **Contributions of dues or contribution revenue or use of general treasury money.** (a) An association may, if not prohibited by other law, contribute revenue from membership dues or fees, or from contributions received by the association its general treasury money to an independent expenditure or ballot question political committee or an independent expenditure political fund, including its own independent expenditure or ballot question political committee or fund, without complying with subdivision 13.

(b) Before the day when the recipient committee or fund's next report must be filed with the board under section 10A.20, subdivision 2 or 5, an association that has contributed more than \$5,000 or more in aggregate to independent expenditure political committees or funds during the calendar year or has contributed more than \$5,000 in aggregate to ballot question political committees or funds during the calendar year must provide in writing to the recipient's treasurer a statement that includes the name, address, and amount attributable to each individual or association person that paid the association dues or fees, or made contributions donations to the association that, in total, aggregate more than \$1,000 or more \$5,000 of the contribution from the association to the independent expenditure or ballot question political committee or fund. The statement must also include the total amount of the contribution from individuals or associations attributable to persons not subject to itemization under this section. The statement must be certified as true and correct by an officer of the donor association.

(b) (c) To determine the amount of membership dues or fees, or contributions donations made by an individual or association that exceed \$1,000 of the contribution made by the donor association a person to an association and attributable to the association's contribution to the independent expenditure or ballot question political committee or fund, the donor association must:

(1) apply a pro rata calculation to all unrestricted dues, fees, and contributions received by the donor association in the calendar year; or

(2) as provided in paragraph (e) (d), identify the specific individuals or associations whose dues, fees, or contributions are included in the contribution to the independent expenditure political committee or fund.

(e) (d) Dues, fees, or contributions from an individual or association must be identified in a contribution to an independent expenditure political committee or fund under paragraph (b) (c), clause (2), if:

(1) the individual or association has specifically authorized the donor association to use the individual's or association's dues, fees, or contributions for this purpose; or

(2) the individual's or association's dues, fees, or contributions to the donor association are unrestricted and the donor association designates them as the source of the subject contribution to the independent expenditure political committee or fund.

~~(e) After a portion of an individual's or association's dues, fees, or contributions to the donor association have the~~ general treasury money received by an association from a person has been designated as the source of a contribution to an independent expenditure or ballot question political committee or fund, that portion of the individual's or association's dues, fees, or contributions to the donor association association's general treasury money received from that person may not be designated as the source of any other contribution to an independent expenditure or ballot question political committee or fund.

~~(d) For the purposes of this section, "donor association" means the association contributing to an independent expenditure political committee or fund that is required to provide a statement under paragraph (a):~~

Sec. 50. Minnesota Statutes 2012, section 10A.323, is amended to read:

**10A.323 AFFIDAVIT OF CONTRIBUTIONS.**

(a) In addition to the requirements of section 10A.322, to be eligible to receive a public subsidy under section 10A.31 a candidate or the candidate's treasurer must file an affidavit with the board stating that:

(1) between January 1 of the previous year and the cutoff date for transactions included in the report of receipts and expenditures due before the primary election ~~the candidate has accumulated,~~ accumulate contributions from ~~persons~~ individuals eligible to vote in this state in at least the amount indicated for the office sought, counting only the first \$50 received from each contributor, excluding in-kind contributions:

~~(1)~~ (i) candidates for governor and lieutenant governor running together, \$35,000;

~~(2)~~ (ii) candidates for attorney general, \$15,000;

~~(3)~~ (iii) candidates for secretary of state and state auditor, separately, \$6,000;

~~(4)~~ (iv) candidates for the senate, \$3,000; and

~~(5)~~ (v) candidates for the house of representatives, \$1,500;

(2) the candidate or the candidate's treasurer must file an affidavit with the board stating that the principal campaign committee has complied with this paragraph. The affidavit must state the total amount of contributions that have been received from ~~persons~~ individuals eligible to vote in this state, ~~disregarding~~ excluding:

(i) the portion of any contribution in excess of \$50;

(ii) any in-kind contribution; and

(iii) any contribution for which the name and address of the contributor is not known and recorded; and



(3) the candidate or the candidate's treasurer must submit the affidavit required by this section to the board in writing by the deadline for reporting of receipts and expenditures before a primary under section 10A.20, subdivision 4.

(b) A candidate for a vacancy to be filled at a special election for which the filing period does not coincide with the filing period for the general election must accumulate the contributions specified in paragraph (a) and must submit the affidavit required by this section to the board within five days after the close of the filing period for the special election for which the candidate filed.

Sec. 51. Minnesota Statutes 2012, section 211B.15, subdivision 6, is amended to read:

Subd. 6. **Penalty for individuals.** (a) An officer, manager, stockholder, member, agent, employee, attorney, or other representative of a corporation acting on behalf of the corporation who violates this section is subject to a civil penalty of up to ten times the amount of the violation, but in no case more than \$10,000, imposed by the Campaign Finance and Public Disclosure Board under chapter 10A or imposed by the Office of Administrative Hearings under this chapter.

(b) Knowingly violating this section is a crime. An officer, manager, stockholder, member, agent, employee, attorney, or other representative of a corporation acting in behalf of the corporation who violates is convicted of knowingly violating this section may be fined not more than \$20,000 or be imprisoned for not more than five years, or both.

Sec. 52. Minnesota Statutes 2012, section 211B.15, subdivision 7, is amended to read:

Subd. 7. **Penalty for corporations.** (a) A corporation that violates this section is subject to a civil penalty of up to ten times the amount of the violation, but in no case more than \$10,000, imposed by the Campaign Finance and Public Disclosure Board under chapter 10A or imposed by the Office of Administrative Hearings under this chapter.

(b) Knowingly violating this section is a crime. A corporation convicted of knowingly violating this section is subject to a fine not greater than \$40,000. A convicted domestic corporation may be dissolved as well as fined. If a foreign or nonresident corporation is convicted, in addition to being fined, its right to do business in this state may be declared forfeited.

Sec. 53. Minnesota Statutes 2012, section 211B.15, is amended by adding a subdivision to read:

Subd. 7b. **Knowing violations.** An individual or a corporation knowingly violates this section if, at the time of a transaction, the individual or the corporation knew:

(1) that the transaction causing the violation constituted a contribution under chapter 10A, chapter 211A, or chapter 383B; and

(2) that the contributor was a corporation subject to the prohibitions of subdivision 2.

Sec. 54. Minnesota Statutes 2012, section 211B.32, subdivision 1, is amended to read:

Subdivision 1. **Administrative remedy; exhaustion.** (a) Except as provided in paragraph (b), a complaint alleging a violation of chapter 211A or 211B must be filed with the office. The complaint must be finally disposed of by the office before the alleged violation may be prosecuted by a county attorney.

(b) Complaints arising under those sections and related to those individuals and associations specified in section 10A.02, subdivision 11, paragraph (a), must be filed with the Campaign Finance and Public Disclosure Board.

Sec. 55. **REPEALER.**

Minnesota Statutes 2012, sections 10A.24; 10A.242; and 10A.25, subdivision 6, are repealed.

Sec. 56. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

## ARTICLE 2

### PUBLIC OFFICIAL

Section 1. Minnesota Statutes 2012, section 10A.01, subdivision 35, is amended to read:

Subd. 35. **Public official.** "Public official" means any:

- (1) member of the legislature;
- (2) individual employed by the legislature as secretary of the senate, legislative auditor, chief clerk of the house of representatives, revisor of statutes, or researcher, legislative analyst, or attorney in the Office of Senate Counsel and Research or House Research;
- (3) constitutional officer in the executive branch and the officer's chief administrative deputy;
- (4) solicitor general or deputy, assistant, or special assistant attorney general;
- (5) commissioner, deputy commissioner, or assistant commissioner of any state department or agency as listed in section 15.01 or 15.06, or the state chief information officer;
- (6) member, chief administrative officer, or deputy chief administrative officer of a state board or commission that has either the power to adopt, amend, or repeal rules under chapter 14, or the power to adjudicate contested cases or appeals under chapter 14;
- (7) individual employed in the executive branch who is authorized to adopt, amend, or repeal rules under chapter 14 or adjudicate contested cases under chapter 14;
- (8) executive director of the State Board of Investment;
- (9) deputy of any official listed in clauses (7) and (8);
- (10) judge of the Workers' Compensation Court of Appeals;
- (11) administrative law judge or compensation judge in the State Office of Administrative Hearings or unemployment law judge in the Department of Employment and Economic Development;
- (12) member, regional administrator, division director, general counsel, or operations manager of the Metropolitan Council;
- (13) member or chief administrator of a metropolitan agency;
- (14) director of the Division of Alcohol and Gambling Enforcement in the Department of Public Safety;

- (15) member or executive director of the Higher Education Facilities Authority;
- (16) member of the board of directors or president of Enterprise Minnesota, Inc.;
- (17) member of the board of directors or executive director of the Minnesota State High School League;
- (18) member of the Minnesota Ballpark Authority established in section 473.755;
- (19) citizen member of the Legislative-Citizen Commission on Minnesota Resources;
- (20) manager of a watershed district, or member of a watershed management organization as defined under section 103B.205, subdivision 13;
- (21) supervisor of a soil and water conservation district;
- (22) director of Explore Minnesota Tourism;
- (23) citizen member of the Lessard-Sams Outdoor Heritage Council established in section 97A.056;
- (24) citizen member of the Clean Water Council established in section 114D.30; or
- (25) member or chief executive of the Minnesota Sports Facilities Authority established in section 473J.07-;
- (26) district court judge, appeals court judge, or Supreme Court justice; or
- (27) county commissioner.

Sec. 2. Minnesota Statutes 2012, section 10A.07, is amended to read:

#### **10A.07 CONFLICTS OF INTEREST.**

Subdivision 1. **Disclosure of potential conflicts.** A public official or a local official elected to or appointed by a metropolitan governmental unit who in the discharge of official duties would be required to take an action or make a decision that would substantially affect the official's financial interests or those of an associated business, unless the effect on the official is no greater than on other members of the official's business classification, profession, or occupation, must take the following actions:

- (1) prepare a written statement describing the matter requiring action or decision and the nature of the potential conflict of interest;
- (2) deliver copies of the statement to the official's immediate superior, if any; and
- (3) if a member of the legislature or of the governing body of a metropolitan governmental unit, deliver a copy of the statement to the presiding officer of the body of service.

If a potential conflict of interest presents itself and there is insufficient time to comply with clauses (1) to (3), the public or local official must orally inform the superior or the official body of service or committee of the body of the potential conflict.

Subd. 2. **Required actions.** If the official is not a member of the legislature or of the governing body of a metropolitan governmental unit, the superior must assign the matter, if possible, to another employee who does not have a potential conflict of interest. If there is no immediate superior, the

official must abstain, if possible, in a manner prescribed by the board from influence over the action or decision in question. If the official is a member of the legislature, the house of service may, at the member's request, excuse the member from taking part in the action or decision in question. If the official is not permitted or is otherwise unable to abstain from action in connection with the matter, the official must file a statement describing the potential conflict and the action taken. A public official must file the statement with the board and a local official must file the statement with the governing body of the official's political subdivision. The statement must be filed within a week of the action taken.

Subd. 3. **Interest in contract; local officials.** This section does not apply to a local official with respect to a matter governed by sections 471.87 and 471.88.

Subd. 4. **Exception; judges.** Notwithstanding subdivisions 1 and 2, a public official who is a district court judge, an appeals court judge, or a Supreme Court justice is not required to comply with the provisions of this section.

Sec. 3. Minnesota Statutes 2012, section 10A.071, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Gift" means money, real or personal property, a service, a loan, a forbearance or forgiveness of indebtedness, or a promise of future employment, that is given and received without the giver receiving consideration of equal or greater value in return.

(c) "Official" means a public official, an employee of the legislature, ~~a judge~~, or a local official of a metropolitan governmental unit.

Sec. 4. Minnesota Statutes 2012, section 10A.08, is amended to read:

#### **10A.08 REPRESENTATION DISCLOSURE.**

Subdivision 1. **Disclosure required.** A public official who represents a client for a fee before an individual, board, commission, or agency that has rulemaking authority in a hearing conducted under chapter 14, must disclose the official's participation in the action to the board within 14 days after the appearance. If the public official fails to disclose the participation within ten business days after the disclosure required by this section was due, the board may impose a late filing fee of \$5 per day, not to exceed \$100, starting on the 11th day after the disclosure was due. The board must send notice by certified mail to a public official who fails to disclose the participation within ten business days after the disclosure was due that the public official may be subject to a civil penalty for failure to disclose the participation. A public official who fails to disclose the participation within seven days after the certified mail notice was sent by the board is subject to a civil penalty imposed by the board of up to \$1,000.

Subd. 2. **Exception; judges.** Notwithstanding subdivision 1, a public official who is a district court judge, an appeals court judge, or a Supreme Court justice is not required to comply with the provisions of this section.

Sec. 5. Minnesota Statutes 2012, section 10A.09, subdivision 6a, is amended to read:

Subd. 6a. **Local officials Place of filing.** A public official required to file a statement under this section must file it with the board. A local official required to file a statement under this section must file it with the governing body of the official's political subdivision. The governing body must

maintain statements filed with it under this subdivision as public data. If an official position is defined as both a public official and as a local official of a metropolitan governmental unit under this chapter, the official must file the statement with the board.

Sec. 6. Minnesota Statutes 2012, section 10A.09, is amended by adding a subdivision to read:

Subd. 9. **Waivers.** Upon written request and for good cause shown, the board may waive the requirement that an official disclose the address of real property that constitutes a secondary residence of the official.

Sec. 7. **EFFECTIVE DATE.**

This article is effective January 1, 2014, and applies to public officials elected or appointed to terms of office commencing on or after that date.

### ARTICLE 3

#### TECHNICAL CHANGES

Section 1. Minnesota Statutes 2012, section 10A.01, subdivision 35, is amended to read:

Subd. 35. **Public official.** "Public official" means any:

- (1) member of the legislature;
- (2) individual employed by the legislature as secretary of the senate, legislative auditor, chief clerk of the house of representatives, revisor of statutes, or researcher, legislative analyst, fiscal analyst, or attorney in the Office of Senate Counsel and, Research or, and Fiscal Analysis, House Research, or the House Fiscal Analysis Department;
- (3) constitutional officer in the executive branch and the officer's chief administrative deputy;
- (4) solicitor general or deputy, assistant, or special assistant attorney general;
- (5) commissioner, deputy commissioner, or assistant commissioner of any state department or agency as listed in section 15.01 or 15.06, or the state chief information officer;
- (6) member, chief administrative officer, or deputy chief administrative officer of a state board or commission that has either the power to adopt, amend, or repeal rules under chapter 14, or the power to adjudicate contested cases or appeals under chapter 14;
- (7) individual employed in the executive branch who is authorized to adopt, amend, or repeal rules under chapter 14 or adjudicate contested cases under chapter 14;
- (8) executive director of the State Board of Investment;
- (9) deputy of any official listed in clauses (7) and (8);
- (10) judge of the Workers' Compensation Court of Appeals;
- (11) administrative law judge or compensation judge in the State Office of Administrative Hearings or unemployment law judge in the Department of Employment and Economic Development;
- (12) member, regional administrator, division director, general counsel, or operations manager of the Metropolitan Council;

- (13) member or chief administrator of a metropolitan agency;
- (14) director of the Division of Alcohol and Gambling Enforcement in the Department of Public Safety;
- (15) member or executive director of the Higher Education Facilities Authority;
- (16) member of the board of directors or president of Enterprise Minnesota, Inc.;
- (17) member of the board of directors or executive director of the Minnesota State High School League;
- (18) member of the Minnesota Ballpark Authority established in section 473.755;
- (19) citizen member of the Legislative-Citizen Commission on Minnesota Resources;
- (20) manager of a watershed district, or member of a watershed management organization as defined under section 103B.205, subdivision 13;
- (21) supervisor of a soil and water conservation district;
- (22) director of Explore Minnesota Tourism;
- (23) citizen member of the Lessard-Sams Outdoor Heritage Council established in section 97A.056;
- (24) citizen member of the Clean Water Council established in section 114D.30; or
- (25) member or chief executive of the Minnesota Sports Facilities Authority established in section 473J.07.

Sec. 2. Minnesota Statutes 2012, section 10A.025, subdivision 4, is amended to read:

Subd. 4. **Changes and corrections.** Material changes in information previously submitted and corrections to a report or statement must be reported in writing to the board within ten days following the date of the event prompting the change or the date upon which the person filing became aware of the inaccuracy. The change or correction must identify the form and the paragraph containing the information to be changed or corrected.

A person who willfully fails to report a material change or correction is ~~guilty of a gross misdemeanor and~~ is subject to a civil penalty imposed by the board of up to \$3,000. A willful violation of this subdivision is a gross misdemeanor.

The board must send a notice by certified mail to any individual who fails to file a report required by this subdivision. If the individual fails to file the required report within ten business days after the notice was sent, the board may impose a late filing fee of \$5 per day up to \$100 starting on the 11th day after the notice was sent. The board must send an additional notice by certified mail to an individual who fails to file a report within 14 days after the first notice was sent by the board that the individual may be subject to a civil penalty for failure to file a report. An individual who fails to file a report required by this subdivision within seven days after the second notice was sent by the board is subject to a civil penalty imposed by the board of up to \$1,000.

Sec. 3. Minnesota Statutes 2012, section 10A.04, subdivision 5, is amended to read:

Subd. 5. **Late filing.** If a lobbyist or principal fails to file a report required by this section ~~within ten business days after~~ by the date the report was due, the board may impose a late filing fee of \$5 ~~\$25~~ per day, not to exceed ~~\$100~~ \$1,000, commencing ~~with the 11th~~ day after the report was due. The board must send notice by certified mail to any lobbyist or principal who fails to file a report within ten business days after the report was due that the lobbyist or principal may be subject to a civil penalty for failure to file the report or pay the fee. A lobbyist or principal who fails to file a report or statement or pay a fee within seven days after the certified mail notice was sent by the board is subject to a civil penalty imposed by the board of up to \$1,000.

Sec. 4. Minnesota Statutes 2012, section 10A.16, is amended to read:

**10A.16 EARMARKING CONTRIBUTIONS PROHIBITED.**

An individual, political committee, political fund, principal campaign committee, or party unit may not solicit or accept a contribution from any source with the express or implied condition that the contribution or any part of it be directed to a particular candidate other than the initial recipient. An individual, political committee, political fund, principal campaign committee, or party unit that knowingly accepts any earmarked contribution is ~~guilty of a gross misdemeanor~~ and subject to a civil penalty imposed by the board of up to \$3,000. Knowingly accepting any earmarked contribution is a gross misdemeanor.

Sec. 5. Minnesota Statutes 2012, section 10A.20, subdivision 4, is amended to read:

Subd. 4. **Period of report.** A report must cover the period from January 1 of the reporting year to seven days before the filing date, except that the report due on January 31 must cover the period ~~from the last day covered by the previous report~~ January 1 to December 31 of the reporting year.

Sec. 6. Minnesota Statutes 2012, section 10A.20, subdivision 12, is amended to read:

Subd. 12. **Failure to file; penalty.** If an individual fails to file a report required by this section that is due January 31 ~~within ten business days after the report was due~~, the board may impose a late filing fee of \$25 per day, not to exceed \$1,000, commencing the day after the report was due.

If an individual fails to file a report required by this section that is due before a primary or general election ~~within three days after the date due, regardless of whether the individual has received any notice~~, the board may impose a late filing fee of \$50 per day, not to exceed \$1,000, commencing on the day after the date the statement was due.

The board must send notice by certified mail to an individual who fails to file a report within ten business days after the report was due that the individual may be subject to a civil penalty for failure to file the report. An individual who fails to file the report within seven days after the certified mail notice was sent by the board is subject to a civil penalty imposed by the board of up to \$1,000.

Sec. 7. Minnesota Statutes 2012, section 10A.273, subdivision 1, is amended to read:

Subdivision 1. **Contributions during legislative session.** (a) A candidate for the legislature or for constitutional office, the candidate's principal campaign committee, or a political committee or party unit established by all or a part of the party organization within a house of the legislature, must not solicit or accept a contribution from a registered lobbyist, political committee, political fund, ~~or dissolving principal campaign committee~~ an association not registered with the board, or from a party unit established by the party organization within a house of the legislature, during a regular session of the legislature.

(b) A registered lobbyist, political committee, political fund, ~~or dissolving principal campaign committee~~ an association not registered with the board, or a party unit established by the party organization within a house of the legislature, must not make a contribution to a candidate for the legislature or for constitutional office, the candidate's principal campaign committee, or a political committee or party unit established by all or a part of the party organization within a house of the legislature during a regular session of the legislature.

Sec. 8. Minnesota Statutes 2012, section 10A.273, subdivision 4, is amended to read:

Subd. 4. **Civil penalty.** A candidate, political committee, party unit, political fund, ~~principal campaign committee~~ an association not registered with the board, or a registered lobbyist that violates this section is subject to a civil penalty imposed by the board of up to \$1,000. If the board makes a public finding that there is probable cause to believe a violation of this section has occurred, the board ~~must~~ may bring an action, or transmit the finding to a county attorney who must bring an action, in the District Court of Ramsey County, to collect a civil penalty as imposed by the board. Penalties paid under this section must be deposited in the general fund in the state treasury.

Sec. 9. Minnesota Statutes 2012, section 10A.30, is amended to read:

**10A.30 STATE ELECTIONS CAMPAIGN ~~FUND~~ ACCOUNT.**

Subdivision 1. **Establishment.** An account is established in the special revenue fund of the state known as the "state elections campaign ~~fund~~ account."

Subd. 2. **Separate account.** Within the state elections campaign ~~fund~~ account there must be maintained a separate political party account for the state committee and the candidates of each political party and a general account.

Subd. 3. **Special elections account.** An account is established in the special revenue fund of the state known as the "state special elections campaign account."

Sec. 10. Minnesota Statutes 2012, section 10A.31, subdivision 7, is amended to read:

Subd. 7. **Distribution of general account.** (a) As soon as the board has obtained the results of the primary election from the secretary of state, but no later than one week after certification of the primary results by the State Canvassing Board, the board must distribute the available money in the general account, as certified by the commissioner of revenue ~~on September 1~~ one week before the state primary and according to allocations set forth in subdivision 5, in equal amounts to all candidates of a major political party whose names are to appear on the ballot in the general election and who:

- (1) have signed a spending limit agreement under section 10A.322;
- (2) have filed the affidavit of contributions required by section 10A.323; and
- (3) were opposed in either the primary election or the general election.

(b) The public subsidy under this subdivision may not be paid in an amount that would cause the sum of the public subsidy paid from the party account plus the public subsidy paid from the general account to exceed 50 percent of the expenditure limit for the candidate or 50 percent of the expenditure limit that would have applied to the candidate if the candidate had not been freed from expenditure limits under section 10A.25, subdivision 10. Money from the general account not paid to a candidate because of the 50 percent limit must be distributed equally among all other qualifying



candidates for the same office until all have reached the 50 percent limit or the balance in the general account is exhausted.

~~(c) A candidate must expend or become obligated to expend at least an amount equal to 50 percent of the money distributed by the board under this subdivision no later than the end of the final reporting period preceding the general election. Otherwise, the candidate must repay to the board the difference between the amount the candidate spent or became obligated to spend by the deadline and the amount distributed to the candidate under this subdivision. The candidate must make the repayment no later than six months following the general election. The candidate must reimburse the board for all reasonable costs, including litigation costs, incurred in collecting any amount due.~~

~~If the board determines that a candidate has failed to repay money as required by this paragraph, the board may not distribute any additional money to the candidate until the entirety of the repayment has been made.~~

Sec. 11. Minnesota Statutes 2012, section 10A.315, is amended to read:

**10A.315 SPECIAL ELECTION SUBSIDY.**

(a) Each eligible candidate for a legislative office in a special election must be paid a public subsidy equal to the sum of:

(1) the party account money at the last general election for the candidate's party for the office the candidate is seeking; and

(2) the general account money paid to a candidate for the same office at the last general election.

(b) A candidate who wishes to receive this public subsidy must submit a signed agreement under section 10A.322 to the board and must meet the contribution requirements of section 10A.323. The special election subsidy must be distributed in the same manner as money in the party and general accounts is distributed to legislative candidates in a general election.

~~(c) The amount necessary to make the payments required by this section is appropriated from the general fund to the board for transfer to the state special elections campaign account for distribution by the board as set forth in this section.~~

Sec. 12. Minnesota Statutes 2012, section 10A.322, subdivision 4, is amended to read:

Subd. 4. **Refund receipt forms; penalty.** The board must make available to a political party on request and to any candidate for whom an agreement under this section is effective, a supply of official refund receipt forms that state in boldface type that:

(1) a contributor who is given a receipt form is eligible to claim a refund as provided in section 290.06, subdivision 23; and

(2) if the contribution is to a candidate, that the candidate has signed an agreement to limit campaign expenditures as provided in this section.

The forms must provide duplicate copies of the receipt to be attached to the contributor's claim. ~~A candidate who does not sign an agreement under this section and who willfully issues~~ The willful issuance of an official refund receipt form or a facsimile of one to any of the candidate's contributors

by a candidate or treasurer of a candidate who did not sign an agreement under this section is guilty of a misdemeanor.

#### ARTICLE 4

#### CONFORMING CHANGES

Section 1. Minnesota Statutes 2012, section 10A.242, subdivision 1, is amended to read:

Subdivision 1. **Dissolution required.** A political committee, political fund, or principal campaign committee must be dissolved within 60 days after receiving notice from the board that the committee or fund has become inactive. The assets of the committee or fund must be spent for the purposes authorized by section 211B.12 and other applicable law or liquidated and deposited in the general account of the state elections campaign ~~fund~~ account within 60 days after the board notifies the committee or fund that it has become inactive.

Sec. 2. Minnesota Statutes 2012, section 10A.27, subdivision 9, is amended to read:

Subd. 9. **Contributions to and from other candidates.** (a) A candidate or the treasurer of a candidate's principal campaign committee must not accept a contribution from another candidate's principal campaign committee or from any other committee bearing the contributing candidate's name or title or otherwise authorized by the contributing candidate, unless the contributing candidate's principal campaign committee is being dissolved. A candidate's principal campaign committee must not make a contribution to another candidate's principal campaign committee, except when the contributing committee is being dissolved.

(b) A principal campaign committee that makes a contribution to another principal campaign committee must provide with the contribution a written statement of the committee's intent to dissolve and terminate its registration within 12 months after the contribution was made. If the committee fails to dissolve and terminate its registration by that time, the board may levy a civil penalty up to four times the size of the contribution against the contributing committee. A contribution from a terminating principal campaign committee that is not accepted by another principal campaign committee must be forwarded to the board for deposit in the general account of the state elections campaign ~~fund~~ account.

(c) A candidate's principal campaign committee must not accept a contribution from, or make a contribution to, a committee associated with a person who seeks nomination or election to the office of president, senator, or representative in Congress of the United States.

(d) A candidate or the treasurer of a candidate's principal campaign committee must not accept a contribution from a candidate for political subdivision office in any state, unless the contribution is from the personal funds of the candidate for political subdivision office. A candidate or the treasurer of a candidate's principal campaign committee must not make a contribution from the principal campaign committee to a candidate for political subdivision office in any state.

Sec. 3. Minnesota Statutes 2012, section 10A.31, subdivision 1, is amended to read:

Subdivision 1. **Designation.** An individual resident of this state who files an income tax return or a renter and homeowner property tax refund return with the commissioner of revenue may designate on their original return that \$5 be paid from the general fund of the state into the state elections campaign ~~fund~~ account. If a husband and wife file a joint return, each spouse may designate that

\$5 be paid. No individual is allowed to designate \$5 more than once in any year. The taxpayer may designate that the amount be paid into the account of a political party or into the general account.

Sec. 4. Minnesota Statutes 2012, section 10A.31, subdivision 4, is amended to read:

Subd. 4. **Appropriation.** (a) The amounts designated by individuals for the state elections campaign fund account, less three percent, are appropriated from the general fund, must be transferred and credited to the appropriate account in the state elections campaign fund account, and are annually appropriated for distribution as set forth in subdivisions 5, 5a, 6, and 7. The remaining three percent must be kept in the general fund for administrative costs.

(b) In addition to the amounts in paragraph (a), \$1,020,000 for each general election is appropriated from the general fund for transfer to the general account of the state elections campaign fund account.

Sec. 5. Minnesota Statutes 2012, section 10A.321, subdivision 1, is amended to read:

Subdivision 1. **Calculation and certification of estimates.** The commissioner of revenue must calculate and certify to the board one week before the first day for filing for office in each election year an estimate of the total amount in the state general account of the state elections campaign fund account and the amount of money each candidate who qualifies, as provided in section 10A.31, subdivisions 6 and 7, may receive from the candidate's party account in the state elections campaign fund account. This estimate must be based upon the allocations and formulas in section 10A.31, subdivisions 5 and 5a, any necessary vote totals provided by the secretary of state to apply the formulas in section 10A.31, subdivisions 5 and 5a, and the amount of money expected to be available after 100 percent of the tax returns have been processed.

Sec. 6. Minnesota Statutes 2012, section 10A.324, subdivision 1, is amended to read:

Subdivision 1. **When return required.** A candidate must return all or a portion of the public subsidy received from the state elections campaign fund account or the public subsidy received under section 10A.315, under the circumstances in this section or section 10A.257, subdivision 1.

To the extent that the amount of public subsidy received exceeds the aggregate of: (1) actual expenditures made by the principal campaign committee of the candidate; and (2) approved expenditures made on behalf of the candidate, the treasurer of the candidate's principal campaign committee must return an amount equal to the difference to the board. The cost of postage that was not used during an election cycle and payments that created credit balances at vendors at the close of an election cycle are not considered expenditures for purposes of determining the amount to be returned. Expenditures in excess of the candidate's spending limit do not count in determining aggregate expenditures under this paragraph.

Sec. 7. Minnesota Statutes 2012, section 211B.37, is amended to read:

**211B.37 COSTS ASSESSED.**

Except as otherwise provided in section 211B.36, subdivision 3, the chief administrative law judge shall assess the cost of considering complaints filed under section 211B.32 as provided in this section. Costs of complaints relating to a statewide ballot question or an election for a statewide or legislative office must be assessed against the appropriation from the general fund to the general account of the state elections campaign fund account in section 10A.31, subdivision 4. Costs of complaints relating to any other ballot question or elective office must be assessed against the county

or counties in which the election is held. Where the election is held in more than one county, the chief administrative law judge shall apportion the assessment among the counties in proportion to their respective populations within the election district to which the complaint relates according to the most recent decennial federal census.

Sec. 8. **EFFECTIVE DATE.**

This article is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to government operations; making various policy, technical, conforming, and other changes to campaign finance and public disclosure law; providing for additional disclosure; modifying certain regulations, reporting, spending and contribution limits, registration, definitions, and various procedures; modifying definition of public official; modifying penalties related to corporate political contributions; providing penalties; amending Minnesota Statutes 2012, sections 10A.01, subdivisions 10, 11, 16, 27, 28, 35, by adding subdivisions; 10A.02, subdivisions 9, 10, 11, 12, 15; 10A.025, subdivisions 2, 3, 4; 10A.04, subdivision 5; 10A.07; 10A.071, subdivisions 1, 3; 10A.08; 10A.09, subdivision 6a, by adding a subdivision; 10A.105, subdivision 1; 10A.12, subdivisions 1, 1a, 2; 10A.121; 10A.14, subdivision 1, by adding a subdivision; 10A.15, subdivisions 1, 3; 10A.16; 10A.20, subdivisions 1, 2, 3, 4, 5, 6, 7, 12, by adding a subdivision; 10A.241; 10A.242, subdivision 1; 10A.25, subdivisions 2, 2a, 3; 10A.257, subdivision 1; 10A.27, subdivisions 1, 9, 10, 11, 13, 14, 15; 10A.273, subdivisions 1, 4; 10A.30; 10A.31, subdivisions 1, 4, 7; 10A.315; 10A.321, subdivision 1; 10A.322, subdivision 4; 10A.323; 10A.324, subdivision 1; 211B.15, subdivisions 6, 7, by adding a subdivision; 211B.32, subdivision 1; 211B.37; proposing coding for new law in Minnesota Statutes, chapter 10A; repealing Minnesota Statutes 2012, sections 10A.24; 10A.242; 10A.25, subdivision 6."

We request the adoption of this report and repassage of the bill.

Senate Conferees: Katie Sieben, Matt Schmit

House Conferees: Ryan Winkler, Raymond Dehn, Kurt Daudt

Senator Sieben moved that the foregoing recommendations and Conference Committee Report on S.F. No. 661 be now adopted, and that the bill be repassed as amended by the Conference Committee.

### CALL OF THE SENATE

Senator Marty imposed a call of the Senate for the balance of the proceedings on S.F. No. 661. The Sergeant at Arms was instructed to bring in the absent members.

Senator Marty moved that the recommendations and Conference Committee Report on S.F. No. 661 be rejected and that the bill be re-referred to the Conference Committee as formerly constituted for further consideration.

The question was taken on the adoption of the Marty motion.

The roll was called, and there were yeas 10 and nays 52, as follows:

Those who voted in the affirmative were:

Carlson	Dahle	Eaton	Hoffman	Scalze
Clausen	Dibble	Eken	Marty	Stumpf

Those who voted in the negative were:

Anderson	Gazelka	Koenen	Pappas	Sieben
Bakk	Hall	Latz	Pederson, J.	Skoe
Benson	Hann	Limmer	Petersen, B.	Sparks
Bonoff	Hawj	Lourey	Pratt	Thompson
Chamberlain	Hayden	Metzen	Reinert	Tomassoni
Champion	Housley	Miller	Rosen	Weber
Cohen	Ingebrigtsen	Nelson	Ruud	Wiger
Dahms	Jensen	Newman	Saxhaug	Wiklund
Dziedzic	Johnson	Nienow	Schmit	
Fischbach	Kent	Ortman	Senjem	
Franzen	Kiffmeyer	Osmek	Sheran	

The motion did not prevail.

The question recurred on the adoption of the Sieben motion. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 661 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 47 and nays 15, as follows:

Those who voted in the affirmative were:

Bakk	Franzen	Latz	Pratt	Sparks
Benson	Hann	Lourey	Reinert	Stumpf
Bonoff	Hawj	Metzen	Rosen	Thompson
Chamberlain	Hayden	Miller	Ruud	Tomassoni
Champion	Ingebrigtsen	Nelson	Saxhaug	Weber
Clausen	Jensen	Newman	Schmit	Wiger
Cohen	Johnson	Ortman	Senjem	Wiklund
Dibble	Kent	Pappas	Sheran	
Dziedzic	Kiffmeyer	Pederson, J.	Sieben	
Fischbach	Koenen	Petersen, B.	Skoe	

Those who voted in the negative were:

Anderson	Dahms	Gazelka	Housley	Nienow
Carlson	Eaton	Hall	Limmer	Osmek
Dahle	Eken	Hoffman	Marty	Scalze

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 26, Senator Bakk, Chair of the Committee on Rules and Administration, designated H.F. No. 1214 a Special Order to be heard immediately.

### SPECIAL ORDER

**H.F. No. 1214:** A bill for an act relating to commerce; regulating motor vehicles; amending regulation of scrap metal processing; requiring proof of ownership or hold period for vehicles purchased for scrap; creating the automated property system; creating criminal penalties; amending Minnesota Statutes 2012, sections 168.27, subdivisions 1a, 19a, 23; 168A.15, subdivision 3;

168A.153, subdivisions 1, 3; 325E.21, subdivisions 1, 1a, 4, 8, 9, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 168A; repealing Minnesota Statutes 2012, section 168A.153, subdivision 2.

Pursuant to Rule 41.2, Senator Miller moved that he be excused from voting on all questions pertaining to H.F. No. 1214. The motion prevailed.

Senator Wiger moved that the amendment made to H.F. No. 1214 by the Committee on Rules and Administration in the report adopted May 19, 2013, pursuant to Rule 45, be stricken. The motion prevailed. So the amendment was stricken.

H.F. No. 1214 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 42 and nays 15, as follows:

Those who voted in the affirmative were:

Bakk	Eken	Kent	Pederson, J.	Sieben
Carlson	Fischbach	Kiffmeyer	Pratt	Skoe
Chamberlain	Franzen	Koenen	Reinert	Stumpf
Clausen	Goodwin	Latz	Rosen	Tomassoni
Cohen	Hawj	Lourey	Ruud	Wiger
Dahle	Hayden	Marty	Saxhaug	Wiklund
Dibble	Hoffman	Metzen	Scalze	
Dziedzic	Housley	Nelson	Schmit	
Eaton	Jensen	Pappas	Senjem	

Those who voted in the negative were:

Anderson	Hall	Newman	Osmek	Thompson
Benson	Ingebrigtsen	Nienow	Petersen, B.	Weber
Gazelka	Limmer	Ortman	Sparks	Westrom

So the bill passed and its title was agreed to.

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Senator Dziedzic moved that S.F. No. 693 be taken from the table. The motion prevailed.

**S.F. No. 693:** A bill for an act relating to civil actions; providing for the survival or continuation of an action after the death or disability of a party; proposing coding for new law in Minnesota Statutes, chapter 540; repealing Minnesota Statutes 2012, section 573.01.

**CONCURRENCE AND REPASSAGE**

Senator Dzierdzic moved that the Senate concur in the amendments by the House to S.F. No. 693 and that the bill be placed on its repassage as amended.

**CALL OF THE SENATE**

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

The question was taken on the adoption of the Dzierdzic motion. The motion did not prevail.

Senator Dzierdzic moved that S.F. No. 693 be laid on the table. The motion prevailed.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

**MESSAGES FROM THE HOUSE**

Madam President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 778 and 827.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 20, 2013

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 1270, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 1270:** A bill for an act relating to transportation; modifying provisions governing transportation and public safety policies, including highway signs, highway jurisdictions, accounts, state-aid definitions and variances, vehicle registration and license plates, record retention, conformance with federal law, motor vehicle dealers, type III vehicles, bicycle lanes, speed limit, disability parking, school bus safety, vehicle weights, background checks, senior identification cards, Department of Transportation offices and ombudsperson and surplus land, railroad crossing signs, bus rapid transit, transit planning, operations, and accessibility, and land conveyance; amending Minnesota Statutes 2012, sections 160.80, subdivisions 1, 1a, 2; 161.04, subdivision 5; 161.115, subdivision 229, by adding a subdivision; 161.1231, subdivision 8; 161.44, by adding a subdivision; 162.02, subdivision 3a; 162.09, subdivision 3a; 162.13, subdivision 2; 168.017, subdivisions 2, 3; 168.053, subdivision 1; 168.123, subdivision 2; 168.183, subdivision 1; 168.187, subdivision 17; 168.27, subdivisions 10, 11, by adding a subdivision; 168A.153, subdivisions 1, 2, 3, by adding a subdivision; 168B.15; 169.011, subdivision 71; 169.14, subdivision 2; 169.18, subdivisions 4, 7; 169.19, subdivision 1; 169.34, subdivision 1; 169.346, subdivision 2, by adding a subdivision; 169.443, subdivision 9; 169.447, subdivision 2; 169.454, subdivision 12; 169.824, subdivision 2; 171.01, subdivision 49b; 171.07, subdivisions 3a, 4; 171.12, subdivision 6; 174.02,

by adding a subdivision; 174.24, subdivision 5a; 219.17; 219.18; 219.20; 221.0314, subdivisions 2, 3a, 9a; 398A.04, by adding a subdivision; Laws 2002, chapter 393, section 85; Laws 2009, chapter 59, article 3, section 4, subdivision 9, as amended; proposing coding for new law in Minnesota Statutes, chapters 171; 174; repealing Minnesota Statutes 2012, sections 168.094; 174.24, subdivision 5; Minnesota Rules, parts 8820.3300, subpart 2; 8835.0330, subpart 2.

Senate File No. 1270 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 20, 2013

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 661, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 661:** A bill for an act relating to campaign finance; providing for additional disclosure; making various changes to campaign finance and public disclosure law; expanding jurisdiction of Campaign Finance and Public Disclosure Board; expanding definition of public official; amending Minnesota Statutes 2012, sections 10A.01, subdivisions 10, 11, 16, 27, 28, 35, by adding subdivisions; 10A.02, subdivisions 9, 10, 11, 12, 15; 10A.025, subdivisions 2, 3, 4; 10A.04, subdivision 5; 10A.071, subdivision 3; 10A.105, subdivision 1; 10A.12, subdivisions 1, 1a, 2; 10A.121; 10A.14, subdivision 1, by adding a subdivision; 10A.15, subdivisions 1, 3; 10A.16; 10A.20, subdivisions 1, 2, 3, 4, 5, 6, 7, 12, by adding a subdivision; 10A.241; 10A.242, subdivision 1; 10A.25, subdivisions 2, 2a, 3, 3a; 10A.257, subdivision 1; 10A.27, subdivisions 1, 2, 9, 10, 11, 13, 14, 15; 10A.273, subdivisions 1, 4; 10A.30; 10A.31, subdivisions 1, 4, 7; 10A.315; 10A.321, subdivision 1; 10A.322, subdivision 4; 10A.323; 10A.324, subdivision 1; 211B.32, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 10A; repealing Minnesota Statutes 2012, sections 10A.24; 10A.242; 10A.25, subdivision 6.

Senate File No. 661 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 20, 2013

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 894, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 894 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 20, 2013



**CONFERENCE COMMITTEE REPORT ON H. F. NO. 894**

A bill for an act relating to elections; making policy, technical, and clarifying changes to various provisions related to election law, including provisions related to absentee voting, redistricting, ballots, registration, voting, caucuses, campaigns, the loss and restoration of voting rights, vacancies in nomination, county government structure, and election administration; providing an electronic roster pilot project and task force; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 5B.06; 13.851, subdivision 10; 103C.225, subdivision 3; 103C.305, subdivision 3; 103C.311, subdivision 2; 123A.48, subdivision 14; 201.054, subdivision 2, by adding a subdivision; 201.061, subdivision 3; 201.071, subdivision 2; 201.091, subdivision 8; 201.12, subdivision 3; 201.13, subdivision 1a; 201.14; 201.157; 201.275; 202A.14, subdivision 1; 203B.02, subdivision 1; 203B.04, subdivisions 1, 5; 203B.05, subdivision 1; 203B.06, subdivisions 1, 3; 203B.08, subdivision 3; 203B.081; 203B.121, subdivisions 1, 2, 3, 4, 5; 203B.227; 203B.28; 204B.04, by adding a subdivision; 204B.13, subdivisions 1, 2, 5, by adding subdivisions; 204B.18, subdivision 2; 204B.22, subdivision 1; 204B.28, subdivision 1; 204B.32, subdivision 1; 204B.33; 204B.35, subdivision 4; 204B.36, subdivision 1; 204B.45, subdivisions 1, 2; 204B.46; 204C.14; 204C.15, subdivision 1; 204C.19, subdivision 2; 204C.25; 204C.27; 204C.35, subdivision 1, by adding a subdivision; 204C.36, subdivision 1; 204D.08, subdivision 6; 204D.09, subdivision 2; 204D.11, subdivisions 1, 4, 5, 6; 204D.13, subdivision 3; 204D.14, subdivisions 1, 3; 204D.15, subdivision 3; 204D.16; 204D.165; 204D.19, subdivision 2, by adding a subdivision; 205.02, subdivision 2; 205.10, subdivision 3; 205.13, subdivision 1a; 205.16, subdivisions 4, 5; 205.17, subdivisions 1, 3; 205A.04, by adding a subdivision; 205A.05, subdivisions 1, 2; 205A.07, subdivisions 3, 3a, 3b; 205A.08, subdivision 1; 206.57, by adding a subdivision; 206.61, subdivision 4; 206.89, subdivision 2, by adding a subdivision; 206.895; 206.90, subdivision 6; 208.04, subdivisions 1, 2; 211B.045; 211B.37; 241.065, subdivision 2; 340A.416, subdivisions 2, 3; 340A.602; 375.20; 447.32, subdivisions 2, 3, 4; Laws 1963, chapter 276, section 2, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 2; 204B; 244; repealing Minnesota Statutes 2012, sections 2.484; 203B.04, subdivision 6; 204B.12, subdivision 2a; 204B.13, subdivisions 4, 6; 204B.22, subdivision 2; 204B.42; 204D.11, subdivisions 2, 3; 205.17, subdivisions 2, 4; 205A.08, subdivision 4.

May 17, 2013

The Honorable Paul Thissen  
Speaker of the House of Representatives

The Honorable Sandra L. Pappas  
President of the Senate

We, the undersigned conferees for H. F. No. 894 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 894 be further amended as follows:

Delete everything after the enacting clause and insert:

**"ARTICLE 1****ABSENTEE VOTING**

Section 1. Minnesota Statutes 2012, section 5B.06, is amended to read:

**5B.06 VOTING BY PROGRAM PARTICIPANT; ABSENTEE BALLOT.**

A program participant who is otherwise eligible to vote may register with the secretary of state as ~~an ongoing a permanent~~ absentee voter. Notwithstanding section 203B.04, subdivision 5, the secretary of state is not required to send an absentee ballot application prior to each election to a program participant registered as a permanent absentee voter under this section. As soon as practicable before each election, the secretary of state shall determine the precinct in which the residential address of the program participant is located and shall request from and receive from the county auditor or other election official the ballot for that precinct and shall forward the absentee ballot to the program participant with the other materials for absentee balloting as required by Minnesota law. The program participant shall complete the ballot and return it to the secretary of state, who shall review the ballot in the manner provided by section 203B.24. If the ballot and ballot materials comply with the requirements of that section, the ballot must be certified by the secretary of state as the ballot of a program participant, and must be forwarded to the appropriate electoral jurisdiction for tabulation along with all other ballots. The name and address of a program participant must not be listed in the statewide voter registration system.

Sec. 2. Minnesota Statutes 2012, section 203B.02, subdivision 1, is amended to read:

Subdivision 1. ~~Unable to go to polling place~~ **Absentee voting; eligibility.** (a) Any eligible voter who reasonably expects to be unable to go to the polling place on election day in the precinct where the individual maintains residence because of absence from the precinct; illness, including isolation or quarantine under sections 144.419 to 144.4196 or United States Code, title 42, sections 264 to 272; disability; religious discipline; observance of a religious holiday; or service as an election judge in another precinct may vote by absentee ballot as provided in sections 203B.04 to 203B.15.

(b) ~~If the governor has declared an emergency and filed the declaration with the secretary of state under section 12.31, and the declaration states that the emergency has made it difficult for voters to go to the polling place on election day, any voter in a precinct covered by the declaration may vote by absentee ballot as provided in sections 203B.04 to 203B.15.~~

Sec. 3. Minnesota Statutes 2012, section 203B.04, subdivision 1, is amended to read:

Subdivision 1. **Application procedures.** (a) Except as otherwise allowed by subdivision 2 or by section 203B.11, subdivision 4, an application for absentee ballots for any election may be submitted at any time not less than one day before the day of that election. The county auditor shall prepare absentee ballot application forms in the format provided by the secretary of state and shall furnish them to any person on request. By January 1 of each even-numbered year, the secretary of state shall make the forms to be used available to auditors through electronic means. An application submitted pursuant to this subdivision shall be in writing and shall be submitted to:

(1) the county auditor of the county where the applicant maintains residence; or

(2) the municipal clerk of the municipality, or school district if applicable, where the applicant maintains residence.

(b) An application shall be approved if it is timely received, signed and dated by the applicant, contains the applicant's name and residence and mailing addresses, date of birth, and at least one of the following:

- (1) the applicant's Minnesota driver's license number;
- (2) Minnesota state identification card number;
- (3) the last four digits of the applicant's Social Security number; or
- (4) a statement that the applicant does not have any of these numbers.

(c) To be approved, the application ~~must state that the applicant is eligible to vote by absentee ballot for one of the reasons specified in section 203B.02,~~ and must contain an oath that the information contained on the form is accurate, that the applicant is applying on the applicant's own behalf, and that the applicant is signing the form under penalty of perjury.

(d) An applicant's full date of birth, Minnesota driver's license or state identification number, and the last four digits of the applicant's Social Security number must not be made available for public inspection. An application may be submitted to the county auditor or municipal clerk by an electronic facsimile device. An application mailed or returned in person to the county auditor or municipal clerk on behalf of a voter by a person other than the voter must be deposited in the mail or returned in person to the county auditor or municipal clerk within ten days after it has been dated by the voter and no later than six days before the election. The absentee ballot applications or a list of persons applying for an absentee ballot may not be made available for public inspection until the close of voting on election day.

(e) An application under this subdivision may contain an application under subdivision 5 to automatically receive an absentee ballot application.

Sec. 4. Minnesota Statutes 2012, section 203B.04, subdivision 5, is amended to read:

Subd. 5. **Permanent illness or disability absentee voter status.** (a) An eligible voter ~~who reasonably expects to be permanently unable to go to the polling place on election day because of illness or disability~~ may apply to a county auditor or municipal clerk ~~under this section~~ to automatically receive an absentee ballot application before each election, other than an election by mail conducted under section 204B.45, and to have the status as a permanent absentee voter indicated on the voter's registration record. An eligible voter listed as an ongoing absentee voter as of July 31, 2013, pursuant to laws in effect on that date, shall be treated as if the voter applied for status as a permanent absentee voter pursuant to this subdivision.

(b) A voter who applies under paragraph (a) must automatically be provided an absentee ballot application for each eligible election. A voter's permanent absentee status ends and automatic ballot application delivery must be terminated on:

- (1) the voter's written request;
- (2) the voter's death;
- (3) return of an absentee ballot as undeliverable; or
- (4) a change in the voter's status to "challenged" or "inactive" in the statewide voter registration system.

(b) (c) The secretary of state shall adopt rules governing procedures under this subdivision.

Sec. 5. Minnesota Statutes 2012, section 203B.06, subdivision 1, is amended to read:

Subdivision 1. **Printing and delivery of forms.** Each county auditor and municipal clerk shall prepare and print a sufficient number of blank application forms for absentee ballots. The county auditor or municipal clerk shall deliver a blank application form to any voter who requests one pursuant to section 203B.04. Blank application forms must be mailed to eligible voters who have requested an application pursuant to section 203B.04, subdivision 5 ~~or 6~~, at least 60 days before:

(1) each regularly scheduled primary for federal, state, county, city, or school board office;

(2) each regularly scheduled general election for city or school board office for which a primary is not held; and

(3) a special primary to fill a federal or county office vacancy or special election to fill a federal or county office vacancy, if a primary is not required to be held pursuant to section 204D.03, subdivision 3, or 204D.07, subdivision 3; and

(4) any election held in conjunction with an election described in clauses (1) to (3);

or at least 45 days before any other primary or other election for which a primary is not held.

Sec. 6. Minnesota Statutes 2012, section 203B.121, subdivision 2, is amended to read:

Subd. 2. **Duties of ballot board; absentee ballots.** (a) The members of the ballot board shall take possession of all return envelopes delivered to them in accordance with section 203B.08. Upon receipt from the county auditor, municipal clerk, or school district clerk, two or more members of the ballot board shall examine each return envelope and shall mark it accepted or rejected in the manner provided in this subdivision. Election judges performing the duties in this section must be of different major political parties, unless they are exempt from that requirement under section 205.075, subdivision 4, or section 205A.10, subdivision 2.

(b) The members of the ballot board shall mark the return envelope "Accepted" and initial or sign the return envelope below the word "Accepted" if a majority of the members of the ballot board examining the envelope are satisfied that:

(1) the voter's name and address on the return envelope are the same as the information provided on the absentee ballot application;

(2) the voter signed the certification on the envelope;

(3) the voter's Minnesota driver's license, state identification number, or the last four digits of the voter's Social Security number are the same as the number provided on the voter's application for ballots. If the number does not match the number as submitted on the application, or if a number was not submitted on the application, the election judges must compare the signature provided by the applicant to determine whether the ballots were returned by the same person to whom they were transmitted;

(4) the voter is registered and eligible to vote in the precinct or has included a properly completed voter registration application in the return envelope;

(5) the certificate has been completed as prescribed in the directions for casting an absentee ballot; and

(6) the voter has not already voted at that election, either in person or, if it is after the close of business on the fourth seventh day before the election, by absentee ballot.

The return envelope from accepted ballots must be preserved and returned to the county auditor.

(c)(1) If a majority of the members of the ballot board examining a return envelope find that an absentee voter has failed to meet one of the requirements provided in paragraph (b), they shall mark the return envelope "Rejected," initial or sign it below the word "Rejected," list the reason for the rejection on the envelope, and return it to the county auditor. There is no other reason for rejecting an absentee ballot beyond those permitted by this section. Failure to place the ballot within the security envelope before placing it in the outer white envelope is not a reason to reject an absentee ballot.

(2) If an envelope has been rejected at least five days before the election, the envelope must remain sealed and the official in charge of the ballot board shall provide the voter with a replacement absentee ballot and return envelope in place of the rejected ballot.

(3) If an envelope is rejected within five days of the election, the envelope must remain sealed and the official in charge of the ballot board must attempt to contact the voter by telephone or e-mail to notify the voter that the voter's ballot has been rejected. The official must document the attempts made to contact the voter.

(d) The official in charge of the absentee ballot board must mail the voter a written notice of absentee ballot rejection between six and ten weeks following the election. If the official determines that the voter has otherwise cast a ballot in the election, no notice is required. If an absentee ballot arrives after the deadline for submission provided by this chapter, the notice must be provided between six to ten weeks after receipt of the ballot. A notice of absentee ballot rejection must contain the following information:

(1) the date on which the absentee ballot was rejected or, if the ballot was received after the required deadline for submission, the date on which the ballot was received;

(2) the reason for rejection; and

(3) the name of the appropriate election official to whom the voter may direct further questions, along with appropriate contact information.

(e) An absentee ballot return envelope marked "Rejected" may not be opened or subject to further review except in an election contest filed pursuant to chapter 209.

Sec. 7. Minnesota Statutes 2012, section 203B.121, subdivision 3, is amended to read:

Subd. 3. **Record of voting.** (a) When applicable, the county auditor or municipal clerk must immediately record that a voter's absentee ballot has been accepted. After the close of business on the fourth seventh day before the election, a voter whose record indicates that an absentee ballot has been accepted must not be permitted to cast another ballot at that election. In a state primary, general, or state special election for federal or state office, the auditor or clerk must also record this information in the statewide voter registration system.

(b) The roster must be marked, and a supplemental report of absentee voters who submitted a voter registration application with their ballot must be created, no later than the start of voting on election day to indicate the voters that have already cast a ballot at the election. The roster may be marked either:

- (1) by the county auditor or municipal clerk before election day;
- (2) by the ballot board before election day; or
- (3) by the election judges at the polling place on election day.

The record of a voter whose absentee ballot was received after the close of business on the fourth seventh day before the election is not required to be marked on the roster or contained in a supplemental report as required by this paragraph.

Sec. 8. Minnesota Statutes 2012, section 203B.121, subdivision 4, is amended to read:

Subd. 4. **Opening of envelopes.** After the close of business on the fourth seventh day before the election, the ballots from return envelopes marked "Accepted" may be opened, duplicated as needed in the manner provided in section 206.86, subdivision 5, initialed by the members of the ballot board, and deposited in the appropriate ballot box. If more than one ballot is enclosed in the ballot envelope, the ballots must be returned in the manner provided by section 204C.25 for return of spoiled ballots, and may not be counted.

Sec. 9. **REPEALER.**

Minnesota Statutes 2012, section 203B.04, subdivision 6, is repealed.

Sec. 10. **EFFECTIVE DATE; APPLICABILITY.**

This article is effective January 1, 2014, and applies to voting at elections conducted on the date of the state primary in 2014 and thereafter.

## ARTICLE 2

### ELECTION ADMINISTRATION

Section 1. **[2.395] THIRTY-NINTH DISTRICT.**

Subdivision 1. **Senate district.** Senate District 39 consists of that district as described in the order of the Minnesota Special Redistricting Panel in Hippert v. Ritchie, No. A11-152 (February 21, 2012).

Subd. 2. **House of representatives districts.** Notwithstanding the order of the Minnesota Special Redistricting Panel in Hippert v. Ritchie, No. A11-152 (February 21, 2012), Senate District 39, as described in that order, is divided into two house of representatives districts as follows:

(a) House of Representatives District 39A consists of the district as described in that order, with the modification contained in file L39A-1, on file with the Geographic Information Systems Office of the Legislative Coordinating Commission and published on its Web site on March 9, 2012.

(b) House of Representatives District 39B consists of that district as described in that order, with the modification contained in file L39B-1, on file with the Geographic Information Systems Office of the Legislative Coordinating Commission and published on its Web site on March 9, 2012.

**EFFECTIVE DATE.** This section is effective for the state primary and state general elections conducted in 2014 for terms of office beginning on the first Monday in January 2015, and for all elections held thereafter.

Sec. 2. [2.495] FORTY-NINTH DISTRICT.

Subdivision 1. **Senate district.** Senate District 49 consists of that district as described in the order of the Minnesota Special Redistricting Panel in Hippert v. Ritchie, No. A11-152 (February 21, 2012).

Subd. 2. **House of representatives districts.** Notwithstanding the order of the Minnesota Special Redistricting Panel in Hippert v. Ritchie, No. A11-152 (February 21, 2012), Senate District 49 is divided into two house of representatives districts as follows:

(a) House of Representatives District 49A consists of the district as described in that order, with the modification contained in file L49A-2, on file with the Geographic Information Systems Office of the Legislative Coordinating Commission and published on its Web site on March 28, 2012.

(b) House of Representatives District 49B consists of the district as described in that order, with the modification contained in file L49B-2, on file with the Geographic Information Systems Office of the Legislative Coordinating Commission and published on its Web site on March 28, 2012.

**EFFECTIVE DATE.** This section is effective for the state primary and state general elections conducted in 2014 for terms of office beginning on the first Monday in January 2015, and for all elections held thereafter.

Sec. 3. Minnesota Statutes 2012, section 103C.225, subdivision 3, is amended to read:

Subd. 3. **Referendum.** (a) ~~Within 60 days after the petition is received by the state board, it shall give due notice of the holding of a referendum, schedule the referendum at the next general election, and cooperate with county election officials to accomplish the election in the most expedient manner. Upon receipt of a petition, the state board shall provide written notice to the secretary of state and the county auditor of each county in which the district is located no later than 74 days before the state general election. The notice must include the date of the election and the title and text of the question to be placed on the ballot. Prior to the referendum, the state board shall facilitate the preparation of a plan to continue the administration of the powers, duties, and responsibilities of the district, including the functions of the district board.~~

(b) ~~The question shall be submitted by ballots, upon which the words "For terminating the existence of~~ appear on the ballot in the following form: "Shall the ..... (name of the soil and water conservation district to be here inserted)" and "Against terminating the existence of the ..... (name of the soil and water conservation district to be here inserted)" shall be printed, with a square before each proposition and a direction to insert an X mark in the square before one or the other be terminated?"

(c) Only eligible voters in the district may vote in the referendum.

(d) Informalities in the conduct of the referendum or matters relating to the referendum do not invalidate the referendum, or result of the referendum, if due notice has been given and the referendum has been fairly conducted.

(e) The state board shall publish the result of the referendum.

Sec. 4. Minnesota Statutes 2012, section 103C.305, subdivision 3, is amended to read:

Subd. 3. **Ballots.** Ballots shall be prepared by the county auditor. The names of candidates shall be placed on the "canary ballot" described in section 204D.11, subdivision 3 state general election

ballot. The office title printed on the ballot must be either "Soil and Water Conservation District Supervisor" or "Conservation District Supervisor," based upon the district from which the supervisor is to be elected.

Sec. 5. Minnesota Statutes 2012, section 103C.311, subdivision 2, is amended to read:

Subd. 2. **Supervisors elected by districts.** (a) The district board, with the approval of the state board, may by resolution provide that supervisors will be elected by supervisor districts as provided in this subdivision.

(b) The supervisor districts must be composed of precincts established by county and municipal governing bodies under section 204B.14. The districts must be compact, include only contiguous territory, and be substantially equal in population. The districts must be numbered in a regular series. The districts must be drawn by the county board of the county containing the largest area of the soil and water conservation district, in consultation with the district board and with the approval of the state board. The boundaries of the districts must be redrawn after each decennial federal census as provided in section 204B.135. A certified copy of the resolution establishing supervisor districts must be filed by the chair of the district board with the county auditor of the counties where the soil and water conservation district is located, with the state board, and with the secretary of state at least 30 days before the first date candidates may file for the office of supervisor, and the filings must occur within 80 days of the time when the legislature has been redistricted or at least 15 weeks before the state primary election in a year ending in two, whichever comes first.

(c) Each supervisor district is entitled to elect one supervisor. A supervisor must be a resident of the district from which elected.

(d) The district board shall provide staggered terms for supervisors elected by district. After each redistricting, there shall be a new election of supervisors in all the districts at the next general election, except that if the change made in the boundaries of a district is less than five percent of the average population of all the districts, the supervisor in office at the time of the redistricting shall serve for the full term for which elected. The district board shall determine by lot the seats to be filled for a two-year term, a four-year term, and a six-year term.

Sec. 6. Minnesota Statutes 2012, section 123A.48, subdivision 14, is amended to read:

Subd. 14. **Election.** The board shall determine the date of the election, the number of boundaries of voting precincts, and the location of the polling places where voting shall be conducted, and the hours the polls will be open. The board shall also provide official ballots which must be used exclusively and shall be in the following form: "Shall the (name of school district) and the (name of school district) be consolidated as proposed? Yes .... No ...."

~~For consolidation ....~~

~~Against consolidation ....~~

The board must appoint election judges who shall act as clerks of election. The ballots and results must be certified to the board who shall canvass and tabulate the total vote cast for and against the proposal.

Sec. 7. Minnesota Statutes 2012, section 201.061, subdivision 3, is amended to read:



Subd. 3. **Election day registration.** (a) An individual who is eligible to vote may register on election day by appearing in person at the polling place for the precinct in which the individual maintains residence, by completing a registration application, making an oath in the form prescribed by the secretary of state and providing proof of residence. An individual may prove residence for purposes of registering by:

(1) presenting a driver's license or Minnesota identification card issued pursuant to section 171.07;

(2) presenting any document approved by the secretary of state as proper identification;

(3) presenting one of the following:

(i) a current valid student identification card from a postsecondary educational institution in Minnesota, if a list of students from that institution has been prepared under section 135A.17 and certified to the county auditor in the manner provided in rules of the secretary of state; or

(ii) a current student fee statement that contains the student's valid address in the precinct together with a picture identification card; or

(4) having a voter who is registered to vote in the precinct, or who is an employee employed by and working in a residential facility in the precinct and vouching for a resident in the facility, sign an oath in the presence of the election judge vouching that the voter or employee personally knows that the individual is a resident of the precinct. A voter who has been vouched for on election day may not sign a proof of residence oath vouching for any other individual on that election day. A voter who is registered to vote in the precinct may sign up to ~~15~~ eight proof-of-residence oaths on any election day. This limitation does not apply to an employee of a residential facility described in this clause. The secretary of state shall provide a form for election judges to use in recording the number of individuals for whom a voter signs proof-of-residence oaths on election day. The form must include space for the maximum number of individuals for whom a voter may sign proof-of-residence oaths. For each proof-of-residence oath, the form must include a statement that the voter is registered to vote in the precinct, personally knows that the individual is a resident of the precinct, and is making the statement on oath. The form must include a space for the voter's printed name, signature, telephone number, and address.

The oath required by this subdivision and Minnesota Rules, part 8200.9939, must be attached to the voter registration application.

(b) The operator of a residential facility shall prepare a list of the names of its employees currently working in the residential facility and the address of the residential facility. The operator shall certify the list and provide it to the appropriate county auditor no less than 20 days before each election for use in election day registration.

(c) "Residential facility" means transitional housing as defined in section 256E.33, subdivision 1; a supervised living facility licensed by the commissioner of health under section 144.50, subdivision 6; a nursing home as defined in section 144A.01, subdivision 5; a residence registered with the commissioner of health as a housing with services establishment as defined in section 144D.01, subdivision 4; a veterans home operated by the board of directors of the Minnesota Veterans Homes under chapter 198; a residence licensed by the commissioner of human services to provide a residential program as defined in section 245A.02, subdivision 14; a residential facility for persons with a developmental disability licensed by the commissioner of human services under

section 252.28; group residential housing as defined in section 256I.03, subdivision 3; a shelter for battered women as defined in section 611A.37, subdivision 4; or a supervised publicly or privately operated shelter or dwelling designed to provide temporary living accommodations for the homeless.

(d) For tribal band members, an individual may prove residence for purposes of registering by:

(1) presenting an identification card issued by the tribal government of a tribe recognized by the Bureau of Indian Affairs, United States Department of the Interior, that contains the name, address, signature, and picture of the individual; or

(2) presenting an identification card issued by the tribal government of a tribe recognized by the Bureau of Indian Affairs, United States Department of the Interior, that contains the name, signature, and picture of the individual and also presenting one of the documents listed in Minnesota Rules, part 8200.5100, subpart 2, item B.

(e) A county, school district, or municipality may require that an election judge responsible for election day registration initial each completed registration application.

Sec. 8. Minnesota Statutes 2012, section 201.071, subdivision 2, is amended to read:

Subd. 2. **Instructions.** A registration application shall be accompanied by instructions specifying the manner and method of registration, the qualifications for voting, the penalties for false registration, and the availability of registration and voting assistance for elderly and disabled individuals and residents of health care facilities and hospitals. The instructions must indicate that if the voter does not have a valid Minnesota driver's license or identification card, the last four digits of the voter's Social Security number must be provided, unless the voter does not have a Social Security number. If, prior to election day, a person requests the instructions in Braille, ~~on cassette tape~~ audio format, or in a version printed in 16-point bold type with 24-point leading, the county auditor shall provide them in the form requested. The secretary of state shall prepare Braille and cassette audio copies and make them available.

Sec. 9. Minnesota Statutes 2012, section 201.091, subdivision 8, is amended to read:

Subd. 8. **Registration places.** Each county auditor shall designate a number of public buildings in those political subdivisions of the county where preregistration of voters is allowed as provided in section 201.061, subdivision 1, where eligible voters may register to vote. ~~At least one public building must be designated for each 30,000 residents of the county. At least one telecommunications device for the deaf must be available for voter registration information in each county seat and in every city of the first, second, and third class.~~

An adequate supply of registration applications and instructions must be maintained at each designated location, and a designated individual must be available there to accept registration applications and transmit them to the county auditor.

A person who, because of disability, needs assistance in order to determine eligibility or to register must be assisted by a designated individual. Assistance includes but is not limited to reading the registration form and instructions and filling out the registration form as directed by the eligible voter.

Sec. 10. Minnesota Statutes 2012, section 201.12, subdivision 3, is amended to read:

Subd. 3. **Moved out of state.** If any nonforwardable mailing from an election official is returned as undeliverable but with a permanent forwarding address outside this state, the county auditor shall promptly mail to the voter at the voter's new address a notice advising the voter that the voter's status in the statewide voter registration system will be changed to "inactive" unless the voter notifies the county auditor within 21 days that the voter is retaining the former address as the voter's address of residence. If the voter's record is challenged due to a felony conviction, lack of United States citizenship, legal incompetence, or court-ordered revocation of voting rights of persons under guardianship, the county auditor must not mail this notice. If the notice is not received by the deadline, the county auditor shall change the voter's status to "inactive" in the statewide voter registration system.

Sec. 11. Minnesota Statutes 2012, section 201.13, subdivision 1a, is amended to read:

Subd. 1a. **Social Security Administration; other reports of deceased residents.** The secretary of state ~~shall~~ may determine if any of the persons listed on the Social Security Death Index or reported as deceased by the vital records department of another state are registered to vote and prepare a list of those registrants for each county auditor. The county auditor shall change the status of those registrants to "deceased" in the statewide voter registration system.

Sec. 12. Minnesota Statutes 2012, section 201.14, is amended to read:

**201.14 COURT ADMINISTRATOR OF DISTRICT COURT; REPORT CHANGES OF NAMES.**

The state court administrator shall regularly report by electronic means to the secretary of state the name, address, and, if available, driver's license or state identification card number of each individual, 18 years of age or over, whose name was changed since the last report, by marriage, divorce, or any order or decree of the court. The secretary of state shall determine if any of the persons in the report are registered to vote under their previous name and shall prepare a list of those registrants for each county auditor. Upon receipt of the list, the county auditor shall make the change in the voter's record and mail to the voter the notice of registration required by section 201.121, subdivision 2. A notice must not be mailed if the voter's record is challenged due to a felony conviction, lack of United States citizenship, legal incompetence, or court-ordered revocation of voting rights of persons under guardianship.

Sec. 13. Minnesota Statutes 2012, section 202A.14, subdivision 1, is amended to read:

Subdivision 1. **Time and manner of holding; postponement.** (a) In every state general election year, beginning at 7:00 p.m. on the date established pursuant to paragraph (b), there shall be held for every election precinct a party caucus in the manner provided in sections 202A.14 to 202A.19.

(b)(1) The chairs of the two largest major political parties shall jointly submit to the secretary of state, no later than March 1 of each odd-numbered year, the single date on which the two parties have agreed to conduct their precinct caucuses in the next even-numbered year.

(2) ~~On March 1 of each odd-numbered year~~ Within two business days after the parties have agreed on a single date on which to conduct their precinct caucuses, the secretary of state shall publicly announce the official state precinct caucus date for the following general election year.

(3) If the chairs of the two largest major political parties do not jointly submit a single date for conducting their precinct caucuses as provided in this paragraph, then for purposes of the next

general election year, the first Tuesday in February shall be considered the day of a major political party precinct caucus and sections 202A.19 and 202A.192 shall only apply on that date.

(4) For purposes of this paragraph, the two largest major political parties shall be the parties whose candidates for governor received the greatest and second greatest number of votes at the most recent gubernatorial election.

(c) In the event of severe weather a major political party may request the secretary of state to postpone caucuses. If a major political party makes a request, or upon the secretary of state's own initiative, after consultation with all major political parties and on the advice of the federal Weather Bureau and the Department of Transportation, the secretary of state may declare precinct caucuses to be postponed for a week in counties where weather makes travel especially dangerous. The secretary of state shall submit a notice of the postponement to news media covering the affected counties by 6:00 p.m. on the scheduled day of the caucus. A postponed caucus may also be postponed pursuant to this subdivision.

Sec. 14. Minnesota Statutes 2012, section 203B.05, subdivision 1, is amended to read:

Subdivision 1. **Generally.** The full-time clerk of any city or town shall administer the provisions of sections 203B.04 to 203B.15 if:

- (1) the county auditor of that county has designated the clerk to administer them; or
- (2) the clerk has given the county auditor of that county notice of intention to administer them.

The designation or notice must specify whether the clerk will be responsible for the administration of a ballot board as provided in section 203B.121.

A clerk of a city that is located in more than one county may only administer the provisions of sections 203B.04 to 203B.15 if the clerk has been designated by each of the county auditors or has provided notice to each of the county auditors that the city will administer absentee voting. A clerk may only administer the provisions of sections 203B.04 to 203B.15 if the clerk has technical capacity to access the statewide voter registration system in the secure manner prescribed by the secretary of state. The secretary of state must identify hardware, software, security, or other technical prerequisites necessary to ensure the security, access controls, and performance of the statewide voter registration system. A clerk must receive training approved by the secretary of state on the use of the statewide voter registration system before administering this section. A clerk may not use the statewide voter registration system until the clerk has received the required training. The county auditor must notify the secretary of state of any municipal clerk who will be administering the provisions of this section and the duties that the clerk will administer.

Sec. 15. Minnesota Statutes 2012, section 203B.08, subdivision 3, is amended to read:

Subd. 3. **Procedures on receipt of ballots.** When absentee ballots are returned to a county auditor or municipal clerk, that official shall stamp or initial and date the return envelope and place it in a secure location with other return envelopes received by that office. Within five days after receipt, the county auditor or municipal clerk shall deliver to the ballot board all ballots received, except that during the 14 days immediately preceding an election, the county auditor or municipal clerk shall deliver all ballots received to the ballot board within three days. Ballots received on election day either (1) after 3:00 p.m., if delivered by an agent; or (2) after the last mail delivery, if

delivered by another method, shall be marked as received late by the county auditor or municipal clerk, and must not be delivered to the ballot board.

Sec. 16. Minnesota Statutes 2012, section 203B.081, is amended to read:

**203B.081 LOCATIONS FOR ABSENTEE VOTING IN PERSON.**

An eligible voter may vote by absentee ballot in the office of the county auditor and at any other polling place designated by the county auditor during the 46 days before: the election, except as provided in this section.

- ~~(1) a regularly scheduled election for federal, state, county, city, or school board office;~~
- ~~(2) a special election for a federal or county office; and~~
- ~~(3) an election held in conjunction with an election described in clauses (1) and (2);~~

and Voters casting absentee ballots in person for a town election held in March may do so during the 30 days before any other the election. The county auditor shall make such designations at least 14 weeks before the election. At least one voting booth in each polling place must be made available by the county auditor for this purpose. The county auditor must also make available at least one electronic ballot marker in each polling place that has implemented a voting system that is accessible for individuals with disabilities pursuant to section 206.57, subdivision 5.

Sec. 17. Minnesota Statutes 2012, section 203B.121, subdivision 1, is amended to read:

Subdivision 1. **Establishment; applicable laws.** (a) The governing body of each county, municipality, and school district with responsibility to accept and reject absentee ballots must, by ordinance or resolution, establish a ballot board. The board must consist of a sufficient number of election judges trained in the handling of absentee ballots and appointed as provided in sections 204B.19 to 204B.22. The board may include staff trained as election judges deputy county auditors or deputy city clerks who have received training in the processing and counting of absentee ballots.

(b) Each jurisdiction must pay a reasonable compensation to each member of that jurisdiction's ballot board for services rendered during an election.

(c) Except as otherwise provided by this section, all provisions of the Minnesota Election Law apply to a ballot board.

Sec. 18. Minnesota Statutes 2012, section 203B.121, subdivision 5, is amended to read:

Subd. 5. **Storage and counting of absentee ballots.** (a) On a day on which absentee ballots are inserted into a ballot box, two members of the ballot board must:

- (1) remove the ballots from the ballot box at the end of the day;
- (2) without inspecting the ballots, ensure that the number of ballots removed from the ballot box is equal to the number of voters whose absentee ballots were accepted that day; and
- (3) seal and secure all voted and unvoted ballots present in that location at the end of the day.

(b) After the polls have closed on election day, two members of the ballot board must count the ballots, tabulating the vote in a manner that indicates each vote of the voter and the total votes cast for each candidate or question. In state primary and state general elections, the results must indicate the total votes cast for each candidate or question in each precinct and report the vote totals tabulated

for each precinct. ~~The count shall be public. No vote totals from ballots may be made public before the close of voting on election day~~ must be recorded on a summary statement in substantially the same format as provided in section 204C.26. The ballot board shall submit at least one completed summary statement to the county auditor or municipal clerk. The county auditor or municipal clerk may require the ballot board to submit a sufficient number of completed summary statements to comply with the provisions of section 204C.27, or the county auditor or municipal clerk may certify reports containing the details of the ballot board summary statement to the recipients of the summary statements designated in section 204C.27.

In state primary and state general elections, these vote totals shall be added to the vote totals on the summary statements of the returns for the appropriate precinct. In other elections, these vote totals may be added to the vote totals on the summary statement of returns for the appropriate precinct or may be reported as a separate total.

The count shall be public. No vote totals from ballots may be made public before the close of voting on election day.

(c) In addition to the requirements of paragraphs (a) and (b), if the task has not been completed previously, the members of the ballot board must verify as soon as possible, but no later than 24 hours after the end of the hours for voting, that voters whose absentee ballots arrived after the rosters were marked or supplemental reports were generated and whose ballots were accepted did not vote in person on election day. An absentee ballot submitted by a voter who has voted in person on election day must be rejected. All other accepted absentee ballots must be opened, duplicated if necessary, and counted by members of the ballot board. The vote totals from these ballots must be incorporated into the totals with the other absentee ballots and handled according to paragraph (b).

Sec. 19. Minnesota Statutes 2012, section 203B.227, is amended to read:

**203B.227 WRITE-IN ABSENTEE BALLOT.**

(a) A voter described in section 203B.16, subdivision 1, may use ~~a state write-in absentee ballot~~ or the federal write-in absentee ballot to vote in any federal, state, or local election. In a state or local election, a vote for a political party without specifying the name of a candidate must not be counted.

(b) If a voter submits a Federal Write-in Absentee Ballot for which a Federal Post Card Application was not received, the Federal Write-in Absentee Ballot serves as a voter registration, for voters who are eligible to register, in lieu of the voter's Federal Post Card Application. If the voter has not already voted and the accompanying certificate is properly completed, the absentee ballot board must accept the Federal Write-in Absentee Ballot.

Sec. 20. Minnesota Statutes 2012, section 203B.28, is amended to read:

**203B.28 POSTELECTION REPORT TO LEGISLATURE.**

By ~~March 1, 2011, and by~~ January 15 of every odd-numbered year ~~thereafter~~, the secretary of state shall provide to the chair and ranking minority members of the legislative committees with jurisdiction over elections a statistical report related to absentee voting in the most recent general election cycle. The statistics must be organized by county ~~and precinct~~, and include:

- (1) the number of absentee ballots transmitted to voters;
- (2) the number of absentee ballots returned by voters;

- (3) the number of absentee ballots that were rejected, categorized by the reason for rejection;
- (4) the number of absentee ballots submitted pursuant to sections 203B.16 to 203B.27, along with the number of returned ballots that were accepted, rejected, and the reason for any rejections; and
- (5) the number of absentee ballots that were not counted because the ballot return envelope was received after the deadlines provided in this chapter.

Sec. 21. Minnesota Statutes 2012, section 204B.04, is amended by adding a subdivision to read:

Subd. 4. **Prohibition on multiple candidacy.** A candidate who files an affidavit of candidacy for an office to be elected at the general election may not subsequently file another affidavit of candidacy for any other office to be elected on the date of that general election, unless the candidate withdraws the initial affidavit pursuant to section 204B.12. The provisions in section 645.21 do not apply to this subdivision.

Sec. 22. Minnesota Statutes 2012, section 204B.18, subdivision 2, is amended to read:

~~Subd. 2. **Ballot boxes.** Each polling place shall be provided with one ballot box for each kind of ballot to be cast at the election. The boxes shall be substantially the same color as the ballots to be deposited in them. Each box shall be of sufficient size and shall have a sufficient opening to receive and contain all the ballots likely to be deposited in it. When buff or goldenrod ballot boxes are required, a separate box must be provided for each school district for which ballots are to be cast at that polling place. The number and name of the school district must appear conspicuously on the top of each buff or goldenrod ballot box.~~

Sec. 23. Minnesota Statutes 2012, section 204B.22, subdivision 1, is amended to read:

Subdivision 1. **Minimum number required.** (a) A minimum of four election judges shall be appointed for each precinct, ~~except as provided by subdivision 2 in the state general election, provided that a minimum of three election judges shall be appointed for each precinct with fewer than 500 registered voters as of 14 weeks before the state primary. In all other elections, a minimum of three election judges shall be appointed for each precinct.~~ In a combined polling place under section 204B.14, subdivision 2, at least one judge must be appointed from each municipality in the combined polling place, provided that not less than three judges shall be appointed for each combined polling place. The appointing authorities may appoint election judges for any precinct in addition to the number required by this subdivision including additional election judges to count ballots after voting has ended.

(b) An election judge may serve for all or part of election day, at the discretion of the appointing authority, as long as the minimum number of judges required is always present. The head election judge designated under section 204B.20 must serve for all of election day and be present in the polling place unless another election judge has been designated by the head election judge to perform the functions of the head election judge during any absence.

Sec. 24. Minnesota Statutes 2012, section 204B.28, subdivision 1, is amended to read:

Subdivision 1. **Meeting with election officials.** At least 12 weeks before each regularly scheduled town general election conducted in March, and at least 18 weeks before all other general elections, each county auditor shall conduct a meeting or otherwise communicate with local

election officials to review the procedures for the election. The county auditor may require the head election judges in the county to attend this meeting.

Sec. 25. Minnesota Statutes 2012, section 204B.32, subdivision 1, is amended to read:

Subdivision 1. **Payment.** (a) The secretary of state shall pay the compensation for presidential electors, ~~the cost of printing the pink paper ballots,~~ and all necessary expenses incurred by the secretary of state in connection with elections.

(b) The counties shall pay the compensation prescribed in section 204B.31, clauses (b) and (c), ~~the cost of printing the canary ballots, the white ballots, the pink state general election~~ ballots when machines are used, the state partisan primary ballots, and the state and county nonpartisan primary ballots, all necessary expenses incurred by county auditors in connection with elections, and the expenses of special county elections.

(c) Subject to subdivision 2, the municipalities shall pay the compensation prescribed for election judges and sergeants at arms, the cost of printing the municipal ballots, providing ballot boxes, providing and equipping polling places and all necessary expenses of the municipal clerks in connection with elections, except special county elections.

(d) The school districts shall pay the compensation prescribed for election judges and sergeants-at-arms, the cost of printing the school district ballots, providing ballot boxes, providing and equipping polling places and all necessary expenses of the school district clerks in connection with school district elections not held in conjunction with state elections. When school district elections are held in conjunction with state elections, the school district shall pay the costs of printing the school district ballots, providing ballot boxes and all necessary expenses of the school district clerk.

All disbursements under this section shall be presented, audited, and paid as in the case of other public expenses.

Sec. 26. Minnesota Statutes 2012, section 204B.33, is amended to read:

#### **204B.33 NOTICE OF FILING.**

(a) At least ~~15~~ 16 weeks before the state primary, the secretary of state shall notify each county auditor of the offices to be voted for in that county at the next state general election for which candidates file with the secretary of state. The notice shall include the time and place of filing for those offices. Within ten days after notification by the secretary of state, each county auditor shall notify each municipal clerk in the county of all the offices to be voted for in the county at that election and the time and place for filing for those offices. The county auditors and municipal clerks shall promptly post a copy of that notice in their offices.

(b) At least ~~two weeks~~ one week before the first day to file an affidavit of candidacy, the county auditor shall publish a notice stating the first and last dates on which affidavits of candidacy may be filed in the county auditor's office and the closing time for filing on the last day for filing. The county auditor shall post a similar notice at least ten days before the first day to file affidavits of candidacy.

Sec. 27. Minnesota Statutes 2012, section 204B.35, subdivision 4, is amended to read:

Subd. 4. **Absentee ballots; preparation; delivery.** At least 46 days before a ~~regularly scheduled~~ an election for federal, state, county, city, or school board office or a special election for federal



~~office, and at least 30 days before any other election, ballots necessary to fill applications of absentee voters shall be prepared and delivered to the officials who administer the provisions of chapter 203B, except as provided in this subdivision. Ballots necessary to fill applications of absentee voters for a town general election held in March shall be prepared and delivered to the town clerk at least 30 days before the election.~~

This section applies to school district elections held on the same day as a statewide election or an election for a county or municipality located partially or wholly within the school district.

Sec. 28. Minnesota Statutes 2012, section 204B.36, subdivision 1, is amended to read:

Subdivision 1. **Type.** All ballots shall be printed with black ink on paper of sufficient thickness to prevent the printing from being discernible from the back. ~~All ballots of the same color shall be substantially uniform in style of printing, size, thickness and shade of color. When the ballots of a particular color vary in shade, those used in any one precinct shall be of the same shade.~~ All ballots shall be printed in easily readable type with suitable lines dividing candidates, offices, instructions and other matter printed on ballots. The name of each candidate shall be printed in capital letters. The same type shall be used for the names of all candidates on the same ballot.

Sec. 29. Minnesota Statutes 2012, section 204B.45, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** A ~~municipality~~ town of any size not located in a metropolitan county as defined by section 473.121, or a city having fewer than 400 registered voters on June 1 of an election year and not located in a metropolitan county as defined by section 473.121, may provide balloting by mail at any municipal, county, or state election with no polling place other than the office of the auditor or clerk or other locations designated by the auditor or clerk. The governing body may apply to the county auditor for permission to conduct balloting by mail. The county board may provide for balloting by mail in unorganized territory. The governing body of any municipality may designate for mail balloting any precinct having fewer than ~~50~~ 100 registered voters, subject to the approval of the county auditor.

Voted ballots may be returned in person to any location designated by the county auditor or municipal clerk.

Sec. 30. Minnesota Statutes 2012, section 204B.45, subdivision 2, is amended to read:

Subd. 2. **Procedure.** Notice of the election and the special mail procedure must be given at least ~~six~~ ten weeks prior to the election. Not more than 46 days nor later than 14 days before a regularly scheduled election ~~for federal, state, county, city, or school board office or a special election for federal office~~ and not more than 30 days nor later than 14 days before any other election, the auditor shall mail ballots by nonforwardable mail to all voters registered in the town or unorganized territory. No later than 14 days before the election, the auditor must make a subsequent mailing of ballots to those voters who register to vote after the initial mailing but before the 20th day before the election. Eligible voters not registered at the time the ballots are mailed may apply for ballots as provided in chapter 203B. Ballot return envelopes, with return postage provided, must be preaddressed to the auditor or clerk and the voter may return the ballot by mail or in person to the office of the auditor or clerk. The auditor or clerk must appoint a ballot board to examine the mail and absentee ballot return envelopes and mark them "accepted" or "rejected" within three days of receipt if there are 14 or fewer days before election day, or within five days of receipt if there are more than 14 days before election day. The board may consist of ~~staff trained as election judges~~ deputy county auditors or deputy municipal clerks who have received training in the processing and counting of

mail ballots, who need not be affiliated with a major political party. Election judges performing the duties in this section must be of different major political parties, unless they are exempt from that requirement under section 205.075, subdivision 4, or section 205A.10. If an envelope has been rejected at least five days before the election, the ballots in the envelope must remain sealed and the auditor or clerk shall provide the voter with a replacement ballot and return envelope in place of the spoiled ballot. If the ballot is rejected within five days of the election, the envelope must remain sealed and the official in charge of the ballot board must attempt to contact the voter by telephone or e-mail to notify the voter that the voter's ballot has been rejected. The official must document the attempts made to contact the voter.

If the ballot is accepted, the county auditor or municipal clerk must mark the roster to indicate that the voter has already cast a ballot in that election. After the close of business on the fourth day before the election, the ballots from return envelopes marked "Accepted" may be opened, duplicated as needed in the manner provided by section 206.86, subdivision 5, initialed by the members of the ballot board, and deposited in the ballot box.

In all other respects, the provisions of the Minnesota Election Law governing deposit and counting of ballots apply.

The mail and absentee ballots for a precinct must be counted together and reported as one vote total. No vote totals from mail or absentee ballots may be made public before the close of voting on election day.

The costs of the mailing shall be paid by the election jurisdiction in which the voter resides. Any ballot received by 8:00 p.m. on the day of the election must be counted.

Sec. 31. Minnesota Statutes 2012, section 204B.46, is amended to read:

**204B.46 MAIL ELECTIONS; QUESTIONS.**

A county, municipality, or school district submitting questions to the voters at a special election may conduct an election by mail with no polling place other than the office of the auditor or clerk. No offices may be voted on at a mail election. Notice of the election must be given to the county auditor at least 53 74 days prior to the election. This notice shall also fulfill the requirements of Minnesota Rules, part 8210.3000. The special mail ballot procedures must be posted at least six weeks prior to the election. Not more than 30 46 nor later than 14 days prior to the election, the auditor or clerk shall mail ballots by nonforwardable mail to all voters registered in the county, municipality, or school district. No later than 14 days before the election, the auditor or clerk must make a subsequent mailing of ballots to those voters who register to vote after the initial mailing but before the 20th day before the election. Eligible voters not registered at the time the ballots are mailed may apply for ballots pursuant to chapter 203B. The auditor or clerk must appoint a ballot board to examine the mail and absentee ballot return envelopes and mark them "Accepted" or "Rejected" within three days of receipt if there are 14 or fewer days before election day, or within five days of receipt if there are more than 14 days before election day. The board may consist of ~~staff trained as election judges~~ deputy county auditors, deputy municipal clerks, or deputy school district clerks who have received training in the processing and counting of mail ballots, who need not be affiliated with a major political party. Election judges performing the duties in this section must be of different major political parties, unless they are exempt from that requirement under section 205.075, subdivision 4, or section 205A.10. If an envelope has been rejected at least five days before the election, the ballots in the envelope must remain sealed and the auditor or clerk must provide the voter with a

replacement ballot and return envelope in place of the spoiled ballot. If the ballot is rejected within five days of the election, the envelope must remain sealed and the official in charge of the ballot board must attempt to contact the voter by telephone or e-mail to notify the voter that the voter's ballot has been rejected. The official must document the attempts made to contact the voter.

If the ballot is accepted, the county auditor or municipal clerk must mark the roster to indicate that the voter has already cast a ballot in that election. After the close of business on the fourth day before the election, the ballots from return envelopes marked "Accepted" may be opened, duplicated as needed in the manner provided by section 206.86, subdivision 5, initialed by the ballot board, and deposited in the appropriate ballot box.

In all other respects, the provisions of the Minnesota Election Law governing deposit and counting of ballots apply.

The mail and absentee ballots for a precinct must be counted together and reported as one vote total. No vote totals from ballots may be made public before the close of voting on election day.

Sec. 32. Minnesota Statutes 2012, section 204C.14, is amended to read:

**204C.14 UNLAWFUL VOTING; PENALTY.**

No individual shall intentionally:

- (a) misrepresent the individual's identity in applying for a ballot, depositing a ballot in a ballot box or attempting to vote by means of a voting machine or electronic voting system;
- (b) vote more than once at the same election;
- (c) put a ballot in a ballot box for any illegal purpose;
- (d) give more than one ballot of the same kind and color to an election judge to be placed in a ballot box;
- (e) aid, abet, counsel or procure another to go into any precinct for the purpose of voting in that precinct, knowing that the other individual is not eligible to vote in that precinct; or
- (f) aid, abet, counsel or procure another to do any act in violation of this section.

A violation of this section is a felony.

Sec. 33. Minnesota Statutes 2012, section 204C.15, subdivision 1, is amended to read:

Subdivision 1. **Physical assistance in marking ballots.** A voter who claims a need for assistance because of inability to read English or physical inability to mark a ballot may obtain the aid of two election judges who are members of different major political parties. The election judges shall mark the ballots as directed by the voter and in as secret a manner as circumstances permit. ~~If the voter is deaf or cannot speak English or understand it when it is spoken, the election judges may select two individuals who are members of different major political parties to provide assistance. The individuals shall assist the voter in marking the ballots.~~ A voter in need of assistance may alternatively obtain the assistance of any individual the voter chooses. Only the following persons may not provide assistance to a voter: the voter's employer, an agent of the voter's employer, an officer or agent of the voter's union, or a candidate for election. The person who assists the voter shall, unaccompanied by an election judge, retire with that voter to a booth and mark the ballot as directed by the voter. No person who assists another voter as provided in the preceding sentence

shall mark the ballots of more than three voters at one election. Before the ballots are deposited, the voter may show them privately to an election judge to ascertain that they are marked as the voter directed. An election judge or other individual assisting a voter shall not in any manner request, persuade, induce, or attempt to persuade or induce the voter to vote for any particular political party or candidate. The election judges or other individuals who assist the voter shall not reveal to anyone the name of any candidate for whom the voter has voted or anything that took place while assisting the voter.

Sec. 34. Minnesota Statutes 2012, section 204C.19, subdivision 2, is amended to read:

Subd. 2. **Ballots; order of counting.** Except as otherwise provided in this subdivision, the ballot boxes shall be opened, the votes counted, and the total declared ~~one box at a time in the following order: the white box, the pink box, the canary box, the light green box, the blue box, the buff box, the goldenrod box, the gray box, and then the other kinds of ballots voted at the election.~~ If enough election judges are available to provide counting teams of four or more election judges for each box, ~~more than one box may be opened and counted at the same time.~~ The election judges on each counting team shall be evenly divided between the major political parties. The numbers entered on the summary sheet shall not be considered final until the ballots in all the boxes have been counted and corrections have been made if ballots have been deposited in the wrong boxes.

Sec. 35. Minnesota Statutes 2012, section 204C.25, is amended to read:

#### **204C.25 DISPOSITION OF BALLOTS.**

After the count and the summary statements have been completed, in the presence of all the election judges, the counted, defective, and blank ballots shall be placed in envelopes ~~marked or printed to distinguish the color of the ballots contained,~~ and the envelopes shall be sealed. The election judges shall sign each envelope over the sealed part so that the envelope cannot be opened without disturbing the continuity of the signatures. The number ~~and kind~~ of ballots in each envelope, the name of the town or city, and the name of the precinct shall be plainly written upon the envelopes. The number and name of the district must be plainly written on envelopes containing school district ballots. The spoiled ballots shall be placed in separate envelopes and returned with the unused ballots to the county auditor or municipal or school district clerk from whom they were received.

Sec. 36. Minnesota Statutes 2012, section 204C.27, is amended to read:

#### **204C.27 DELIVERY OF RETURNS TO COUNTY AUDITORS.**

One or more of the election judges in each precinct shall deliver two sets of summary statements; all spoiled ~~white, pink, canary, and gray~~ ballots; and the envelopes containing the ~~white, pink, canary, and gray~~ ballots either directly to the municipal clerk for transmittal to the county auditor's office or directly to the county auditor's office as soon as possible after the vote counting is completed but no later than 24 hours after the end of the hours for voting. One or more election judges shall deliver the remaining set of summary statements and returns, all unused and spoiled municipal and school district ballots, the envelopes containing municipal and school district ballots, and all other things furnished by the municipal or school district clerk, to the municipal or school district clerk's office within 24 hours after the end of the hours for voting. The municipal or school district clerk shall return all polling place rosters and completed voter registration cards to the county auditor within 48 hours after the end of the hours for voting.

Sec. 37. Minnesota Statutes 2012, section 204C.35, subdivision 1, is amended to read:

Subdivision 1. **Automatic Publicly funded recounts.** (a) In a state primary when the difference between the votes cast for the candidates for nomination to:

(1) a state legislative office is less than one-half of one percent of the total number of votes counted for that nomination or is ten votes or less and the total number of votes cast for the nomination is 400 votes or less; or

(2) a statewide federal office, state constitutional office, statewide judicial office, congressional office, state legislative office; or district judicial office:

(1) is less than ~~one-half~~ one-quarter of one percent of the total number of votes counted for that nomination; or

(2) is ten votes or less and the total number of votes cast for the nomination is 400 votes or less;

and the difference determines the nomination, the canvassing board with responsibility for declaring the results for that office shall manually recount the vote upon receiving a written request from the candidate whose nomination is in question.

Immediately following the meeting of the board that has responsibility for canvassing the results of the nomination, the filing officer must notify the candidate that the candidate has the option to request a recount of the votes at no cost to the candidate. This written request must be received by the filing officer no later than 48 hours after the canvass of the primary for which the recount is being sought.

(b) In a state general election when the difference between the votes of a candidate who would otherwise be declared elected to:

(1) a state legislative office is less than one-half of one percent of the total number of votes counted for that office or is ten votes or less and the total number of votes cast for the office is 400 votes or less; or

(2) a statewide federal office, state constitutional office, statewide judicial office, congressional office, state legislative office; or district judicial office and the votes of any other candidate for that office:

(1) is less than ~~one-half~~ one-quarter of one percent of the total number of votes counted for that office; or

(2) is ten votes or less if the total number of votes cast for the office is 400 votes or less,

the canvassing board shall manually recount the votes upon receiving a written request from the candidate whose election is in question.

Immediately following the meeting of the board that has responsibility for canvassing the results of the general election, the filing officer must notify the candidate that the candidate has the option to request a recount of the votes at no cost to the candidate. This written request must be received by the filing officer no later than 48 hours after the canvass of the election for which the recount is being sought.

(c) A recount must not delay any other part of the canvass. The results of the recount must be certified by the canvassing board as soon as possible.

(d) Time for notice of a contest for an office which is recounted pursuant to this section shall begin to run upon certification of the results of the recount by the canvassing board.

~~(e) A losing candidate may waive a recount required pursuant to this section by filing a written notice of waiver with the canvassing board.~~

Sec. 38. Minnesota Statutes 2012, section 204C.35, is amended by adding a subdivision to read:

Subd. 4. **Filing officer.** For the purposes of this section, the secretary of state is the filing officer for candidates for all federal offices and for state offices voted on in more than one county. The county auditor is the filing officer for state offices voted on in only one county.

Sec. 39. Minnesota Statutes 2012, section 204C.36, subdivision 1, is amended to read:

Subdivision 1. **Required Publicly funded recounts.** (a) Except as provided in ~~paragraph~~ paragraphs (b) and (c), a losing candidate for nomination or election to a county, municipal, or school district office may request a recount of the votes cast for the nomination or election to that office if the difference between the vote cast for that candidate and for a winning candidate for nomination or election is less than ~~one-half~~ one-quarter of one percent of the total votes counted for that office. In case of offices where two or more seats are being filled from among all the candidates for the office, the ~~one-half~~ one-quarter of one percent difference is between the elected candidate with the fewest votes and the candidate with the most votes from among the candidates who were not elected.

~~(b) A losing candidate for nomination or election to a county, municipal, or school district office may request a recount of the votes cast for nomination or election to that office if the difference between the votes cast for that candidate and for a winning candidate for nomination or election is less than one-half of one percent, and the total number of votes cast for the nomination or election of all candidates is more than 400 but less than 50,000. In cases of offices where two or more seats are being filled from among all the candidates for the office, the one-half of one percent difference is between the elected candidate with the fewest votes and the candidate with the most votes from among the candidates who were not elected.~~

~~(b) (c) A losing candidate for nomination or election to a county, municipal, or school district office may request a recount of the votes cast for nomination or election to that office if the difference between the vote cast for that candidate and for a winning candidate for nomination or election is ten votes or less, and the total number of votes cast for the nomination or election of all candidates is no more than 400. In cases of offices where two or more seats are being filled from among all the candidates for the office, the ten vote difference is between the elected candidate with the fewest votes and the candidate with the most votes from among the candidates who were not elected.~~

~~(c) (d) Candidates for county offices shall file a written request for the recount with the county auditor. Candidates for municipal or school district offices shall file a written request with the municipal or school district clerk as appropriate. All requests shall be filed during the time for notice of contest of the primary or election for which a recount is sought.~~

~~(d) (e) Upon receipt of a request made pursuant to this section, the county auditor shall recount the votes for a county office at the expense of the county, the governing body of the municipality shall recount the votes for a municipal office at the expense of the municipality, and the school board of the school district shall recount the votes for a school district office at the expense of the school district.~~

Sec. 40. Minnesota Statutes 2012, section 204D.08, subdivision 6, is amended to read:

Subd. 6. **State and county nonpartisan primary ballot.** The state and county nonpartisan primary ballot shall be headed "State and County Nonpartisan Primary Ballot." It shall be printed ~~on canary paper~~ in the manner provided in the rules of the secretary of state. The names of candidates for nomination to the Supreme Court, Court of Appeals, district court, and all county offices shall be placed on this ballot.

No candidate whose name is placed on the state and county nonpartisan primary ballot shall be designated or identified as the candidate of any political party or in any other manner except as expressly provided by law.

Sec. 41. Minnesota Statutes 2012, section 204D.09, subdivision 2, is amended to read:

Subd. 2. **Sample ballot.** At least ~~two weeks~~ 46 days before the state primary the county auditor shall prepare a sample ~~state partisan primary ballot and a sample state and county nonpartisan primary ballot for each precinct for public inspection and transmit an electronic copy of these sample ballots to the secretary of state.~~ The names of ~~all of the candidates to be voted for in the county shall be placed on the sample ballots, with the names of the candidates for each office arranged in the base rotation as determined by section 206.61, subdivision 5. Only one sample state partisan primary ballot and one sample state and county nonpartisan ballot shall be prepared for any county.~~ The county auditor shall post the sample ballots in a conspicuous place in the auditor's office and shall cause them to be published at least one week before the state primary in at least one newspaper of general circulation in the county.

Sec. 42. Minnesota Statutes 2012, section 204D.11, subdivision 1, is amended to read:

Subdivision 1. **White State general election ballot; rules.** The names of the candidates for all ~~partisan state and federal offices, all proposed constitutional amendments, all county offices and questions, and all judicial offices voted on at the state general election shall be placed on a single ballot printed on white paper which that shall be known as the "white state general election ballot."~~ This ballot shall be prepared by the county auditor subject to the rules of the secretary of state. The secretary of state shall adopt rules for preparation and time of delivery of the white state general election ballot.

Sec. 43. Minnesota Statutes 2012, section 204D.11, subdivision 4, is amended to read:

Subd. 4. **Special federal white ballot.** (a) The names of all candidates for the offices of president and vice-president of the United States and senator and representative in Congress shall be placed on a ballot ~~printed on white paper which that shall be known as the "special federal white ballot."~~

(b) This ballot shall be prepared by the county auditor in the same manner as the white state general election ballot and shall be subject to the rules adopted by the secretary of state pursuant to subdivision 1. This ballot must be prepared and furnished in accordance with the federal Uniformed and Overseas Citizens Absentee Voting Act, United States Code, title 42, section 1973ff.

(c) The special federal white ballot shall be the only ballot sent to citizens of the United States who are eligible to vote by absentee ballot for federal candidates in Minnesota.

Sec. 44. Minnesota Statutes 2012, section 204D.11, subdivision 5, is amended to read:

Subd. 5. **Ballot headings.** The ~~white, pink, and special federal white~~ ballot containing the offices and questions in subdivisions 1 and 4, shall be headed with the words "State General Election Ballot." ~~The canary ballot shall be headed with the words "County and Judicial Nonpartisan General Election Ballot."~~

Sec. 45. Minnesota Statutes 2012, section 204D.11, subdivision 6, is amended to read:

Subd. 6. **Gray Judicial ballot.** ~~When the canary ballot would be longer than 30 inches or when it would not be possible to place all offices on a single ballot card for the state general election, the judicial offices that should be placed on the canary ballot may be placed instead on a separate gray judicial ballot.~~ The gray judicial ballot shall be prepared by the county auditor in the manner provided in the rules of the secretary of state.

The gray judicial ballot must be headed with the words: "Judicial Nonpartisan General Election Ballot." Separate ballot boxes must be provided for these gray judicial ballots.

Sec. 46. Minnesota Statutes 2012, section 204D.13, subdivision 3, is amended to read:

Subd. 3. **Nominees by petition; placement on ballot.** The names of candidates nominated by petition for a partisan office voted on at the state general election shall be placed on the white state general election ballot after the names of the candidates for that office who were nominated at the state primary. ~~Prior to the state primary~~ No later than 11 weeks before the state general election, the secretary of state shall determine by lot the order of candidates nominated by petition. The drawing of lots must be by political party or principle. The political party or political principle of the candidate as stated on the petition shall be placed after the name of a candidate nominated by petition. The word "nonpartisan" shall not be used to designate any partisan candidate whose name is placed on the white state general election ballot by nominating petition.

Sec. 47. Minnesota Statutes 2012, section 204D.14, subdivision 1, is amended to read:

Subdivision 1. **Rotation of names.** The names of candidates for nonpartisan offices on the canary state general election ballot and the judicial nonpartisan general election ballot shall be rotated in the manner provided for rotation of names on state partisan primary ballots by section 204D.08, subdivision 3.

Sec. 48. Minnesota Statutes 2012, section 204D.14, subdivision 3, is amended to read:

Subd. 3. **Uncontested judicial offices.** Judicial offices for a specific court for which there is only one candidate filed must appear after all other judicial offices for that same court on the canary ballot.

Sec. 49. Minnesota Statutes 2012, section 204D.15, subdivision 3, is amended to read:

Subd. 3. **Sample pink ballot; constitutional amendments.** Four weeks before the state general election the secretary of state shall file sample copies of the pink ballot portion of the state general election ballot that contains the proposed constitutional amendments in the Secretary of State's Office for public inspection. Three weeks before the state general election the secretary of state shall ~~mail~~ transmit sample copies of the pink sample ballot to each county auditor. Each auditor shall post the sample ballot in a conspicuous place in the auditor's office.



Sec. 50. Minnesota Statutes 2012, section 204D.16, is amended to read:

**204D.16 SAMPLE GENERAL ELECTION BALLOTS; POSTING; PUBLICATION.**

~~Two weeks before the state general election the county auditor shall prepare sample copies of the white and canary ballots and~~ At least 46 days before the state general election, the county auditor shall post copies of these sample ballots and a sample of the pink ballot for each precinct in the auditor's office for public inspection and transmit an electronic copy of these sample ballots to the secretary of state. No earlier than 15 days and no later than two days before the state general election the county auditor shall cause the a sample white and canary ballots state general election ballot to be published in at least one newspaper of general circulation in the county.

Sec. 51. Minnesota Statutes 2012, section 204D.165, is amended to read:

**204D.165 SAMPLE BALLOTS TO SCHOOLS.**

~~Notwithstanding any contrary provisions in section 204D.09 or 204D.16,~~ The county auditor, two weeks before the applicable primary or general election, shall provide one copy of ~~the an~~ appropriate sample partisan primary, nonpartisan primary, canary, white, or pink ballot to a school district upon request. The school district may have the sample ballots reproduced at its expense for classroom educational purposes and for educational activities authorized under section 204B.27, subdivision 7.

Sec. 52. Minnesota Statutes 2012, section 204D.19, subdivision 2, is amended to read:

Subd. 2. **Special election when legislature will be in session.** Except for vacancies in the legislature which occur at any time between the last day of session in an odd-numbered year and the 40th day prior to the opening day of session in the succeeding even-numbered year, when a vacancy occurs and the legislature will be in session so that the individual elected as provided by this section could take office and exercise the duties of the office immediately upon election, the governor shall issue within five days after the vacancy occurs a writ calling for a special election. The special election shall be held as soon as possible, consistent with the notice requirements of section 204D.22, subdivision 3, but in no event more than 35 days after the issuance of the writ. A special election must not be held during the four days before or the four days after a holiday as defined in section 645.44, subdivision 5.

Sec. 53. Minnesota Statutes 2012, section 205.02, subdivision 2, is amended to read:

Subd. 2. **City elections.** In all statutory and home rule charter cities, the primary, general and special elections held for choosing city officials and deciding public questions relating to the city shall be held as provided in this chapter, except that sections 205.065, subdivisions 4 to 6; 205.07, subdivision 3; 205.10; 205.121; and 205.17, ~~subdivisions 2 and~~ subdivision 3, do not apply to a city whose charter provides the manner of holding its primary, general or special elections.

Sec. 54. Minnesota Statutes 2012, section 205.10, subdivision 3, is amended to read:

Subd. 3. **Prohibition.** No special election authorized under subdivision 1 may be held within ~~40~~ 56 days after the state general election.

Sec. 55. Minnesota Statutes 2012, section 205.13, subdivision 1a, is amended to read:

Subd. 1a. **Filing period.** In a city nominating candidates at a primary, an affidavit of candidacy for a city office voted on in November must be filed no more than 84 days nor less than 70 days

before the city primary. In municipalities that do not hold a primary, an affidavit of candidacy must be filed no more than 70 days and not less than 56 days before the municipal general election held in March in any year, or a special election not held in conjunction with another election, and no more than 98 days nor less than 84 days before the municipal general election held in November of any year. The municipal clerk's office must be open for filing from 1:00 p.m. to 5:00 p.m. on the last day of the filing period.

Sec. 56. Minnesota Statutes 2012, section 205.16, subdivision 4, is amended to read:

Subd. 4. **Notice to auditor.** At least ~~67~~ 74 days before every municipal election held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before every municipal election held in connection with a regularly scheduled general election for federal, state, county, city, or school board office or a special election for federal office, and at least 53 days before any other municipal election, the municipal clerk shall provide a written notice to the county auditor, including the date of the election, the offices to be voted on at the election, and the title and language for each ballot question to be voted on at the election. At least ~~67~~ 74 days before every municipal election held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before a regularly scheduled general election for federal, state, county, city, or school board office or a special election for federal office, and at least 46 days before any other election, the municipal clerk must provide written notice to the county auditor of any special election canceled under section 205.10, subdivision 6.

Sec. 57. Minnesota Statutes 2012, section 205.16, subdivision 5, is amended to read:

Subd. 5. **Notice to secretary of state.** At least ~~67~~ 74 days before every municipal election held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before every municipal election held in conjunction with a regularly scheduled general election for federal, state, county, city, or school board office or a special election for federal office, and at least 46 days before any other municipal election for which a notice is provided to the county auditor under subdivision 4, the county auditor shall provide a notice of the election to the secretary of state, in a manner and including information prescribed by the secretary of state.

Sec. 58. Minnesota Statutes 2012, section 205.17, subdivision 1, is amended to read:

Subdivision 1. ~~Second, third, and fourth class cities; towns~~ **Municipal offices; questions; general election ballot.** In all statutory and home rule charter cities of the second, third, and fourth class, and in all towns, for the municipal general election, the municipal clerk shall have printed on light green paper the official ballot containing the names of all candidates for municipal offices and municipal ballot questions. The ballot shall be printed in quantities of 25, 50, or 100, shall be headed "City or Town Election Ballot," shall state the name of the city or town and the date of the election, and shall conform in other respects to the white ballot used at the state general election ballot. The names shall be arranged on city ballots in the manner provided for the state elections. On town ballots names of the candidates for each office shall be arranged either:

- (1) alphabetically according to the candidates' surnames; or
- (2) in the manner provided for state elections if the town electors chose at the town's annual meeting to arrange the names in that way for at least two consecutive years.

Sec. 59. Minnesota Statutes 2012, section 205.17, subdivision 3, is amended to read:

Subd. 3. **Primary ballots.** ~~The municipal primary ballot in cities of the second, third, and fourth class and towns and the nonpartisan primary ballot in cities of the first class shall conform as far as practicable with the municipal general election ballot except that it shall be printed on light green paper. No blank spaces shall be provided for writing in the names of candidates. The partisan primary ballot in cities of the first class shall conform as far as practicable with the state partisan primary ballot.~~

Sec. 60. Minnesota Statutes 2012, section 205A.04, is amended by adding a subdivision to read:

Subd. 3. **Change in year of general election.** The school board may, by resolution, change the year in which the school district general election will be held. The resolution must be approved no later than four weeks before the first day to file affidavits of candidacy for the general election. A plan for the orderly transition to the new election year must be included in the resolution. The terms of school board members may be lengthened or shortened by one year as a part of the transition process.

Sec. 61. Minnesota Statutes 2012, section 205A.05, subdivision 1, is amended to read:

Subdivision 1. **Questions.** Special elections must be held for a school district on a question on which the voters are authorized by law to pass judgment. The school board may on its own motion call a special election to vote on any matter requiring approval of the voters of a district. Upon petition filed with the school board of 50 or more voters of the school district or five percent of the number of voters voting at the preceding school district general election, whichever is greater, the school board shall by resolution call a special election to vote on any matter requiring approval of the voters of a district. A question is carried only with the majority in its favor required by law. The election officials for a special election are the same as for the most recent school district general election unless changed according to law. Otherwise, special elections must be conducted and the returns made in the manner provided for the school district general election. A special election may not be held during the ~~30~~ 56 days before and the ~~30~~ 56 days after ~~the state a regularly scheduled primary, during the 30 days before and the 40 days after the state or general election.~~ In addition, a special election may not be held during the 20 days before and the 20 days after any regularly scheduled election of a municipality conducted wholly or partially within the school district. Notwithstanding any other law to the contrary, the time period in which a special election must be conducted under any other law may be extended by the school board to conform with the requirements of this subdivision.

Sec. 62. Minnesota Statutes 2012, section 205A.05, subdivision 2, is amended to read:

Subd. 2. **Vacancies in school district offices.** Special elections shall be held in school districts in conjunction with school district primary and general elections to fill vacancies in elective school district offices. When more than one vacancy exists in an office elected at-large, voters must be instructed to vote for up to the number of vacancies to be filled.

Sec. 63. Minnesota Statutes 2012, section 205A.07, subdivision 3, is amended to read:

Subd. 3. **Notice to auditor.** At least ~~67~~ 74 days before every school district election ~~held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before every school district election held in conjunction with a regularly scheduled general election for federal, state, county, city, or school~~

~~board office or a special election for federal office, and at least 53 days before any other school district election, the school district clerk shall provide a written notice to the county auditor of each county in which the school district is located. The notice must include the date of the election, the offices to be voted on at the election, and the title and language for each ballot question to be voted on at the election. For the purposes of meeting the timelines of this section, in a bond election, a notice, including a proposed question, may be provided to the county auditor before receipt of a review and comment from the commissioner of education and before actual initiation of the election. At least 67 74 days before every school district election held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before an election held in conjunction with a regularly scheduled general election for federal, state, county, city, or school board office or a special election for federal office, and at least 46 days before any other election, the school district clerk must provide written notice to the county auditor of any special election canceled under section 205A.05, subdivision 3.~~

Sec. 64. Minnesota Statutes 2012, section 205A.07, subdivision 3a, is amended to read:

Subd. 3a. **Notice to commissioner of education.** At least ~~67~~ 74 days before every school district election ~~held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before every school district election held in conjunction with a regularly scheduled general election for federal, state, county, city, or school board office or a special election for federal office, and at least 49 days before any other school district election,~~ under section 123B.62, 123B.63, 126C.17, 126C.69, or 475.58, the school district clerk shall provide a written notice to the commissioner of education. The notice must include the date of the election and the title and language for each ballot question to be voted on at the election. At least ~~67~~ 74 days before every school district election ~~held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before every school district election held in conjunction with a regularly scheduled general election for federal, state, county, city, or school board office or a special election for federal office, and at least 46 days before any other school district election,~~ the school district clerk must provide a written notice to the commissioner of education of any special election canceled under section 205A.05, subdivision 3. The certified vote totals for each ballot question shall be provided in a written notice to the commissioner in a timely manner.

Sec. 65. Minnesota Statutes 2012, section 205A.07, subdivision 3b, is amended to read:

Subd. 3b. **Notice to secretary of state.** At least ~~67~~ 74 days before every school district election ~~held in conjunction with a regularly scheduled primary for federal, state, county, city, or school board office or a special primary for federal office, at least 74 days before every school district election held in conjunction with a regularly scheduled general election for federal, state, county, city, or school board office or a special election for federal office, and at least 46 days before any other school district election for which a notice is provided to the county auditor under subdivision 3,~~ the county auditor shall provide a notice of the election to the secretary of state, in a manner and including information prescribed by the secretary of state.

Sec. 66. Minnesota Statutes 2012, section 205A.08, subdivision 1, is amended to read:

Subdivision 1. **Buff General election ballot.** The names of all candidates for offices and all ballot questions to be voted on at a school district general election must be placed on a single ballot printed on buff paper and known as the "buff ballot."

Sec. 67. Minnesota Statutes 2012, section 206.57, is amended by adding a subdivision to read:

Subd. 8. **Ballot boxes.** Notwithstanding Minnesota Rules, part 8230.4355, ballot boxes used with precinct count voting systems are not required to contain two separate compartments to receive ballots.

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

Sec. 68. Minnesota Statutes 2012, section 206.61, subdivision 4, is amended to read:

Subd. 4. **Order of candidates.** On the "State Partisan Primary Ballot" prepared for primary elections, and on the ~~white~~ state general election ballot prepared for the general election, the order of the names of nominees or names of candidates for election shall be the same as required for paper ballots. More than one column or row may be used for the same office or party. Electronic ballot display and audio ballot readers must conform to the candidate order on the optical scan ballot used in the precinct.

Sec. 69. Minnesota Statutes 2012, section 206.89, subdivision 2, is amended to read:

Subd. 2. **Selection for review; notice.** At the canvass of the state primary, the county canvassing board in each county must set the date, time, and place for the postelection review of the state general election to be held under this section. The postelection review must not begin before the 11th day after the state general election and must be complete no later than the 18th day after the state general election.

At the canvass of the state general election, the county canvassing boards must select the precincts to be reviewed by lot. ~~Ballots counted centrally by a ballot board shall be considered one precinct eligible to be selected for purposes of this subdivision.~~ The ballots to be reviewed for a precinct include both the ballots counted at the polling place for that precinct and the absentee ballots counted centrally by a ballot board for that precinct. The county canvassing board of a county with fewer than 50,000 registered voters must conduct a postelection review of a total of at least two precincts. The county canvassing board of a county with between 50,000 and 100,000 registered voters must conduct a review of a total of at least three precincts. The county canvassing board of a county with over 100,000 registered voters must conduct a review of a total of at least four precincts, or three percent of the total number of precincts in the county, whichever is greater. At least one precinct selected in each county must have had more than 150 votes cast at the general election.

The county auditor must notify the secretary of state of the precincts that have been chosen for review and the time and place the postelection review for that county will be conducted, as soon as the decisions are made. If the selection of precincts has not resulted in the selection of at least four precincts in each congressional district, the secretary of state may require counties to select by lot additional precincts to meet the congressional district requirement. The secretary of state must post this information on the office Web site.

Sec. 70. Minnesota Statutes 2012, section 206.89, is amended by adding a subdivision to read:

Subd. 2a. **Exception.** No review is required under this section if the election for the office will be subject to a recount as provided in section 204C.35, subdivision 1.

Sec. 71. Minnesota Statutes 2012, section 206.90, subdivision 6, is amended to read:

Subd. 6. **Ballots.** In precincts using optical scan voting systems, a single ballot card on which all ballot information is included must be printed in black ink on white colored material except that marks not to be read by the automatic tabulating equipment may be printed in another color ink. In state elections, a single ballot title must be used, as provided in sections 204D.08, subdivision 6, and 204D.11, subdivision 1. In odd-numbered years when both municipal and school district offices or questions appear on the ballot, the single ballot title "City (or Town) and School District Ballot" must be used.

On the front of the ballot must be printed the words "Official Ballot" and the date of the election and lines for the initials of at least two election judges.

When optical scan ballots are used, the offices to be elected must appear in the following order: federal offices; state legislative offices; constitutional offices; proposed constitutional amendments; county offices and questions; municipal offices and questions; school district offices and questions; special district offices and questions; and judicial offices.

On optical scan ballots, the names of candidates and the words "yes" and "no" for ballot questions must be printed as close to their corresponding vote targets as possible.

The line on an optical scan ballot for write-in votes must contain the words "write-in, if any."

If a primary ballot contains both a partisan ballot and a nonpartisan ballot, the instructions to voters must include a statement that reads substantially as follows: "THIS BALLOT CARD CONTAINS A PARTISAN BALLOT AND A NONPARTISAN BALLOT. ON THE PARTISAN BALLOT YOU ARE PERMITTED TO VOTE FOR CANDIDATES OF ONE POLITICAL PARTY ONLY." If a primary ballot contains political party columns on both sides of the ballot, the instructions to voters must include a statement that reads substantially as follows: "ADDITIONAL POLITICAL PARTIES ARE PRINTED ON THE OTHER SIDE OF THIS BALLOT. VOTE FOR ONE POLITICAL PARTY ONLY." At the bottom of each political party column on the primary ballot, the ballot must contain a statement that reads substantially as follows: "CONTINUE VOTING ON THE NONPARTISAN BALLOT." The instructions in section 204D.08, subdivision 4, do not apply to optical scan partisan primary ballots. Electronic ballot displays and audio ballot readers must follow the order of offices and questions on the optical scan or paper ballot used in the same precinct, or the sample ballot posted for that precinct.

Sec. 72. Minnesota Statutes 2012, section 208.04, subdivision 1, is amended to read:

Subdivision 1. **Form of presidential ballots.** When presidential electors and alternates are to be voted for, a vote cast for the party candidates for president and vice president shall be deemed a vote for that party's electors and alternates as filed with the secretary of state. The secretary of state shall certify the names of all duly nominated presidential and vice presidential candidates to the county auditors of the counties of the state. Each county auditor, subject to the rules of the secretary of state, shall cause the names of the candidates of each major political party and the candidates nominated by petition to be printed in capital letters, set in type of the same size and style as for candidates on the state ~~white~~ general election ballot, before the party designation. To the left of, and on the same line with the names of the candidates for president and vice president, near the margin, shall be placed a square or box, in which the voters may indicate their choice by marking an "X."

The form for the presidential ballot and the relative position of the several candidates shall be determined by the rules applicable to other state officers. The state ballot, with the required heading,

shall be printed on the same piece of paper and shall be below the presidential ballot with a blank space between one inch in width.

Sec. 73. Minnesota Statutes 2012, section 208.04, subdivision 2, is amended to read:

Subd. 2. **Applicable rules.** The rules for preparation, state contribution to the cost of printing, and delivery of presidential ballots are the same as the rules for ~~white state general election~~ ballots under section 204D.11, subdivision 1.

Sec. 74. Minnesota Statutes 2012, section 211B.045, is amended to read:

**211B.045 NONCOMMERCIAL SIGNS EXEMPTION.**

~~In any municipality, whether or not the municipality has an ordinance that regulates the size or number of noncommercial signs; All noncommercial signs of any size may be posted in any number from beginning 46 days before the state primary in a state general election year until ten days following the state general election. Municipal ordinances may regulate the size and number of noncommercial signs at other times.~~

Sec. 75. Minnesota Statutes 2012, section 211B.37, is amended to read:

**211B.37 COSTS ASSESSED.**

~~Except as otherwise provided in section 211B.36, subdivision 3, the chief administrative law judge shall assess the cost of considering complaints filed under section 211B.32 as provided in this section. Costs of complaints relating to a statewide ballot question or an election for a statewide or legislative office must be assessed against the appropriation from the general fund to the general account of the state elections campaign fund in section 10A.31, subdivision 4. Costs of complaints relating to any other ballot question or elective office must be assessed against the county or counties in which the election is held. Where the election is held in more than one county, the chief administrative law judge shall apportion the assessment among the counties in proportion to their respective populations within the election district to which the complaint relates according to the most recent decennial federal census paid from appropriations to the office for this purpose.~~

Sec. 76. Minnesota Statutes 2012, section 340A.416, subdivision 2, is amended to read:

Subd. 2. **Ballot question.** ~~The form of the question of the referendum under this section must be on a separate ballot and must allow the voters to vote either "for license" or "against license." either "Shall the city issue ... intoxicating liquor licenses?" or "Shall the city discontinue issuing intoxicating liquor licenses?"~~

Sec. 77. Minnesota Statutes 2012, section 340A.416, subdivision 3, is amended to read:

Subd. 3. **Effect of election results.** ~~If a majority of persons voting on the referendum question vote "against license," to discontinue issuing licenses,~~ the city may not issue intoxicating liquor licenses until the results of the referendum have been reversed at a subsequent election where the question has been submitted as provided in this section.

Sec. 78. Minnesota Statutes 2012, section 340A.602, is amended to read:

**340A.602 CONTINUATION.**

In any city in which the report of the operations of a municipal liquor store has shown a net loss prior to interfund transfer in any two of three consecutive years, the city council shall, not more

than 45 days prior to the end of the fiscal year following the three-year period, hold a public hearing on the question of whether the city shall continue to operate a municipal liquor store. Two weeks' notice, written in clear and easily understandable language, of the hearing must be printed in the city's official newspaper. Following the hearing the city council may on its own motion or shall upon petition of five percent or more of the registered voters of the city, submit to the voters at a general or special municipal election the question of whether the city shall continue or discontinue municipal liquor store operations by a date which the city council shall designate. The date designated by the city council must not be more than 30 months following the date of the election. The form of the question shall be: "Shall the city of (name) discontinue operating the municipal liquor store on (Month xx, 2xxx)?".

Sec. 79. Minnesota Statutes 2012, section 375.20, is amended to read:

### **375.20 BALLOT QUESTIONS.**

If the county board may do an act, incur a debt, appropriate money for a purpose, or exercise any other power or authority, only if authorized by a vote of the people, the question may be submitted at a special or general election, by a resolution specifying the matter or question to be voted upon. If the question is to authorize the appropriation of money, creation of a debt, or levy of a tax, it shall state the amount. Notice of the election shall be given as in the case of special elections. If the question submitted is adopted, the board shall pass an appropriate resolution to carry it into effect. In the election the form of the ballot shall be: ~~"In favor of~~ Shall (here state the substance of the resolution to be submitted)?, Yes ..... No.....," ~~with a square opposite each of the words "yes" and "no," in one of which the voter shall mark an "X" to indicate a choice.~~ The county board may call a special county election upon a question to be held within ~~60~~ 74 days after a resolution to that effect is adopted by the county board. Upon the adoption of the resolution the county auditor shall post and publish notices of the election, as required by section 204D.22, subdivisions 2 and 3. The election shall be conducted and the returns canvassed in the manner prescribed by sections 204D.20 to 204D.27, so far as practicable.

Sec. 80. Minnesota Statutes 2012, section 447.32, subdivision 2, is amended to read:

Subd. 2. **Elections.** Except as provided in this chapter, the Minnesota Election Law applies to hospital district elections, as far as practicable. Regular elections must be held in each hospital district at the same time, in the same election precincts, and at the same polling places as general elections of state and county officers. It may establish the whole district as a single election precinct or establish two or more different election precincts and polling places for the elections. If there is more than one precinct, the boundaries of the election precincts and the locations of the polling places must be defined in the notice of election, either in full or by reference to a description or map on file in the office of the clerk.

Special elections may be called by the hospital board to vote on any matter required by law to be submitted to the voters. A special election may not be conducted either during the ~~30~~ 56 days before ~~and the 30 days after the state~~ or the 56 days after a regularly scheduled primary or state general election, ~~or during the 20 days before and the 20 days after the regularly scheduled election of any municipality conducted~~ wholly or partially within the hospital district. Special elections must be held within the election precinct or precincts and at the polling place or places designated by the board. In the case of the first election of officers of a new district, precincts and polling places must be set by the governing body of the most populous city or town included in the district.



Advisory ballots may be submitted by the hospital board on any question it wishes, concerning the affairs of the district, but only at a regular election or at a special election required for another purpose.

Sec. 81. Minnesota Statutes 2012, section 447.32, subdivision 3, is amended to read:

Subd. 3. **Election notices.** At least two weeks before the first day to file affidavits of candidacy, the clerk of the district shall publish a notice stating the first and last day on which affidavits of candidacy may be filed, the places for filing the affidavits and the closing time of the last day for filing. The clerk shall post a similar notice in at least one conspicuous place in each city and town in the district at least ten days before the first day to file affidavits of candidacy.

At least ~~53~~ 74 days prior to every hospital district election, the hospital district clerk shall provide a written notice to the county auditor of each county in which the hospital district is located. The notice must include the date of the election, the offices to be voted on at the election, and the title and language for each ballot question to be voted on at the election. ~~At least 46 days before a hospital district election for which a notice is provided to the county auditor under this subdivision,~~ The county auditor shall immediately provide a notice to the secretary of state in a manner and including information prescribed by the secretary of state.

The notice of each election must be posted in at least one public and conspicuous place within each city and town included in the district at least ~~ten days~~ two weeks before the election. It must be published in the official newspaper of the district or, if a paper has not been designated, in a legal newspaper having general circulation within the district, at least two weeks before the election. Failure to give notice does not invalidate the election of an officer of the district. A voter may contest a hospital district election in accordance with chapter 209. Chapter 209 applies to hospital district elections.

Sec. 82. Minnesota Statutes 2012, section 447.32, subdivision 4, is amended to read:

Subd. 4. **Candidates; ballots; certifying election.** A person who wants to be a candidate for the hospital board shall file an affidavit of candidacy for the election either as member at large or as a member representing the city or town where the candidate resides. The affidavit of candidacy must be filed with the city or town clerk not more than ~~91~~ 98 days nor less than ~~77~~ 84 days before the first Tuesday after the first Monday in November of the year in which the general election is held. The city or town clerk must forward the affidavits of candidacy to the clerk of the hospital district or, for the first election, the clerk of the most populous city or town immediately after the last day of the filing period. A candidate may withdraw from the election by filing an affidavit of withdrawal with the clerk of the district no later than 5:00 p.m. two days after the last day to file affidavits of candidacy.

Voting must be by secret ballot. The clerk shall prepare, at the expense of the district, necessary ballots for the election of officers. Ballots must be ~~printed on tan paper and~~ prepared as provided in the rules of the secretary of state. The ballots must be marked and initialed by at least two judges as official ballots and used exclusively at the election. Any proposition to be voted on may be printed on the ballot provided for the election of officers. The hospital board may also authorize the use of voting systems subject to chapter 206. Enough election judges may be appointed to receive the votes at each polling place. The election judges shall act as clerks of election, count the ballots cast, and submit them to the board for canvass.

After canvassing the election, the board shall issue a certificate of election to the candidate who received the largest number of votes cast for each office. The clerk shall deliver the certificate to the person entitled to it in person or by certified mail. Each person certified shall file an acceptance and oath of office in writing with the clerk within 30 days after the date of delivery or mailing of the certificate. The board may fill any office as provided in subdivision 1 if the person elected fails to qualify within 30 days, but qualification is effective if made before the board acts to fill the vacancy.

Sec. 83. Laws 1963, chapter 276, section 2, subdivision 2, as amended by Laws 1992, chapter 534, section 1, is amended to read:

Subd. 2. ~~One third of the members of the first hospital board shall be appointed for a term to expire one year from December 31 next following such appointment, one third for a term to expire two years from such date, and one third for a term to expire three years from such date. Successors to the original board members shall each be elected for terms of three years, and all members shall hold office until their successors are elected and qualify. Terms of all members shall expire on December 31. In case of a vacancy on the hospital board, whether due to death, removal from the district, inability to serve, resignation, or other cause the majority of the remaining members of the hospital board, at its next regular or special meeting, shall make an appointment to fill such vacancy for the then unexpired term. The election of successors to the original board members shall be elected by popular vote of the qualified voters in the hospital district. Hospital board elections shall be conducted as provided in Minnesota Statutes, section 447.32. The hospital board shall, by resolution, adopt a plan for the orderly transition to the new election schedule. The resolution must be approved no later than four weeks before the first day to file affidavits of candidacy for the general election. The terms of hospital board members may be lengthened or shortened by one year as a part of the transition process.~~

Sec. 84. **APPROPRIATION.**

\$60,000 is appropriated from the general fund in fiscal year 2014 to the secretary of state to develop functionality within the statewide voter registration system to facilitate the processing and tracking of mail ballots.

Sec. 85. **REPEALER.**

(a) Minnesota Statutes 2012, sections 204B.22, subdivision 2; 204B.42; 204D.11, subdivisions 2 and 3; 205.17, subdivisions 2 and 4; and 205A.08, subdivision 4, are repealed.

(b) Minnesota Statutes 2012, sections 2.444; and 2.484, are repealed.

### ARTICLE 3

#### VOTING RIGHTS AND VOTING DATA

Section 1. Minnesota Statutes 2012, section 13.851, subdivision 10, is amended to read:

Subd. 10. **Felony sentence offender data; voter registration.** The use of felony sentence offender data made available to the secretary of state is governed by section 201.157.

Sec. 2. Minnesota Statutes 2012, section 201.157, is amended to read:

**201.157 USE OF DEPARTMENT OF CORRECTIONS DATA.**

~~As required by the Help America Vote Act of 2002, Public Law 107-252,~~ (a) The commissioner of corrections shall make electronic data available to the secretary of state on individuals 18 years of age or older who are currently:

- (1) serving felony sentences under the commissioner's jurisdiction; or
- (2) on probation for felony offenses that would result in the loss of civil rights, as indicated by the statewide supervision system established under section 241.065.

The data must include the name, date of birth, last known residential address that is not a correctional facility, and, if available, corrections' state identification number, and if available, and the driver's license or state identification card number, and, if an individual has completed the sentence, the date of discharge.

(b) The secretary of state must determine if any data newly indicates that:

(1) an individual with an active voter registration in the statewide voter registration system is currently serving a felony sentence under the commissioner's jurisdiction or is on probation for a felony offense that would result in the loss of civil rights and the individual's voter record does not already have a challenged status due to a felony conviction;

(2) an individual with an active voter registration in the statewide voter registration system who is currently serving a felony sentence under the commissioner's jurisdiction or who is on probation for a felony offense that would result in the loss of civil rights appears to have registered to vote or to have voted during a period when the individual's civil rights were revoked; and

(3) an individual with a voter record that has a challenged status due to a felony conviction who was serving a felony sentence under the commissioner's jurisdiction or who has been on probation for a felony offense that would result in the loss of civil rights has been discharged from a sentence.

The secretary of state shall prepare a list of the registrants included under clause (1), (2), or (3) for each county auditor. For individuals under clause (1), the county auditor shall challenge the individual's record in the statewide voter registration system. The county auditor must provide information to the county attorney about individuals under clause (2) for the county attorney's investigation. For individuals under clause (3), the county auditor must determine if the challenge status should be removed from the voter record for the individual, and if so, must remove the challenge.

The secretary of state must make the required determinations and provide the required lists to the county auditors at least monthly.

For each state general election that occurs prior to the statewide voter registration system being programmed to generate lists as required by this section, the secretary of state must make the determination and provide lists to the county auditors between 30 and 60 days before the election and again between six and ten weeks after the election. In the year following that state election, the secretary of state must make this determination and provide lists to the county auditors again as part of the annual list maintenance.

Sec. 3. Minnesota Statutes 2012, section 201.275, is amended to read:

**201.275 INVESTIGATIONS; PROSECUTIONS.**

~~A county attorney who law enforcement agency that is notified by affidavit of an alleged violation of this chapter shall promptly investigate. Upon receiving an affidavit alleging a violation of this chapter, a county attorney shall promptly forward it to a law enforcement agency with jurisdiction for investigation.~~ If there is probable cause for instituting a prosecution, the county attorney shall proceed by complaint or present the charge, with whatever evidence has been found, to the grand jury. A county attorney who refuses or intentionally fails to faithfully perform this or any other duty imposed by this chapter is guilty of a misdemeanor and upon conviction shall forfeit office. The county attorney, under the penalty of forfeiture of office, shall prosecute all violations of this chapter except violations of this section; if, however, a complainant withdraws an allegation under this chapter, the county attorney is not required to proceed with the prosecution.

Sec. 4. Minnesota Statutes 2012, section 203B.06, subdivision 3, is amended to read:

Subd. 3. **Delivery of ballots.** (a) The commissioner of corrections must provide the secretary of state with a list of the names and mailing addresses of state adult correctional facilities. An application for an absentee ballot that provides an address included on the list provided by the commissioner of corrections must not be accepted and an absentee ballot must not be provided to the applicant. The county auditor or municipal clerk must promptly transmit a copy of the application to the county attorney. The Department of Corrections must implement procedures to ensure that absentee ballots issued under chapter 203B are not received or mailed by offenders incarcerated at state adult correctional facilities.

(b) If an application for absentee ballots is accepted at a time when absentee ballots are not yet available for distribution, the county auditor, or municipal clerk accepting the application shall file it and as soon as absentee ballots are available for distribution shall mail them to the address specified in the application. If an application for absentee ballots is accepted when absentee ballots are available for distribution, the county auditor or municipal clerk accepting the application shall promptly:

(1) mail the ballots to the voter whose signature appears on the application if the application is submitted by mail and does not request commercial shipping under clause (2);

(2) ship the ballots to the voter using a commercial shipper requested by the voter at the voter's expense;

(3) deliver the absentee ballots directly to the voter if the application is submitted in person; or

(4) deliver the absentee ballots in a sealed transmittal envelope to an agent who has been designated to bring the ballots, as provided in section 203B.11, subdivision 4, to a voter who would have difficulty getting to the polls because of incapacitating health reasons, or who is disabled, or who is a patient in a health care facility, a resident of a facility providing assisted living services governed by chapter 144G, a participant in a residential program for adults licensed under section 245A.02, subdivision 14, or a resident of a shelter for battered women as defined in section 611A.37, subdivision 4.

~~(b)~~ (c) If an application does not indicate the election for which absentee ballots are sought, the county auditor or municipal clerk shall mail or deliver only the ballots for the next election occurring

after receipt of the application. Only one set of ballots may be mailed, shipped, or delivered to an applicant for any election, except as provided in section 203B.121, subdivision 2, or when a replacement ballot has been requested by the voter for a ballot that has been spoiled or lost in transit.

**EFFECTIVE DATE.** This section is effective June 15, 2013.

Sec. 5. Minnesota Statutes 2012, section 204C.14, is amended to read:

**204C.14 UNLAWFUL VOTING; PENALTY.**

**Subdivision 1. Violations; penalty.** No individual shall intentionally:

(a) misrepresent the individual's identity in applying for a ballot, depositing a ballot in a ballot box or attempting to vote by means of a voting machine or electronic voting system;

(b) vote more than once at the same election;

(c) put a ballot in a ballot box for any illegal purpose;

(d) give more than one ballot of the same kind and color to an election judge to be placed in a ballot box;

(e) aid, abet, counsel or procure another to go into any precinct for the purpose of voting in that precinct, knowing that the other individual is not eligible to vote in that precinct; or

(f) aid, abet, counsel or procure another to do any act in violation of this section.

A violation of this section is a felony.

**Subd. 2. Signature on roster as evidence of intent.** For purposes of proving a violation of this section, the signature of an individual on a polling place roster is prima facie evidence of the intent of the individual to vote at that election.

Sec. 6. Minnesota Statutes 2012, section 241.065, subdivision 2, is amended to read:

**Subd. 2. Establishment.** The Department of Corrections shall administer and maintain a computerized data system for the purpose of assisting criminal justice agencies in monitoring and enforcing the conditions of conditional release imposed on criminal offenders by a sentencing court or the commissioner of corrections. The adult data and juvenile data as defined in section 260B.171 in the statewide supervision system are private data as defined in section 13.02, subdivision 12, but are accessible to criminal justice agencies as defined in section 13.02, subdivision 3a, to the Minnesota sex offender program as provided in section 246B.04, subdivision 3, to public defenders as provided in section 611.272, to all trial courts and appellate courts, and to criminal justice agencies in other states in the conduct of their official duties. Adult data in the statewide supervision system are accessible to the secretary of state for the purposes described in section 201.157.

Sec. 7. **APPROPRIATION.**

\$47,000 is appropriated in fiscal year 2014 and \$48,000 is appropriated in fiscal year 2015 to the secretary of state to administer this article. Of these amounts, \$48,000 is added to the base budget of the secretary of state.

**ARTICLE 4**  
**ELECTRONIC ROSTERS**

Section 1. **ELECTRONIC ROSTER PILOT PROJECT.**

Subdivision 1. **Established.** A pilot project is established to explore the use of electronic rosters in conducting elections. Jurisdictions participating in the project may use electronic rosters to process election day registration, to verify the registration status of preregistered voters, or both. The pilot project shall apply to general elections for home rule charter or statutory cities conducted in participating cities in 2013. The standards for conducting the pilot project are provided in this section.

Subd. 2. **Participating cities.** Precincts located in Dilworth, Minnetonka, Moorhead, Saint Anthony, and Saint Paul may participate in the project. In participating cities, the head elections official may designate individual precincts in the jurisdiction to participate. A city is not required to use electronic rosters in all precincts.

Subd. 3. **Technology requirements.** (a) In participating precincts, an electronic poll book must:

(1) be able to be loaded with a data file that includes voter registration data in a file format prescribed by the secretary of state, to the extent feasible;

(2) allow for data to be exported in a file format prescribed by the secretary of state;

(3) allow for data to be entered manually or by scanning a Minnesota driver's license or identification card to populate a voter registration application that would be printed and signed and dated by the voter;

(4) provide for a printed voter's signature certificate, containing the voter's name, address of residence, date of birth, voter identification number, the oath required by Minnesota Statutes, section 204C.10, and a space for the voter's original signature;

(5) immediately alert the election judge if the electronic poll book indicates that a voter has already voted, the voter's registration status is challenged, or it appears the voter resides in a different precinct;

(6) provide immediate instructions on how to resolve a particular type of challenge when a voter's record is challenged; and

(7) perform any other functions necessary for the efficient and secure administration of participating election, as determined by the secretary of state.

(b) In precincts using electronic rosters only for election day registration, the technology does not need to comply with paragraph (a), clause (4), (5), or (6).

Subd. 4. **Minnesota election law; other law.** Except as provided in this section, the provisions of the Minnesota Election Law apply to this pilot project, so far as practicable. Voters participating in the safe at home program must be allowed to vote pursuant to Minnesota Statutes, section 5B.06. Nothing in this section shall be construed to amend absentee voting provisions in Minnesota Statutes, chapter 203B.

Subd. 5. **Election records retention.** All voter's signature certificates and voter registration applications printed from an electronic poll book shall be retained pursuant to Minnesota Statutes,

section 204B.40. Data on election day registrants must be uploaded to the statewide voter registration system for processing by county auditors.

Subd. 6. **Election day.** Participating precincts may use electronic rosters for election day registration, to verify registration status of preregistered voters, or both. In precincts using electronic rosters to verify registration status of preregistered voters, the election judges shall also use a paper roster.

Subd. 7. **Evaluation.** The secretary of state must evaluate the pilot project and must report to the legislative committees with jurisdiction over elections by January 31, 2014, on the results of the evaluation. The report must include:

(1) a description of the technology that was used and explanation of how that technology was selected;

(2) the process used for implementing electronic poll books;

(3) a description of training that was conducted for election judges and other election officials in precincts that used electronic poll books;

(4) the number of voters who voted in each precinct using electronic poll books;

(5) comments, feedback, or recommendations from election judges and others in a precinct using electronic poll books;

(6) the costs associated with the use of electronic poll books, broken down by precinct;

(7) comments, feedback, or recommendations from the participating cities and counties regarding data transfers and other exchanges of information; and

(8) any other feedback or recommendations the secretary of state believes are relevant to evaluating the pilot project.

Subd. 8. **Expiration.** The authorization for this pilot project expires upon submission of the report as provided in subdivision 7.

## Sec. 2. **ELECTRONIC ROSTER TASK FORCE.**

Subdivision 1. **Membership.** (a) The Electronic Roster Task Force consists of the following 15 members:

(1) the director of the Department of Public Safety, Division of Vehicle Services, or designee;

(2) the secretary of state, or designee;

(3) an individual designated by the secretary of state, from the elections division in the Office of the Secretary of State;

(4) the chief information officer of the state of Minnesota, or designee;

(5) one county auditor appointed by the Minnesota Association of County Officers;

(6) one town election official appointed by the Minnesota Association of Townships;

(7) one city election official appointed by the League of Minnesota Cities;

- (8) one school district election official appointed by the Minnesota School Boards Association;
- (9) one representative appointed by the speaker of the house of representatives;
- (10) one representative appointed by the minority leader of the house of representatives;
- (11) one senator appointed by the senate Subcommittee on the Committee of the Committee on Rules and Administration;
- (12) one senator appointed by the senate minority leader;
- (13) one person appointed by the governor, familiar with electronic roster technology but who does not represent a specific vendor of the technology; and
- (14) two election judges appointed by the governor.

(b) Any vacancy shall be filled by appointment of the appointing authority for the vacating member.

(c) Members shall be appointed by June 1, 2013.

Subd. 2. **Conflict of interest.** No member of the task force may have a financial interest in a manufacturer or distributor of electronic roster technology.

Subd. 3. **Duties.** The task force must research the following issues:

- (1) electronic roster technology, including different types of electronic rosters;
- (2) the ability to use photographs received from the Department of Vehicle Services;
- (3) the ability to add photographs to the roster on election day;
- (4) data security in electronic rosters, the statewide voter registration system, and the Department of Vehicle Services;
- (5) reliability of Department of Vehicle Services data, including the ability to match names and photographs without duplication;
- (6) ability of precincts across the state to connect an electronic roster to a secure network to access the statewide voter registration system; and
- (7) direct and indirect costs associated with using electronic rosters.

Subd. 4. **First meeting.** The secretary of state, or the secretary's designee, must convene the initial meeting of the task force by July 1, 2013. The members of the task force must elect a chair and a vice-chair from the members of the task force at the first meeting.

Subd. 5. **Compensation.** Public members of the task force shall be compensated pursuant to Minnesota Statutes, section 15.059, subdivision 3.

Subd. 6. **Staff.** The Legislative Coordinating Commission shall provide staff support, as needed, to facilitate the task force's work.

Subd. 7. **Report.** The task force must submit a report by January 31, 2014, to the chairs and ranking minority members of the committees in the senate and house of representatives with primary jurisdiction over elections, summarizing its findings and listing recommendations on



the implementation of electronic rosters statewide. The report shall include draft legislation to implement the recommendations of the task force.

Subd. 8. **Sunset.** The task force shall sunset the day following submission of the report under subdivision 7, or January 31, 2014, whichever is earlier.

Sec. 3. **APPROPRIATIONS.**

(a) \$67,000 is appropriated from the general fund to the secretary of state in fiscal year 2014 to implement this article.

(b) \$21,000 is appropriated from the general fund to the Legislative Coordinating Commission in fiscal year 2014 for the purposes of this article.

Sec. 4. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

## ARTICLE 5

### VACANCIES IN NOMINATION

Section 1. Minnesota Statutes 2012, section 204B.13, subdivision 1, is amended to read:

Subdivision 1. ~~Death or withdrawal~~ **Partisan office.** (a) A vacancy in nomination ~~may~~ for a partisan office must be filled in the manner provided by this section. A vacancy in nomination exists for a partisan office when: (1) a major political party candidate or nonpartisan candidate who was nominated at a primary dies or files an affidavit of withdrawal as provided in section 204B.12, subdivision 2a; or (2) a candidate for a nonpartisan office, for which one or two candidates filed, who has been nominated in accordance with section 204D.03, subdivision 3, or 204D.10, subdivision 1:

(1) dies;

(2) withdraws as provided in section 204B.12, subdivision 1; or

(3) withdraws by filing an affidavit of withdrawal, as provided in paragraph (b), at least one day prior to the general election with the same official who received the affidavit of candidacy.

(b) An affidavit of withdrawal filed under paragraph (a), clause (3), must state that the candidate has been diagnosed with a catastrophic illness that will permanently and continuously incapacitate the candidate and prevent the candidate from performing the duties of the office sought, if elected. The affidavit must be accompanied by a certificate verifying the candidate's illness meets the requirements of this paragraph, signed by at least two licensed physicians. The affidavit and certificate may be filed by the candidate or the candidate's legal guardian.

Sec. 2. Minnesota Statutes 2012, section 204B.13, subdivision 2, is amended to read:

Subd. 2. **Partisan office; nomination by party; special election.** (a) A vacancy in nomination ~~for partisan office shall be filled as provided in this subdivision. Except as provided in subdivision 5,~~ a major political party has the authority to ~~may~~ fill a vacancy in nomination of that party's candidate as defined in subdivision 1, clause (1) or (3), by filing a ~~one~~ nomination certificate with the same official who received the affidavits of candidacy for that office.

(b) A major political party may provide in its governing rules a procedure, including designation of an appropriate committee, to fill ~~vacancies a vacancy~~ in nomination for ~~all offices elected statewide any federal or state partisan office~~. The nomination certificate shall be prepared under the direction of and executed by the chair and secretary of the political party and filed within seven days after the vacancy in nomination occurs or before the 14th day before the general election, whichever is sooner. ~~If the vacancy in nomination occurs through the candidate's death or catastrophic illness, the nomination certificate must be filed within seven days after the vacancy in nomination occurs but no later than four days before the general election~~ the timelines established in this section. ~~When filing the certificate the chair and secretary~~ ~~when filing the certificate~~ shall attach an affidavit stating that the newly nominated candidate has been selected under the rules of the party and that the individuals signing the certificate and making the affidavit are the chair and secretary of the party.

(b) In the case of a vacancy in nomination for partisan office that occurs on or before the 79th day before the general election, the major political party must file the nomination certificate no later than 71 days before the general election. The name of the candidate nominated by the party must appear on the general election ballot.

(c) Except as provided in subdivision 5, in the case of a vacancy in nomination for a partisan office that occurs after the 79th day before the general election, the general election ballot shall remain unchanged, but the county and state canvassing boards must not certify the vote totals for that office from the general election, and the office must be filled at a special election held in accordance with this section. Except for the vacancy in nomination, all other candidates whose names appeared on the general election ballot for the office must appear on the special election ballot for the office. New affidavits of candidacy or nominating petitions may not be accepted, and there must not be a primary to fill the vacancy in nomination. The major political party may file a nomination certificate as provided in paragraph (a), no later than seven days after the general election. On the date of the general election, the county auditor or municipal clerk shall post a notice in each precinct affected by a vacancy in nomination under this paragraph, informing voters of the reason for the vacancy in nomination and the procedures for filling the vacancy in nomination and conducting a special election as required by this section. The secretary of state shall prepare and electronically distribute the notice to county auditors in each county affected by a vacancy in nomination.

Sec. 3. Minnesota Statutes 2012, section 204B.13, is amended by adding a subdivision to read:

Subd. 2a. **Partisan office; filing period.** A vacancy in nomination for a partisan office due to a withdrawal of a candidate under section 204B.12, subdivision 1, may be filled in the manner provided in sections 204B.06, 204B.09, and 204B.11, except that all documents and fees required by those sections must be filed within five days after the vacancy in nomination occurs. There must be a two-day period for withdrawal of candidates after the last day for filing.

If there is more than one candidate at the end of the withdrawal period to fill the vacancy in nomination, the candidates' names must appear on the primary ballot. Otherwise, the candidate's name must appear on the general election ballot.

Sec. 4. Minnesota Statutes 2012, section 204B.13, subdivision 5, is amended to read:

Subd. 5. **Candidates for governor and lieutenant governor.** (a) If a vacancy in nomination for a major political party occurs in the race for governor, the political party must nominate the candidates for both governor and lieutenant governor. If a vacancy in nomination for a major political party

~~occurs in the race for lieutenant governor, the candidate for governor determined under this section shall select the candidate for lieutenant governor. If a vacancy in nomination occurs in the race for lieutenant governor, due to a vacancy in nomination for governor or due to the withdrawal or death of the candidate for lieutenant governor, the candidate for governor shall select the candidate for lieutenant governor as provided in this subdivision.~~

~~(b) For a vacancy in nomination for lieutenant governor that occurs on or before the 16th 79th day before the general election, the name of the lieutenant governor candidate must be submitted by the governor candidate to the filing officer within seven days after the vacancy occurs, or before the 14th day before the general election, whichever is sooner no later than 71 days before the general election. If the vacancy in nomination occurs through the death or catastrophic illness of the candidate for lieutenant governor occurs after the 79th day before the general election, the candidate for governor shall submit the name of the new lieutenant governor candidate to the secretary of state within seven days after the vacancy in nomination occurs but no later than four days before the general election. If the vacancy in nomination occurs through the death or catastrophic illness of the candidate for governor, the new candidate for governor shall submit the name of the lieutenant governor candidate within seven days after the vacancy in nomination for governor is filled under section 204B.13, subdivision 2, but no later than four days before the general election. occurs, but no changes may be made to the general election ballots.~~

~~(c) When a vacancy in nomination for lieutenant governor occurs after the 79th day before the general election, the county auditor or municipal clerk shall post a notice in each precinct affected by the vacancy in nomination. The secretary of state shall prepare and electronically distribute the notice to county auditors. The county auditor must ensure that each precinct in the county receives the notice prior to the opening of the polls on election day. The notice must include:~~

~~(1) a statement that there is a vacancy in nomination for lieutenant governor and the statutory reason for the vacancy in nomination as provided in subdivision 1, paragraph (a), clauses (1) and (3);~~

~~(2) a statement that the results for the governor and lieutenant governor will be counted and that no special election will be held for that race; and~~

~~(3) a list of all candidates in the governor and lieutenant governor's race, listed in order of the base rotation. The listing of candidates shall include the name of the candidate to fill the vacancy in nomination for lieutenant governor. If the name of the candidate has not yet been named, then the list must include the date by which the candidate will be named.~~

Sec. 5. Minnesota Statutes 2012, section 204B.13, is amended by adding a subdivision to read:

Subd. 7. **Date of special election.** If a special election is required under this section, the governor shall issue a writ calling for a special election to be conducted on the second Tuesday in February of the year following the year the vacancy in nomination occurred. Except where otherwise provided in this section, the writ shall be issued and the special election conducted according to the requirements of sections 204D.22 to 204D.27.

Sec. 6. Minnesota Statutes 2012, section 204B.13, is amended by adding a subdivision to read:

Subd. 8. **Absentee voters.** At least 46 days, but no more than 50 days, before a special election conducted under this section, the county auditor shall transmit an absentee ballot for the special election to each applicant for an absentee ballot whose application for an absentee ballot for the

preceding general election was recorded under section 203B.04 or 203B.17. New applicants for an absentee ballot may be provided a ballot in the manner specified in chapter 203B.

Sec. 7. Minnesota Statutes 2012, section 204B.13, is amended by adding a subdivision to read:

Subd. 9. **Appropriation.** In the case of a statewide special election under this section, the amount necessary is appropriated to the secretary of state to cover costs incurred by the state, county, and municipal governments to conduct the special election.

Sec. 8. **[204B.131] VACANCY IN NOMINATION; NONPARTISAN OFFICE.**

Subdivision 1. **Applicability.** A vacancy in nomination for a nonpartisan office must be filled in the manner provided by this section. A vacancy in nomination for a nonpartisan office exists when:

(1) a candidate for any nonpartisan office, for which one or two candidates filed, withdraws as provided in section 204B.12, subdivision 1; or

(2) a candidate for any nonjudicial nonpartisan office, for which only one or two candidates filed or who was nominated at a primary, dies on or before the 79th day before the date of the general election.

Subd. 2. **Procedure for filling vacancy.** A vacancy in nomination for a nonpartisan office may be filled by filing an affidavit of candidacy and paying a filing fee, or by filing an affidavit of candidacy and filing a petition in place of a filing fee, in the manner provided in sections 204B.06, 204B.09, and 204B.11. All documents and fees required by this subdivision must be filed within five days after the vacancy in nomination occurs. There must be a two-day period for withdrawal of candidates after the last day for filing.

If the vacancy in nomination resulted from a withdrawal during the withdrawal period held on the 68th to 69th day before the primary, and if, at the end of the withdrawal period to fill the vacancy in nomination, there are more than two candidates, the candidates' names must appear on the primary ballot. In all other cases, the candidates' names must appear on the general election ballot.

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

Sec. 9. Minnesota Statutes 2012, section 204D.19, is amended by adding a subdivision to read:

Subd. 6. **Writ when vacancy results from vacancy in nomination.** If a vacancy in office is due to a vacancy in nomination under section 204B.13, the governor shall issue a writ in the manner provided in that section.

Sec. 10. **REPEALER.**

(a) Minnesota Statutes 2012, sections 204B.12, subdivision 2a; and 204B.13, subdivision 6, are repealed.

(b) Minnesota Statutes 2012, section 204B.13, subdivision 4, is repealed.

Sec. 11. **EFFECTIVE DATE.**

This article is effective the day following final enactment and applies to vacancies in nomination occurring on or after that date."

Delete the title and insert:

"A bill for an act relating to elections; making policy, technical, and clarifying changes to various provisions related to election law, including provisions related to absentee voting, redistricting, ballots, registration, voting, caucuses, candidates, recounts, campaigns, voting rights, voting data, vacancies in nomination, and election administration; providing an electronic roster pilot project and task force; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 5B.06; 13.851, subdivision 10; 103C.225, subdivision 3; 103C.305, subdivision 3; 103C.311, subdivision 2; 123A.48, subdivision 14; 201.061, subdivision 3; 201.071, subdivision 2; 201.091, subdivision 8; 201.12, subdivision 3; 201.13, subdivision 1a; 201.14; 201.157; 201.275; 202A.14, subdivision 1; 203B.02, subdivision 1; 203B.04, subdivisions 1, 5; 203B.05, subdivision 1; 203B.06, subdivisions 1, 3; 203B.08, subdivision 3; 203B.081; 203B.121, subdivisions 1, 2, 3, 4, 5; 203B.227; 203B.28; 204B.04, by adding a subdivision; 204B.13, subdivisions 1, 2, 5, by adding subdivisions; 204B.18, subdivision 2; 204B.22, subdivision 1; 204B.28, subdivision 1; 204B.32, subdivision 1; 204B.33; 204B.35, subdivision 4; 204B.36, subdivision 1; 204B.45, subdivisions 1, 2; 204B.46; 204C.14; 204C.15, subdivision 1; 204C.19, subdivision 2; 204C.25; 204C.27; 204C.35, subdivision 1, by adding a subdivision; 204C.36, subdivision 1; 204D.08, subdivision 6; 204D.09, subdivision 2; 204D.11, subdivisions 1, 4, 5, 6; 204D.13, subdivision 3; 204D.14, subdivisions 1, 3; 204D.15, subdivision 3; 204D.16; 204D.165; 204D.19, subdivision 2, by adding a subdivision; 205.02, subdivision 2; 205.10, subdivision 3; 205.13, subdivision 1a; 205.16, subdivisions 4, 5; 205.17, subdivisions 1, 3; 205A.04, by adding a subdivision; 205A.05, subdivisions 1, 2; 205A.07, subdivisions 3, 3a, 3b; 205A.08, subdivision 1; 206.57, by adding a subdivision; 206.61, subdivision 4; 206.89, subdivision 2, by adding a subdivision; 206.90, subdivision 6; 208.04, subdivisions 1, 2; 211B.045; 211B.37; 241.065, subdivision 2; 340A.416, subdivisions 2, 3; 340A.602; 375.20; 447.32, subdivisions 2, 3, 4; Laws 1963, chapter 276, section 2, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 2; 204B; repealing Minnesota Statutes 2012, sections 2.444; 2.484; 203B.04, subdivision 6; 204B.12, subdivision 2a; 204B.13, subdivisions 4, 6; 204B.22, subdivision 2; 204B.42; 204D.11, subdivisions 2, 3; 205.17, subdivisions 2, 4; 205A.08, subdivision 4."

We request the adoption of this report and repassage of the bill.

House Conferees: Steve Simon, Laurie Halverson, Tim Sanders

Senate Conferees: Katie Sieben, Scott J. Newman, Kent Eken

Senator Sieben moved that the foregoing recommendations and Conference Committee Report on H.F. No. 894 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 894 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 56 and nays 9, as follows:

Those who voted in the affirmative were:

Bakk	Clausen	Dziedzic	Gazelka	Housley
Benson	Cohen	Eaton	Goodwin	Ingebrigtsen
Bonoff	Dahle	Eken	Hawj	Jensen
Carlson	Dahms	Fischbach	Hayden	Johnson
Chamberlain	Dibble	Franzen	Hoffman	Kent

Kiffmeyer	Nelson	Rest	Sheran	Weber
Koenen	Newman	Rosen	Sieben	Wiger
Latz	Nienow	Ruud	Skoe	Wiklund
Lourey	Pappas	Saxhaug	Sparks	
Marty	Pederson, J.	Scalze	Stumpf	
Metzen	Petersen, B.	Schmit	Tomassoni	
Miller	Reinert	Senjem	Torres Ray	

Those who voted in the negative were:

Anderson	Hall	Ortman	Pratt	Westrom
Champion	Limmer	Osmek	Thompson	

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

### MESSAGES FROM THE HOUSE - CONTINUED

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 1183, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 1183 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 20, 2013

### CONFERENCE COMMITTEE REPORT ON H. F. NO. 1183

A bill for an act relating to state government; appropriating money from constitutionally dedicated legacy funds; modifying provisions of Lessard-Sams Outdoor Heritage Council; establishing certain land acquisition requirements; providing for agricultural water quality certification; modifying provisions for restoration evaluations; requiring use of certain standards for public water access sites; establishing Greater Minnesota Regional Parks and Trails Commission; modifying certain metropolitan area regional park provisions; extending previous appropriation; modifying Clean Water Legacy Act; prohibiting sale and use of coal tar sealant; modifying Mississippi River corridor critical area program; modifying certain grant eligibility; requiring issuance of city license; authorizing certain expenditures; requiring recapture of certain funds previously appropriated; providing for reimbursement of certain costs; requiring reports; amending Minnesota Statutes 2012, sections 3.9741, subdivision 3; 10A.01, subdivision 35; 85.53, subdivision 2; 97A.056, subdivisions 3, 10, 11, by adding subdivisions; 114D.15, by adding a subdivision; 114D.50, subdivisions 4, 6, by adding subdivisions; 116G.15, subdivisions 2, 3, 4, 7; 129D.17, subdivision 2; 129D.19, subdivisions 1, 2; Laws 2001, chapter 193, section 10; Laws 2010, chapter 361, article 3, section 7; proposing coding for new law in Minnesota Statutes, chapters 17; 85; 114D; 116; repealing Minnesota Statutes 2012, section 116.201.

May 20, 2013

The Honorable Paul Thissen  
Speaker of the House of Representatives

The Honorable Sandra L. Pappas  
President of the Senate

We, the undersigned conferees for H. F. No. 1183 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 1183 be further amended as follows:

Delete everything after the enacting clause and insert:

**"ARTICLE 1**

**OUTDOOR HERITAGE FUND**

Section 1. **OUTDOOR HERITAGE APPROPRIATION.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the outdoor heritage fund for the fiscal year indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under the figure are available for the fiscal year ending June 30, 2014, and June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. The "biennium" is fiscal years 2014 and 2015. The appropriations in this article are onetime.

**APPROPRIATIONS**

**Available for the Year**

**Ending June 30**

**2014**

**2015**

Sec. 2. **OUTDOOR HERITAGE FUND**

Subdivision 1. <b><u>Total Appropriation</u></b>	<b><u>\$</u></b>	<b><u>100,050,000</u></b>	<b><u>\$</u></b>	<b><u>-0-</u></b>
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This appropriation is from the outdoor heritage fund. The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. <b><u>Prairies</u></b>		<b><u>27,730,000</u></b>		<b><u>-0-</u></b>
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**(a) Grasslands for the Future**

\$2,000,000 in the first year is to the Board of Water and Soil Resources for a pilot project to acquire permanent conservation easements on grasslands in cooperation with the Minnesota Land Trust and the Conservation Fund. Up to \$1,850,000 may be used for agreements with the Minnesota Land Trust to acquire permanent conservation easements and up

to \$75,000 may be used for establishing monitoring and enforcement funds with the Minnesota Land Trust and the Board of Water and Soil Resources, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. Up to \$75,000 may be used for an agreement with the Conservation Fund for professional services. Easements funded under this appropriation are not subject to emergency haying and grazing orders. Any net proceeds accruing to a project partner from real estate transactions related to this project must be used for the purposes outlined in this appropriation. A list of permanent conservation easements must be provided as part of the required accomplishment plan.

**(b) Accelerating Wildlife Management Area Program - Phase V**

\$7,960,000 in the first year is to the commissioner of natural resources for an agreement with Pheasants Forever to acquire land in fee for wildlife management purposes under Minnesota Statutes, section 86A.05, subdivision 8. A list of proposed land acquisitions must be provided as part of the required accomplishment plan.

**(c) DNR Wildlife Management Area, Scientific and Natural Area, and Native Prairie Bank Easement - Phase V**

\$4,940,000 in the first year is to the commissioner of natural resources to acquire land in fee for wildlife management purposes under Minnesota Statutes, section 86A.05, subdivision 8; acquire land in fee for scientific and natural area purposes under Minnesota Statutes, section 86A.05, subdivision 5; and acquire native prairie bank easements under Minnesota Statutes, section 84.96. Up to \$42,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17, for native prairie



bank easements. A list of proposed land and permanent conservation easement acquisitions must be provided as part of the required accomplishment plan.

**(d) Minnesota Prairie Recovery Project - Phase IV**

\$5,310,000 in the first year is to the commissioner of natural resources for an agreement with The Nature Conservancy to acquire native prairie, wetland, and savanna and restore and enhance grasslands, wetlands, and savanna. A list of proposed land acquisitions must be provided as part of the required accomplishment plan. Annual income statements and balance sheets for income and expenses from land acquired with this appropriation must be submitted to the Lessard-Sams Outdoor Heritage Council no later than 180 days following the close of The Nature Conservancy's fiscal year.

**(e) Minnesota Buffers for Wildlife and Water - Phase III**

\$3,520,000 in the first year is to the Board of Water and Soil Resources to acquire permanent conservation easements to protect and enhance habitat by expanding clean water fund riparian wildlife buffers on private land. Up to \$120,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. Easements funded under this appropriation are not subject to emergency haying and grazing orders. A list of permanent conservation easements must be provided as part of the final report.

**(f) Cannon River Headwaters Habitat Complex - Phase III**

\$1,780,000 in the first year is to the commissioner of natural resources for an agreement with Trust for Public Land to acquire and restore lands in the Cannon River watershed for wildlife management purposes

under Minnesota Statutes, section 86A.05, subdivision 8, or aquatic management area purposes under Minnesota Statutes, sections 86A.05, subdivision 14, and 97C.02. A list of proposed land acquisitions must be provided as part of the required accomplishment plan.

**(g) Accelerated Prairie Restoration and Enhancement on DNR Lands - Phase V**

\$2,220,000 in the first year is to the commissioner of natural resources to accelerate the restoration and enhancement of wildlife management areas, scientific and natural areas, and land under native prairie bank easements. A list of proposed land restorations and enhancements must be provided as part of the required accomplishment plan.

**Subd. 3. Forests**

**7,130,000**

**-0-**

**(a) Young Forest Conservation**

\$1,180,000 in the first year is to the commissioner of natural resources for an agreement with the American Bird Conservancy to acquire lands in fee to be added to the wildlife management area system under Minnesota Statutes, section 86A.05, subdivision 8, and to restore and enhance habitat on publicly protected land. A list of proposed land acquisitions must be provided as part of the required accomplishment plan.

**(b) Camp Ripley Partnership - Phase III**

\$1,150,000 in the first year is to the Board of Water and Soil Resources and \$300,000 in the first year is to the Department of Natural Resources to acquire land in fee to be added to the wildlife management area system under Minnesota Statutes, section 86A.05, subdivision 8, and to acquire permanent conservation easements on lands adjacent to the Mississippi and Crow Wing Rivers and within the boundaries of the Minnesota National Guard Army Compatible Use Buffer. Of the amount

appropriated to the Board of Water and Soil Resources, \$49,900 is for a grant to the Morrison County Soil and Water Conservation District and up to \$33,600 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of proposed land acquisitions and permanent conservation easements must be provided as part of the required accomplishment plan.

**(c) Northeastern Minnesota Sharp-Tailed Grouse Habitat Program - Phase IV**

\$1,180,000 in the first year is to the commissioner of natural resources for an agreement with Pheasants Forever in cooperation with the Minnesota Sharp-Tailed Grouse Society to acquire and enhance lands in Aitkin, Carlton, and Kanabec Counties for wildlife management purposes under Minnesota Statutes, section 86A.05, subdivision 8. A list of proposed land acquisitions must be provided as part of the required accomplishment plan.

**(d) Protect Key Forest Habitat Lands in Cass County - Phase IV**

\$500,000 in the first year is to the commissioner of natural resources for an agreement with Cass County to acquire land in fee in Cass County for forest wildlife habitat or to prevent forest fragmentation. A list of proposed land acquisitions must be provided as part of the required accomplishment plan.

**(e) Critical Shoreline Habitat Protection Program - Phase II**

\$820,000 in the first year is to the commissioner of natural resources for an agreement with the Minnesota Land Trust to acquire permanent conservation easements along rivers and lakes in the northern forest region. Up to \$160,000 is for

establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of proposed permanent conservation easements must be provided as part of the required accomplishment plan.

**(f) Minnesota Moose Habitat Collaborative - Phase II**

\$2,000,000 in the first year is to the commissioner of natural resources for an agreement with the Minnesota Deer Hunters Association to restore and enhance public forest lands in the northern forest region for moose habitat purposes. A list of proposed land restoration and enhancements must be provided as part of the required accomplishment plan.

**Subd. 4. Wetlands**

**31,150,000**

**-0-**

**(a) Reinvest in Minnesota Wetlands Reserve Program Partnership - Phase V**

\$13,390,000 in the first year is to the Board of Soil and Water Resources to acquire permanent conservation easements and restore wetlands and associated upland habitat in cooperation with the United States Department of Agriculture Wetlands Reserve Program and Ducks Unlimited, including \$1,000,000 for an agreement with Ducks Unlimited to provide technical and bioengineering assistance. Up to \$120,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of permanent conservation easements must be provided as part of the final report.

**(b) Accelerating Waterfowl Production Area Acquisition - Phase V**

\$6,830,000 in the first year is to the commissioner of natural resources for an

agreement with Pheasants Forever to acquire land in fee to be designated and managed as waterfowl production areas in Minnesota, in cooperation with the United States Fish and Wildlife Service. A list of proposed land acquisitions must be provided as part of the required accomplishment plan.

**(c) Living Shallow Lakes and Wetland Initiative - Phase III**

\$3,530,000 in the first year is to the commissioner of natural resources for an agreement with Ducks Unlimited to acquire land in fee for wildlife management purposes under Minnesota Statutes, section 86A.05, subdivision 8. A list of proposed land acquisitions must be provided as part of the required accomplishment plan.

**(d) Wild Rice Shoreland Protection Program - Phase II**

\$1,630,000 in the first year is to the Board of Water and Soil Resources to acquire in fee wild rice lake shoreland habitat for native wild rice bed protection and to acquire permanent conservation easements in cooperation with Ducks Unlimited. Of this amount, \$100,000 is for an agreement with Ducks Unlimited for acquisition of land or interests in land to protect native wild rice beds. Up to \$48,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of proposed land acquisitions must be included as part of the required accomplishment plan.

**(e) Wetland Habitat Program**

\$1,980,000 in the first year is to the commissioner of natural resources for an agreement with the Minnesota Land Trust to acquire permanent conservation easements in high-priority wetland complexes in the prairie and forest/prairie transition regions. Up to

\$280,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of proposed land acquisitions must be included as part of the required accomplishment plan.

**(f) Accelerated Shallow Lakes and Wetlands Enhancement - Phase V**

\$1,790,000 in the first year is to the commissioner of natural resources to enhance and restore shallow lakes, including \$210,000 for an agreement with Ducks Unlimited to help implement restorations and enhancements. A list of proposed land restorations and enhancements must be provided as part of the required accomplishment plan.

**(g) Pelican Lake Enhancement**

\$2,000,000 in the first year is to the commissioner of natural resources for an agreement with Ducks Unlimited to construct a gravity outlet, water control structure, and pump station lift to enhance aquatic habitat in Pelican Lake in Wright County. A list of proposed land restoration and enhancements must be included as part of the required accomplishment plan.

**Subd. 5. Habitats**

**33,287,000**

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**(a) DNR Aquatic Habitat - Phase V**

\$5,250,000 in the first year is to the commissioner of natural resources to acquire interests in land in fee for aquatic management purposes under Minnesota Statutes, sections 86A.05, subdivision 14, and 97C.02, and to restore and enhance aquatic habitat. A list of proposed land acquisitions and restorations and enhancements must be provided as part of the required accomplishment plan.

**(b) Habitat Protection in Dakota County - Phase IV**

\$4,100,000 in the first year is to the commissioner of natural resources for an agreement with Dakota County to acquire, restore, and enhance lands in Dakota County for fish and wildlife management purposes under Minnesota Statutes, section 86A.05, subdivision 8, or aquatic management area purposes under Minnesota Statutes, sections 86A.05, subdivision 14, and 97C.02, and to acquire permanent conservation easements and restore and enhance habitats in rivers and lake watersheds in Dakota County. Up to \$60,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of proposed land acquisitions and permanent conservation easements must be provided as part of the required accomplishment plan.

**(c) Root River Protection and Restoration**

\$2,750,000 in the first year is to the commissioner of natural resources for agreements to acquire land in fee for scientific and natural areas under Minnesota Statutes, sections 86A.05, subdivision 5, and for state forest purposes under Minnesota Statutes, section 86A.05, subdivision 7, and to acquire permanent conservation easements as follows: \$2,122,000 to The Nature Conservancy and \$628,000 to the Minnesota Land Trust. Up to \$100,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of proposed acquisitions and permanent conservation easements must be provided as part of the required accomplishment plan.

**(d) Metro Big Rivers Habitat - Phase IV**

\$1,720,000 in the first year is to the commissioner of natural resources for agreements to acquire land in fee and as permanent conservation easements and

to restore and enhance natural systems associated with the Mississippi, Minnesota, and St. Croix Rivers as follows: \$450,000 to the Minnesota Valley National Wildlife Refuge Trust, Inc.; \$160,000 to the Friends of the Mississippi; \$210,000 to the Great River Greening; \$450,000 to the Minnesota Land Trust; and \$450,000 to the Trust for Public Land. Up to \$80,000 is for establishing a monitoring and enforcement fund, as approved in the accomplishment plan and subject to Minnesota Statutes, section 97A.056, subdivision 17. A list of proposed land acquisitions and permanent conservation easements must be provided as part of the required accomplishment plan.

**(e) Minnesota Landscape Arboretum**

\$1,000,000 in the first year is to the Board of Regents of the University of Minnesota to acquire land in fee surrounding Lake Tamarack in Carver County to be added to the Minnesota Landscape Arboretum. A land description must be provided as part of the required accomplishment plan.

**(f) Lower Mississippi River Habitat Partnership - Phase III**

\$1,710,000 in the first year is to the commissioner of natural resources to enhance aquatic habitat. Of this amount, \$450,000 is for an agreement with the United States Fish and Wildlife Service to enhance aquatic habitat in the lower Mississippi River watershed. A list of proposed land restorations and enhancements must be provided as part of the required accomplishment plan.

**(g) Coldwater Fish Habitat Enhancement - Phase V**

\$2,470,000 in the first year is to the commissioner of natural resources for an agreement with Minnesota Trout Unlimited to restore and enhance coldwater river and stream habitats in Minnesota. A list of



proposed land restorations and enhancements must be provided as part of the required accomplishment plan.

**(h) Albert Lea Lake Management and Invasive Species Control Structure - Phase III**

\$1,127,000 in the first year is to the commissioner of natural resources for an agreement with the Shell Rock River Watershed District to construct structural deterrents and lake level controls to enhance aquatic habitat on Albert Lea Lake in Freeborn County. A list of proposed land restorations and enhancements must be provided as part of the required accomplishment plan.

**(i) Metropolitan Regional Parks Wildlife Habitat Protection and Restoration**

\$6,300,000 in the first year is to the Metropolitan Council for grants to restore and enhance wetlands, prairies, forests, and habitat for fish, game, and wildlife in the metropolitan regional parks system.

Funded projects must implement priority natural resource management plan components of regional park master plans approved by the Metropolitan Council.

**(j) Outdoor Heritage Conservation Partners Grant Program - Phase V**

\$6,860,000 is for the outdoor heritage conservation partners program. Of this amount, \$3,860,000 in the first year is to the commissioner of natural resources for a program to provide competitive, matching grants of up to \$400,000 to local, regional, state, and national organizations for enhancing, restoring, or protecting forests, wetlands, prairies, and habitat for fish, game, or wildlife in Minnesota. Grants shall not be made for activities required to fulfill the duties of owners of lands subject to conservation easements. Grants shall not be made from this appropriation for projects that have a

total project cost exceeding \$575,000. Of this appropriation, \$366,000 may be spent for personnel costs and other direct and necessary administrative costs. Grantees may acquire land or interests in land. Easements must be permanent. Land acquired in fee must be open to hunting and fishing during the open season unless otherwise provided by state law. The program shall require a match of at least ten percent from nonstate sources for all grants. The match may be cash or in-kind resources. For grant applications of \$25,000 or less, the commissioner shall provide a separate, simplified application process. Subject to Minnesota Statutes, the commissioner of natural resources shall, when evaluating projects of equal value, give priority to organizations that have a history of receiving or charter to receive private contributions for local conservation or habitat projects. If acquiring land or a conservation easement, priority shall be given to projects associated with existing wildlife management areas under Minnesota Statutes, section 86A.05, subdivision 8; scientific and natural areas under Minnesota Statutes, sections 84.033 and 86A.05, subdivision 5; and aquatic management areas under Minnesota Statutes, sections 86A.05, subdivision 14, and 97C.02. All restoration or enhancement projects must be on land permanently protected by a conservation easement or public ownership or in public waters as defined in Minnesota Statutes, section 103G.005, subdivision 15. Priority shall be given to restoration and enhancement projects on public lands. Minnesota Statutes, section 97A.056, subdivision 13, applies to grants awarded under this paragraph. This appropriation is available until June 30, 2017. No less than five percent of the amount of each grant must be held back from reimbursement until the grant recipient has completed a grant accomplishment report by the deadline and in the form prescribed by and satisfactory to the Lessard-Sams Outdoor Heritage Council. The commissioner

shall provide notice of the grant program in the game and fish law summaries that are prepared under Minnesota Statutes, section 97A.051, subdivision 2.

Of this amount, \$3,000,000 is for aquatic invasive species grants to tribal and local governments with a delegation agreement under Minnesota Statutes, section 84D.105, subdivision 2, paragraph (g), for education, inspection, and decontamination activities at public water access, and other sites. Up to four percent of this appropriation may be used to administer the grants.

**Subd. 6. Administration**

**753,000**

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**(a) Contract Management**

\$175,000 in the first year is to the commissioner of natural resources for contract management duties assigned in this section. The commissioner shall provide an accomplishment plan in the form specified by the Lessard-Sams Outdoor Heritage Council on the expenditure of this appropriation. The accomplishment plan must include a copy of the grant contract template and reimbursement manual. No money may be expended prior to Lessard-Sams Outdoor Heritage Council approval of the accomplishment plan.

**(b) Legislative Coordinating Commission**

\$468,000 in the first year is to the Legislative Coordinating Commission for administrative expenses of the Lessard-Sams Outdoor Heritage Council and for compensation and expense reimbursement of council members. Funds in this appropriation are available until June 30, 2015. Minnesota Statutes, section 16A.281, applies to this appropriation.

**(c) Technical Evaluation Panel**

\$45,000 in the first year is to the commissioner of natural resources for a technical evaluation panel to conduct up to

ten restoration evaluations under Minnesota Statutes, section 97A.056, subdivision 10.

**(d) High-Priority Pre-Transaction Service Acceleration for Lessard-Sams Outdoor Heritage Council**

\$50,000 in the first year is to the commissioner of natural resources to provide land acquisition pre-transaction services including, but not limited to, appraisals, surveys, or title research for acquisition proposals under consideration by the Lessard-Sams Outdoor Heritage Council. A list of activities must be included in the final accomplishment plan.

**(e) Legacy Web Site**

\$15,000 the first year is for the Legislative Coordinating Commission for the Web site required in Minnesota Statutes, section 3.303, subdivision 10.

**Subd. 7. Availability of Appropriation**

Money appropriated in this section may not be spent on activities unless they are directly related to and necessary for a specific appropriation and are specified in the accomplishment plan approved by the Lessard-Sams Outdoor Heritage Council. Money appropriated in this section must not be spent on indirect costs or other institutional overhead charges that are not directly related to and necessary for a specific appropriation. Unless otherwise provided, the amounts in this section are available until June 30, 2016. For acquisition of real property, the amounts in this section are available until June 30, 2017, if a binding agreement with a landowner or purchase agreement is entered into by June 30, 2016, and closed no later than June 30, 2017. Funds for restoration or enhancement are available until June 30, 2018, or four years after acquisition, whichever is later, in order to complete initial restoration or enhancement work. If a project receives federal funds, the time

period of the appropriation is extended to equal the availability of federal funding. Funds appropriated for fee title acquisition of land may be used to restore, enhance, and provide for public use of the land acquired with the appropriation. Public use facilities must have a minimal impact on habitat in acquired lands.

**Subd. 8. Payment Conditions and Capital Equipment Expenditures**

All agreements referred to in this section must be administered on a reimbursement basis unless otherwise provided in this section. Notwithstanding Minnesota Statutes, section 16A.41, expenditures directly related to each appropriation's purpose made on or after July 1, 2013, or the date of accomplishment plan approval, whichever is later, are eligible for reimbursement unless otherwise provided in this section. For the purposes of administering appropriations and legislatively authorized agreements paid out of the outdoor heritage fund, an expense must be considered reimbursable by the administering agency when the recipient presents the agency with an invoice or binding agreement with the landowner and the recipient attests that the goods have been received or the landowner agreement is binding. Periodic reimbursement must be made upon receiving documentation that the items articulated in the accomplishment plan approved by the Lessard-Sams Outdoor Heritage Council have been achieved, including partial achievements as evidenced by progress reports approved by the Lessard-Sams Outdoor Heritage Council. Reasonable amounts may be advanced to projects to accommodate cash flow needs, support future management of acquired lands, or match a federal share. The advances must be approved as part of the accomplishment plan. Capital equipment expenditures for specific items in excess of \$10,000 must be itemized in and approved as part of the accomplishment plan.

**Subd. 9. Mapping**

Each direct recipient of money appropriated in this section, as well as each recipient of a grant awarded pursuant to this section, must provide geographic information to the Department of Natural Resources for mapping any lands acquired in fee with funds appropriated in this section and open to public taking of fish and game. The commissioner of natural resources shall include the lands acquired in fee with money appropriated in this section on maps showing public recreation opportunities. Maps shall include information on and acknowledgement of the outdoor heritage fund, including a notation of any restrictions.

**Subd. 10. Appropriations Carryforward; Fee Title Acquisition**

The availability of the appropriation for the following project is extended to July 1, 2015: Laws 2010, chapter 361, article 1, section 2, subdivision 5, paragraph (h), Washington County St. Croix River Land Protection, and the appropriation may be spent on acquisition of land in fee title to protect habitat associated with the St. Croix River Valley. A list of proposed acquisitions must be provided as part of the accomplishment plan.

**Sec. 3. BIENNIAL RECOMMENDATIONS STUDY.**

The Lessard-Sams Outdoor Heritage Council, in consultation with the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources and the outdoor heritage fund, shall examine transitioning to a biennial recommendation process beginning with fiscal year 2016. The council shall submit its recommendations on the biennial process with its recommendations for outdoor heritage fund spending due January 1, 2014, to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources and the outdoor heritage fund.

**ARTICLE 2****CLEAN WATER FUND****Section 1. CLEAN WATER FUND APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the clean water fund

and are available for the fiscal years indicated for allowable activities under the Minnesota Constitution, article XI, section 15. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015. The appropriations in this article are onetime.

**APPROPRIATIONS**  
**Available for the Year**  
**Ending June 30**  
**2014**                      **2015**

Sec. 2. **CLEAN WATER**

<u>Subdivision 1. Total Appropriation</u>	<u>\$</u>	<u>97,301,000</u>	<u>\$</u>	<u>97,680,000</u>
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The amounts that may be spent for each purpose are specified in the following sections.

Subd. 2. **Availability of Appropriation**

Money appropriated in this article may not be spent on activities unless they are directly related to and necessary for a specific appropriation. Money appropriated in this article must be spent in accordance with Minnesota Management and Budget's Guidance to Agencies on Legacy Fund Expenditure. Notwithstanding Minnesota Statutes, section 16A.28, and unless otherwise specified in this article, fiscal year 2014 appropriations are available until June 30, 2015, and fiscal year 2015 appropriations are available until June 30, 2016. If a project receives federal funds, the time period of the appropriation is extended to equal the availability of federal funding.

<u>Sec. 3. DEPARTMENT OF AGRICULTURE</u>	<u>\$</u>	<u>7,310,000</u>	<u>\$</u>	<u>7,460,000</u>
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(a) \$350,000 the first year and \$350,000 the second year are to increase monitoring for pesticides and pesticide degradates in surface water and groundwater and to use data collected to assess pesticide use practices.

(b) \$2,500,000 the first year and \$2,500,000 the second year are to increase monitoring

and evaluate trends in the concentration of nitrates in groundwater in areas vulnerable to groundwater degradation, including a substantial increase of monitoring of private wells in cooperation with the commissioner of health, monitoring for pesticides when nitrates are detected, and promoting and evaluating regional and crop-specific nutrient best management practices to protect groundwater from degradation. Of this amount, \$75,000 may be used for accelerating the update for the commercial manure applicator manual. This amount is to be matched with general funds. This appropriation is available until June 30, 2016, when the commissioner shall submit a report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over agriculture and environment and natural resources policy and finance on the expenditure of these funds, including the progress in preventing groundwater degradation and recommendations. By October 15, 2014, the commissioner shall submit an interim report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over agriculture and environment and natural resources policy and finance on the expenditure of these funds, including recommendations.

(c) \$200,000 the first year and \$200,000 the second year are for the agriculture best management practices loan program. At least \$170,000 each year is for transfer to an agricultural and environmental revolving account created under Minnesota Statutes, section 17.117, subdivision 5a, and is available for pass-through to local government and lenders for low-interest loans under Minnesota Statutes, section 17.117. Any unencumbered balance that is not used for pass-through to local governments does not cancel at the end of the first year and is available for the second year.





Minnesota Statutes, section 446A.073. This appropriation is available until June 30, 2018.

(b) \$2,000,000 the first year and \$2,000,000 the second year are for small community wastewater treatment grants and loans under Minnesota Statutes, section 446A.075. This appropriation is available until June 30, 2018.

(c) If there are any uncommitted funds at the end of each fiscal year under paragraph (a) or (b), the Public Facilities Authority may transfer the remaining funds to eligible projects under any of the programs listed in this section based on their priority rank on the Pollution Control Agency's project priority list.

Sec. 5. <b><u>POLLUTION CONTROL AGENCY</u></b>	<b><u>\$</u></b>	<b><u>28,365,000</u></b>	<b><u>\$</u></b>	<b><u>28,265,000</u></b>
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(a) \$7,600,000 the first year and \$7,600,000 the second year are for completion of 20 percent of the needed statewide assessments of surface water quality and trends. Of this amount, \$500,000 each year is to monitor and assess contaminants of emerging concern in groundwater and surface water, and \$100,000 each year is for grants to the Red River Watershed Management Board to enhance and expand the existing water quality and watershed monitoring river watch activities in the schools in the Red River of the North Watershed. The Red River Watershed Management Board shall provide a report to the commissioner of the Pollution Control Agency and the legislative committees and divisions with jurisdiction over environment and natural resources finance and policy and the clean water fund by February 15, 2015, on the expenditure of these funds.

(b) \$9,400,000 the first year and \$9,400,000 the second year are to develop watershed restoration and protection strategies (WRAPS), which include total maximum daily load (TMDL) studies and TMDL implementation plans for waters listed on the United States Environmental Protection Agency approved impaired waters list in

accordance with Minnesota Statutes, chapter 114D. The agency shall complete an average of ten percent of the TMDL's each year over the biennium.

(c) \$1,125,000 the first year and \$1,125,000 the second year are for groundwater assessment, including enhancing the ambient monitoring network, modeling, and evaluating trends, including the reassessment of groundwater that was assessed ten to 15 years ago and found to be contaminated. By January 15, 2016, the commissioner shall submit a report with recommendations for reducing or preventing groundwater degradation from contaminants to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over environment and natural resources policy and finance.

(d) \$750,000 the first year and \$750,000 the second year are for water quality improvements in the lower St. Louis River and Duluth harbor within the St. Louis River System Area of Concern. This appropriation must be matched at a rate of 65 percent nonstate money to 35 percent state money.

(e) \$1,000,000 the first year and \$2,000,000 the second year are for the clean water partnership program to provide grants to protect and improve the basins and watersheds of the state and provide financial and technical assistance to study waters with nonpoint source pollution problems. Priority shall be given to projects preventing impairments and degradation of lakes, rivers, streams, and groundwater in accordance with Minnesota Statutes, section 114D.20, subdivision 2, clause (4). Any balance remaining in the first year does not cancel and is available for the second year.

(f) \$275,000 the first year and \$275,000 the second year are for storm water research and guidance.

(g) \$1,150,000 the first year and \$1,150,000 the second year are for TMDL research and database development.

(h) \$1,000,000 the first year and \$1,000,000 the second year are to initiate development of a multiagency watershed database reporting portal. Any information technology development or support or costs necessary for this research inventory database will be incorporated into the agency's service level agreement with and paid to the Office of Enterprise Technology.

(i) \$900,000 the first year and \$900,000 the second year are for national pollutant discharge elimination system wastewater and storm water TMDL implementation efforts.

(j) \$3,250,000 the first year and \$3,650,000 the second year are for enhancing the county-level delivery systems for subsurface sewage treatment systems (SSTS) activities necessary to implement Minnesota Statutes, sections 115.55 and 115.56, for protection of groundwater, including base grants for all counties with SSTS programs and competitive grants to counties with specific plans to significantly reduce water pollution by reducing the number of systems that are an imminent threat to public health or safety or are otherwise failing. Counties that receive base grants must report the number of sewage noncompliant properties upgraded through SSTS replacement, connection to a centralized sewer system, or other means including property abandonment or buy-out. Counties also must report the number of compliance inspections of existing SSTS's conducted in areas under county jurisdiction. These required reports are to be part of established annual reporting for SSTS programs. Counties that conduct SSTS inventories or those with an ordinance in place that requires an SSTS to be inspected as a condition of transferring property or as a condition of obtaining a local permit shall be given priority for competitive grants under

this paragraph. Of this amount, \$750,000 each year is available to counties for grants to low-income landowners to address systems that pose an imminent threat to public health or safety or fail to protect groundwater. A grant awarded under this paragraph may not exceed \$500,000 for the biennium. A county receiving a grant under this paragraph must submit a report to the agency listing the projects funded, including an account of the expenditures.

(k) \$1,500,000 the first year is for a competitive grant program for sewer projects that helps protect or restore the water quality of waters in any national park located in the state. Grants may be awarded to local government units and must be matched with 25 percent non-clean-water-fund dollars.

(l) \$375,000 the first year and \$375,000 the second year are for developing wastewater treatment system designs and practices and providing technical assistance. Of this amount, \$145,000 each year is for transfer to the Board of Regents of the University of Minnesota to provide ongoing support for design teams with scientific and technical expertise pertaining to wastewater management and treatment that will include representatives from the University of Minnesota, Pollution Control Agency, and municipal wastewater utilities and other wastewater engineering experts. The design teams shall promote the use of new technology, designs, and practices to address existing and emerging wastewater treatment challenges, including the treatment of wastewater for reuse and the emergence of new and other unregulated contaminants. This appropriation is available until June 30, 2016.

(m) \$40,000 the first year and \$40,000 the second year are to support activities of the Clean Water Council according to Minnesota Statutes, section 114D.30, subdivision 1.

(n) Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered on or before June 30, 2015, as grants or contracts in this section are available until June 30, 2018.

**Sec. 6. DEPARTMENT OF NATURAL RESOURCES**

**\$ 12,635,000 \$ 9,450,000**

(a) \$2,000,000 the first year and \$2,000,000 the second year are for stream flow monitoring, including the installation of additional monitoring gauges, and monitoring necessary to determine the relationship between stream flow and groundwater.

(b) \$1,300,000 the first year and \$1,300,000 the second year are for lake Index of Biological Integrity (IBI) assessments.

(c) \$135,000 the first year and \$135,000 the second year are for assessing mercury contamination of fish, including monitoring to track the status of waters impaired by mercury and mercury reduction efforts over time.

(d) \$1,850,000 the first year and \$1,850,000 the second year are for developing targeted, science-based watershed restoration and protection strategies, including regional technical assistance for TMDL plans and development of a watershed assessment tool, in cooperation with the commissioner of the Pollution Control Agency. By January 15, 2016, the commissioner shall submit a report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over environment and natural resources policy and finance providing the outcomes to lakes, rivers, streams, and groundwater achieved with this appropriation and recommendations.

(e) \$1,375,000 the first year and \$1,375,000 the second year are for water supply planning, aquifer protection, and monitoring activities.

(f) \$1,000,000 the first year and \$1,000,000 the second year are for technical assistance to support local implementation of nonpoint source restoration and protection activities, including water quality protection in forested watersheds.

(g) \$675,000 the first year and \$675,000 the second year are for applied research and tools, including watershed hydrologic modeling; maintaining and updating spatial data for watershed boundaries, streams, and water bodies and integrating high-resolution digital elevation data; assessing effectiveness of forestry best management practices for water quality; and developing an ecological monitoring database.

(h) \$615,000 the first year and \$615,000 the second year are for developing county geologic atlases.

(i) \$85,000 the first year is to develop design standards and best management practices for public water access sites to maintain and improve water quality by avoiding shoreline erosion and runoff.

(j) \$3,000,000 the first year is for beginning to develop and designate groundwater management areas under Minnesota Statutes, section 103G.287, subdivision 4. The commissioner, in consultation with the commissioners of the Pollution Control Agency, health, and agriculture, shall establish a uniform statewide hydrogeologic mapping system that will include designated groundwater management areas. The mapping system must include wellhead protection areas, special well construction areas, groundwater provinces, groundwater recharge areas, and other designated or geographical areas related to groundwater. This mapping system shall be used to implement all groundwater-related laws and for reporting and evaluations. This appropriation is available until June 30, 2017.

(k) \$500,000 the first year and \$500,000 the second year are for grants to counties and other local units of government to adopt and implement advanced shoreland protection measures. The grants awarded under this paragraph shall be for up to \$100,000 and must be used to restore and enhance riparian areas to protect, enhance, and restore water quality in lakes, rivers, and streams. Grant recipients must submit a report to the commissioner on the outcomes achieved with the grant. To be eligible for a grant under this paragraph, a county or other local unit of government must be adopting or have adopted an ordinance for the subdivision, use, redevelopment, and development of shoreland that has been approved by the commissioner of natural resources as having advanced shoreland protection measures. An ordinance must meet or exceed the following standards:

(1) requires new sewage treatment systems to be set back at least 100 feet from the ordinary high water level for recreational development shorelands and 75 feet for general development lake shorelands;

(2) requires redevelopment and new development on shoreland to have at least a 50-foot vegetative buffer. An access path and recreational use area may be allowed;

(3) requires mitigation when any variance to standards designed to protect lakes, rivers, and streams is granted;

(4) requires best management practices to be used to control storm water and sediment as part of a land alteration;

(5) includes other criteria developed by the commissioner; and

(6) has been adopted by July 1, 2015.

An ordinance that does not exceed all the standards in clauses (1) to (5) is considered to meet the requirement if the commissioner determines that the ordinance provides



significantly greater protection for both waters and shoreland than those standards.

The commissioner of natural resources may develop additional criteria for the grants awarded under this paragraph. In developing the criteria, the commissioner shall consider the proposed changes to the department's shoreland rules discussed during the rulemaking process authorized under Laws 2007, chapter 57, article 1, section 4, subdivision 3. This appropriation is available until spent.

(l) \$100,000 the first year is for the commissioner of natural resources for rulemaking under Minnesota Statutes, section 116G.15, subdivision 7.

**Sec. 7. BOARD OF WATER AND SOIL RESOURCES**

**\$ 30,689,000 \$ 34,740,000**

(a) \$5,000,000 the first year and \$7,000,000 the second year are for grants to local government units organized for the management of water in a watershed or subwatershed that have multiyear plans that will result in a significant reduction in water pollution in a selected subwatershed. The grants may be used for the following purposes: establishment of riparian buffers; practices to store water for natural treatment and infiltration, including rain gardens; capturing storm water for reuse; stream bank, shoreland, and ravine stabilization; enforcement activities; and implementation of best management practices for feedlots within riparian areas and other practices demonstrated to be most effective in protecting, enhancing, and restoring water quality in lakes, rivers, and streams and protecting groundwater from degradation. Grant recipients must identify a nonstate cash match of at least 25 percent of the total eligible project costs. Grant recipients may use other legacy funds to supplement projects funded under this paragraph. Grants awarded under this paragraph are available for four

years and priority shall be given to the three to six best designed plans each year. By January 15, 2016, the board shall submit an interim report on the outcomes achieved with this appropriation, including recommendations, to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over environment and natural resources policy and finance. This appropriation is available until June 30, 2018.

(b) \$9,705,000 the first year and \$10,756,000 the second year are for grants to protect and restore surface water and drinking water; to keep water on the land; to protect, enhance, and restore water quality in lakes, rivers, and streams; and to protect groundwater and drinking water, including feedlot water quality and subsurface sewage treatment system (SSTS) projects and stream bank, stream channel, shoreline restoration, and ravine stabilization projects. The projects must use practices demonstrated to be effective, be of long-lasting public benefit, include a match, and be consistent with total maximum daily load (TMDL) implementation plans or local water management plans or their equivalents.

(c) \$3,500,000 the first year and \$4,500,000 the second year are for targeted local resource protection and enhancement grants for projects and practices that supplement or exceed current state standards for protection, enhancement, and restoration of water quality in lakes, rivers, and streams or that protect groundwater from degradation, including compliance.

(d) \$950,000 the first year and \$950,000 the second year are to provide state oversight and accountability, evaluate results, and measure the value of conservation program implementation by local governments, including submission to the legislature by March 1 each year an annual report prepared by the board, in consultation with

the commissioners of natural resources, health, agriculture, and the Pollution Control Agency, detailing the recipients, projects funded under this section, and the amount of pollution reduced.

(e) \$1,700,000 the first year and \$1,700,000 the second year are for grants to local units of government to ensure compliance with Minnesota Statutes, chapter 103E, and sections 103F.401 to 103F.455, including enforcement efforts. Of this amount, \$235,000 the first year is to update the Minnesota Public Drainage Manual and the Minnesota Public Drainage Law Overview for Decision Makers and to provide outreach to users.

(f) \$6,500,000 the first year and \$6,500,000 the second year are to purchase and restore permanent conservation easements on riparian buffers adjacent to lakes, rivers, streams, and tributaries, to keep water on the land in order to decrease sediment, pollutant, and nutrient transport; reduce hydrologic impacts to surface waters; and increase infiltration for groundwater recharge. This appropriation may be used for restoration of riparian buffers protected by easements purchased with this appropriation and for stream bank restorations when the riparian buffers have been restored.

(g) \$1,300,000 the first year and \$1,300,000 the second year are for permanent conservation easements on wellhead protection areas under Minnesota Statutes, section 103F.515, subdivision 2, paragraph (d). Priority must be placed on land that is located where the vulnerability of the drinking water supply is designated as high or very high by the commissioner of health.

(h) \$1,500,000 the first year and \$1,500,000 the second year are for community partners grants to local units of government for:  
(1) structural or vegetative management practices that reduce storm water runoff from developed or disturbed lands to reduce

the movement of sediment, nutrients, and pollutants for restoration, protection, or enhancement of water quality in lakes, rivers, and streams and to protect groundwater and drinking water; and (2) installation of proven and effective water retention practices including, but not limited to, rain gardens and other vegetated infiltration basins and sediment control basins in order to keep water on the land. The projects must be of long-lasting public benefit, include a local match, and be consistent with TMDL implementation plans or local water management plans or their equivalents. Local government unit costs may be used as a match.

(i) \$84,000 the first year and \$84,000 the second year are for a technical evaluation panel to conduct ten restoration evaluations under Minnesota Statutes, section 114D.50, subdivision 6.

(j) \$450,000 the first year and \$450,000 the second year are for assistance and grants to local governments to transition local water management plans to a watershed approach as provided for in Minnesota Statutes, chapters 103B, 103C, 103D, and 114D.

(k) The board shall contract for services with Conservation Corps Minnesota for restoration, maintenance, and other activities under this section for up to \$500,000 the first year and up to \$500,000 the second year.

(l) The board may shift grant or cost-share funds in this section and may adjust the technical and administrative assistance portion of the funds to leverage federal or other nonstate funds or to address oversight responsibilities or high-priority needs identified in local water management plans.

(m) The board shall require grantees to specify the outcomes that will be achieved by the grants prior to any grant awards.

(n) The appropriations in this section are available until June 30, 2018. Returned grant

funds are available until expended and shall be regranted consistent with the purposes of this section.

Sec. 8. **DEPARTMENT OF HEALTH**                      \$                      **4,635,000** \$                      **4,635,000**

(a) \$1,150,000 the first year and \$1,150,000 the second year are for addressing public health concerns related to contaminants found in Minnesota drinking water for which no health-based drinking water standards exist, including accelerating the development of health risk limits, including triclosan, and improving the capacity of the department's laboratory to analyze unregulated contaminants.

(b) \$1,615,000 the first year and \$1,615,000 the second year are for protection of drinking water sources.

(c) \$250,000 the first year and \$250,000 the second year are for cost-share assistance to public and private well owners for up to 50 percent of the cost of sealing unused wells.

(d) \$390,000 the first year and \$390,000 the second year are to update and expand the county well index, in cooperation with the commissioner of natural resources.

(e) \$325,000 the first year and \$325,000 the second year are for studying the occurrence and magnitude of contaminants in private wells and developing guidance to ensure that new well placement minimizes the potential for risks, in cooperation with the commissioner of agriculture.

(f) \$105,000 the first year and \$105,000 the second year are for monitoring recreational beaches on Lake Superior for pollutants that may pose a public health risk and mitigating sources of bacterial contamination that are identified.

(g) \$800,000 the first year and \$800,000 the second year are for the development and implementation of a groundwater virus monitoring plan, including an

epidemiological study to determine the association between groundwater virus concentration and community illness rates. This appropriation is available until June 30, 2017.

(h) Unless otherwise specified, the appropriations in this section are available until June 30, 2016.

Sec. 9. METROPOLITAN COUNCIL

\$

2,037,000 \$

1,500,000

(a) \$500,000 the first year and \$500,000 the second year are for grants or loans for local inflow and infiltration reduction programs addressing high priority areas in the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2. This appropriation is available until expended.

(b) \$537,000 the first year is for an agreement with the United States Geological Survey to investigate groundwater and surface water interaction in and around White Bear Lake and surrounding northeast metropolitan lakes, including seepage rate determinations, water quality of groundwater and surface water, isotope analyses, lake level analyses, water balance determination, and creation of a calibrated groundwater flow model, including a comparison of water levels with lakes bordering the study area. The council shall use the results to prepare guidance for other areas to use in addressing groundwater and surface water interaction issues. This is a onetime appropriation and is available until June 30, 2016.

(c) \$1,000,000 the first year and \$1,000,000 the second year are for metropolitan regional groundwater planning to achieve water supply reliability and sustainability, including determination of a sustainable regional balance of surface water and groundwater, a feasibility assessment of potential solutions to rebalance regional water use and identify potential solutions to address emerging subregional water supply issues such as the northeast metro, and development of an

implementation plan that addresses regional targets and timelines and defines short- and medium-term milestones for achieving the desirable surface water and groundwater regional balance. By January 15, 2014, the commissioner shall submit an interim report on the expenditure of this appropriation to the chairs and ranking minority members of the house of representatives and senate committees and divisions with jurisdiction over environment and natural resources finance and policy and the clean water fund.

Sec. 10. UNIVERSITY OF MINNESOTA                                       \$                                       615,000 \$                                       615,000

\$615,000 the first year and \$615,000 the second year are for developing county geologic atlases. This appropriation is available until June 30, 2018.

Sec. 11. LEGISLATURE   \$                                       15,000 \$                                       15,000

\$15,000 the first year and \$15,000 the second year are for the Legislative Coordinating Commission for the Web site required in Minnesota Statutes, section 3.303, subdivision 10, including detailed mapping.

Sec. 12. Minnesota Statutes 2012, section 114D.15, is amended by adding a subdivision to read:

Subd. 13. **Watershed restoration and protection strategy or WRAPS.** "Watershed restoration and protection strategy" or "WRAPS" means a document summarizing scientific studies of a major watershed no larger than a hydrologic unit code 8 including the physical, chemical, and biological assessment of the water quality of the watershed; identification of impairments and water bodies in need of protection; identification of biotic stressors and sources of pollution, both point and nonpoint; TMDL's for the impairments; and an implementation table containing strategies and actions designed to achieve and maintain water quality standards and goals.

Sec. 13. **[114D.26] WATERSHED RESTORATION AND PROTECTION STRATEGIES.**

Subdivision 1. **Contents.** The Pollution Control Agency shall develop watershed restoration and protection strategies. To ensure effectiveness and accountability in meeting the goals of this chapter, each WRAPS shall:

- (1) identify impaired waters and waters in need of protection;
- (2) identify biotic stressors causing impairments or threats to water quality;
- (3) summarize watershed modeling outputs and resulting pollution load allocations, wasteload allocations, and priority areas for targeting actions to improve water quality;

(4) identify point sources of pollution for which a national pollutant discharge elimination system permit is required under section 115.03;

(5) identify nonpoint sources of pollution for which a national pollutant discharge elimination system permit is not required under section 115.03, with sufficient specificity to prioritize and geographically locate watershed restoration and protection actions;

(6) describe the current pollution loading and load reduction needed for each source or source category to meet water quality standards and goals, including wasteload and load allocations from TMDL's;

(7) contain a plan for ongoing water quality monitoring to fill data gaps, determine changing conditions, and gauge implementation effectiveness; and

(8) contain an implementation table of strategies and actions that are capable of cumulatively achieving needed pollution load reductions for point and nonpoint sources, including:

(i) water quality parameters of concern;

(ii) current water quality conditions;

(iii) water quality goals and targets by parameter of concern;

(iv) strategies and actions by parameter of concern and the scale of adoptions needed for each;

(v) a timeline for achievement of water quality targets;

(vi) the governmental units with primary responsibility for implementing each watershed restoration or protection strategy; and

(vii) a timeline and interim milestones for achievement of watershed restoration or protection implementation actions within ten years of strategy adoption.

Subd. 2. **Reporting.** Beginning July 1, 2016, and every other year thereafter, the Pollution Control Agency must report on its Web site the progress toward implementation milestones and water quality goals for all adopted TMDL's and, where available, WRAPS's.

Subd. 3. **Timelines; administration.** Each year, the Pollution Control Agency must complete WRAPS's for at least ten percent of the state's major watersheds. WRAPS shall be governed by the procedures for approval and notice in section 114D.25, subdivisions 2 and 4, except that WRAPS need not be submitted to the United States Environmental Protection Agency.

Sec. 14. Minnesota Statutes 2012, section 114D.50, is amended by adding a subdivision to read:

Subd. 3a. **Nonpoint priority funding plan.** (a) Beginning July 1, 2014, and every other year thereafter, the Board of Water and Soil Resources shall prepare and post on its Web site a priority funding plan to prioritize potential nonpoint restoration and protection actions based on available WRAPS's, TMDL's, and local water plans. The plan must take into account the following factors: water quality outcomes, cost-effectiveness, landowner financial need, and leverage of nonstate funding sources. The plan shall include an estimated range of costs for the prioritized actions.

(b) Consistent with the priorities listed in section 114D.20, state agencies allocating money from the clean water fund for nonpoint restoration and protection strategies shall target the money according to the priorities identified on the nonpoint priority funding plan. The allocation of money



from the clean water fund to projects eligible for financial assistance under section 116.182 is not governed by the nonpoint priority funding plan.

Sec. 15. Minnesota Statutes 2012, section 114D.50, is amended by adding a subdivision to read:

Subd. 4a. **Riparian buffer payments; reporting.** When clean water funds are used to purchase riparian buffer easements, payments for the first 50 feet of riparian buffer that are noncompliant with Minnesota Rules, part 6120.3300, may not exceed noncropped rates as established under section 103F.515. The Board of Water and Soil Resources must include in its biennial report on clean water fund appropriations the funding spent on easements for riparian buffers that are not compliant with Minnesota Rules, part 6120.3300.

Sec. 16. Minnesota Statutes 2012, section 114D.50, subdivision 6, is amended to read:

**Subd. 6. Restoration evaluations.** The Board of Water and Soil Resources may convene a technical evaluation panel comprised of five members, including one technical representative from the Board of Water and Soil Resources, one technical representative from the Department of Natural Resources, one technical expert from the University of Minnesota or the Minnesota State Colleges and Universities, and two representatives with expertise related to the project being evaluated. The board may add a technical representative from a unit of federal or local government. The members of the technical evaluation panel may not be associated with the restoration, may vary depending upon the projects being reviewed, and shall avoid any potential conflicts of interest. Each year, the board may assign a coordinator to identify a sample of ~~up to ten~~ habitat restoration projects completed with clean water funding. The coordinator shall secure the restoration plans for the projects specified and direct the technical evaluation panel to evaluate the restorations relative to the law, current science, and the stated goals and standards in the restoration plan and, when applicable, to the Board of Water and Soil Resources' native vegetation establishment and enhancement guidelines. The coordinator shall summarize the findings of the panel and provide a report to the chairs of the respective house of representatives and senate policy and finance committees with jurisdiction over natural resources and spending from the clean water fund. The report shall determine if the restorations are meeting planned goals, any problems with the implementation of restorations, and, if necessary, recommendations on improving restorations. The report shall be focused on improving future restorations. Up to one-tenth of one percent of forecasted receipts from the clean water fund may be used for restoration evaluations under this section.

Sec. 17. [116.202] COAL TAR SEALANT USE AND SALE PROHIBITED.

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

(a) "Coal tar sealant product" means a surface applied sealing product containing coal tar, coal tar pitch, coal tar pitch volatiles, or any variation assigned the Chemical Abstracts Service (CAS) numbers 65996-93-2, 65996-89-6, or 8007-45-2.

(b) "Commissioner" means the commissioner of the Pollution Control Agency.

Subd. 2. **Use prohibited.** Except as provided in subdivision 4, a person shall not apply coal tar sealant products on asphalt-paved surfaces.

Subd. 3. **Sale prohibited.** Except as provided in subdivision 4, a person shall not sell a coal tar sealant product that is formulated or marketed for application on asphalt-paved surfaces.

Subd. 4. **Exemptions.** The commissioner may exempt a person from this section if the commissioner determines that one or both of the following apply:

- (1) the person is researching the effects of a coal tar sealant product on the environment; or
- (2) the person is developing an alternative technology and the use of a coal tar sealant product is required for research or development.

A request for exemption must be made to the commissioner in writing including an explanation of why the exemption is needed for research, or the development of an alternative technology.

Subd. 5. **Compliance and enforcement.** Local units of government may adopt by reference and enforce the provisions of this section. The commissioner may provide technical support to local units of government for compliance and enforcement of this section. The commissioner may respond to compliance and enforcement cases transcending jurisdictional boundaries, cases requiring statewide corrective actions, or requests for assistance or referral from local units of government.

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

Sec. 18. Minnesota Statutes 2012, section 116G.15, subdivision 2, is amended to read:

Subd. 2. **Administration; duties.** (a) The commissioner of natural resources, after consultation with affected local units of government within the Mississippi River corridor critical area, may adopt rules under chapter 14 as are necessary for the administration of the Mississippi River corridor critical area program. Duties of the Environmental Quality Council or the Environmental Quality Board referenced in this chapter, related rules, and the governor's Executive Order No. 79-19, published in the State Register on March 12, 1979, that are related to the Mississippi River corridor critical area shall be the duties of the commissioner. All rules adopted by the board pursuant to these duties remain in effect and shall be enforced until amended or repealed by the commissioner in accordance with law. The commissioner shall work in consultation with the United States Army Corps of Engineers, the National Park Service, the Metropolitan Council, other agencies, and local units of government to ensure that the Mississippi River corridor critical area is managed as a multipurpose resource in a way that:

(1) conserves the scenic, environmental, recreational, mineral, economic, cultural, and historic resources and functions of the river corridor;

(2) maintains the river channel for transportation by providing and maintaining barging and fleeting areas in appropriate locations consistent with the character of the Mississippi River and riverfront;

(3) provides for the continuation and development, and redevelopment of a variety of urban uses, including industrial and commercial uses, and recreational and residential uses, where appropriate, within the Mississippi River corridor;

(4) utilizes certain reaches of the river as a source of water supply and as a receiving water for properly treated sewage, storm water, and industrial waste effluents; and

(5) protects and preserves the biological and ecological functions of the corridor.

(b) The Metropolitan Council shall incorporate the standards developed under this section into its planning and shall work with local units of government and the commissioner to ensure the standards are being adopted and implemented appropriately.

(c) The rules must be consistent with residential nonconformity provisions under sections 394.36 and 462.357.

Sec. 19. Minnesota Statutes 2012, section 116G.15, subdivision 3, is amended to read:

Subd. 3. **Districts.** The commissioner shall establish, by rule, districts within the Mississippi River corridor critical area. The commissioner must seek to determine an appropriate number of districts within any one municipality and take into account municipal plans and policies, and existing ordinances and conditions. The commissioner shall consider the following when establishing the districts:

- ~~(1) the protection of the major features of the river in existence as of March 12, 1979;~~
- ~~(2) (1) the protection of improvements such as parks, trails, natural areas, recreational areas, and interpretive centers;~~
- ~~(3) (2) the use of the Mississippi River as a source of drinking water;~~
- ~~(4) (3) the protection of resources identified in the Mississippi National River and Recreation Area Comprehensive Management Plan;~~
- ~~(5) (4) the protection of resources identified in comprehensive plans developed by counties, cities, and towns within the Mississippi River corridor critical area;~~
- ~~(6) the intent of the Mississippi River corridor critical area land use districts from the governor's Executive Order No. 79-19, published in the State Register on March 12, 1979; and~~
- (5) management of the river corridor consistent with its natural characteristics and its existing development, and in consideration of potential new commercial, industrial, and residential development; and
- ~~(7) (6) identified scenic, geologic, and ecological resources.~~

Sec. 20. Minnesota Statutes 2012, section 116G.15, subdivision 4, is amended to read:

Subd. 4. **Standards.** (a) The commissioner shall establish, by rule, minimum guidelines and standards for the districts established in subdivision 3. The guidelines and standards for each district shall include the intent of each district and key resources and features to be protected or enhanced based upon paragraph (b). The commissioner must take into account municipal plans and policies, and existing ordinances and conditions when developing the guidelines in this section. The commissioner may provide certain exceptions and criteria for standards, including, but not limited to, exceptions for river access facilities, water supply facilities, storm water facilities, and wastewater treatment facilities, and hydropower facilities.

(b) The guidelines and standards must protect or enhance the following key resources and features:

- (1) floodplains;
- (2) wetlands;
- (3) gorges;
- (4) areas of confluence with key tributaries;

- (5) natural drainage routes;
- (6) shorelines and riverbanks;
- (7) bluffs;
- (8) steep slopes and very steep slopes;
- (9) unstable soils and bedrock;
- (10) significant existing vegetative stands, tree canopies, and native plant communities;
- (11) scenic views and vistas;
- (12) publicly owned parks, trails, and open spaces;
- (13) cultural and historic sites and structures; and
- (14) water quality; and
- (15) commercial, industrial, and residential resources.

~~(c) The commissioner shall establish a map to define bluffs and bluff-related features within the Mississippi River corridor critical area. At the outset of the rulemaking process, the commissioner shall create a preliminary map of all the bluffs and bluff lines within the Mississippi River corridor critical area, based on the guidelines in paragraph (d). The rulemaking process shall provide an opportunity to refine the preliminary bluff map. The commissioner may add to or remove areas of demonstrably unique or atypical conditions that warrant special protection or exemption. At the end of the rulemaking process, the commissioner shall adopt a final bluff map that contains associated features, including bluff lines, bases of bluffs, steep slopes, and very steep slopes.~~

~~(d) The following guidelines shall be used by the commissioner to create a preliminary bluff map as part of the rulemaking process:~~

~~(1) "bluff face" or "bluff" means the area between the bluff line and the bluff base. A high, steep, natural topographic feature such as a broad hill, cliff, or embankment with a slope of 18 percent or greater and a vertical rise of at least ten feet between the bluff base and the bluff line;~~

~~(2) "bluff line" means a line delineating the top of a slope connecting the points at which the slope becomes less than 18 percent. More than one bluff line may be encountered proceeding upslope from the river valley;~~

~~(3) "base of the bluff" means a line delineating the bottom of a slope connecting the points at which the slope becomes 18 percent or greater. More than one bluff base may be encountered proceeding landward from the water;~~

~~(4) "steep slopes" means 12 percent to 18 percent slopes. Steep slopes are natural topographic features with an average slope of 12 to 18 percent measured over a horizontal distance of 50 feet or more; and~~

~~(5) "very steep slopes" means slopes 18 percent or greater. Very steep slopes are natural topographic features with an average slope of 18 percent or greater, measured over a horizontal distance of 50 feet or more.~~

Sec. 21. Minnesota Statutes 2012, section 116G.15, subdivision 7, is amended to read:

Subd. 7. **Rules.** The commissioner shall adopt rules to ensure compliance with this section. By January 15, 2010, the commissioner shall begin the rulemaking required by this section under chapter 14. Notwithstanding sections 14.125 and 14.128, the authority to adopt these rules does not expire.

**EFFECTIVE DATE.** This section is effective retroactively from July 1, 2009.

Sec. 22. **MISSISSIPPI RIVER CORRIDOR CRITICAL AREA REPORT.**

By January 15, 2014, the commissioner of natural resources shall submit a report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over natural resources finance and policy and the clean water fund on the status of the rulemaking authorized under Minnesota Statutes, section 116G.15.

Sec. 23. **REPEALER.**

Minnesota Statutes 2012, section 116.201, is repealed.

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

### ARTICLE 3

#### PARKS AND TRAILS FUND

Section 1. **PARKS AND TRAILS FUND APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the parks and trails fund and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015. All appropriations in this article are onetime.

#### **APPROPRIATIONS**

#### **Available for the Year**

#### **Ending June 30**

**2014**

**2015**

Sec. 2. **PARKS AND TRAILS**

Subdivision 1. <b><u>Total Appropriation</u></b>	<b><u>\$</u></b>	<b><u>42,509,000</u></b>	<b><u>\$</u></b>	<b><u>42,596,000</u></b>
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The amounts that may be spent for each purpose are specified in the following sections.

Subd. 2. **Availability of Appropriation**

Money appropriated in this article may not be spent on activities unless they are

directly related to and necessary for a specific appropriation. Money appropriated in this article must be spent in accordance with Minnesota Management and Budget's Guidance to Agencies on Legacy Fund Expenditure. Notwithstanding Minnesota Statutes, section 16A.28, and unless otherwise specified in this article, fiscal year 2014 appropriations are available until June 30, 2016, and fiscal year 2015 appropriations are available until June 30, 2017. If a project receives federal funds, the time period of the appropriation is extended to equal the availability of federal funding.

**Sec. 3. DEPARTMENT OF NATURAL RESOURCES**

\$ 25,431,000 \$ 25,637,000

(a) \$16,821,000 the first year and \$16,953,000 the second year are for state parks, recreation areas, and trails to:

- (1) connect people to the outdoors;
- (2) acquire land and create opportunities;
- (3) maintain existing holdings; and
- (4) improve cooperation by coordinating with partners to implement the 25-year long-range parks and trails legacy plan.

(b) \$3,533,000 the first year and \$4,078,000 the second year are for grants under Minnesota Statutes, section 85.535, to acquire, develop, improve, and restore parks and trails of regional or statewide significance outside of the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2. Up to four percent of the total appropriation may be used for administering the grants.

(c) \$4,877,000 the first year and \$4,399,000 the second year are for grants for parks and trails of regional or statewide significance outside of the metropolitan area. Of this amount:

- (1) \$1,338,000 is for development of the Swedish Immigrant Trail, including amenities

in Taylors Falls connecting the trail to Interstate State Park;

(2) \$75,000 is for rehabilitation of Sunrise Prairie Trail;

(3) \$500,000 is for construction of the Lowell to Lakewalk Trail in Duluth;

(4) \$1,250,000 is for the Mesabi Trail. Of this amount, \$260,000 is for trail connections to connect Grand Rapids, LaPrairie, and Coleraine with the Mesabi Trail;

(5) \$920,000 is for extensions and connections to the Rocori Trail;

(6) \$1,000,000 is for extensions and connections to the Lake Wobegon Trail;

(7) \$100,000 is for the Beaver Bay Trail, including trailhead amenities;

(8) \$184,000 is for trail connections and camping facilities in Aitkin County for the Mississippi River parks and water trail project;

(9) \$1,000,000 is for trail enhancement, land acquisition, and other improvements at Sauk River Regional Park;

(10) \$1,000,000 is for restoration of parks and trails in the Duluth area impacted by the flood of 2012;

(11) \$75,000 is for planning and design of trail connections between the cities of Hermantown and Proctor and the Munger State Trail;

(12) \$530,000 is for trail improvements on the Duluth Cross City West Trail and the Superior Hiking Trail near the intersection of County State-Aid Highway 91 and Haines Road in St. Louis County;

(13) \$750,000 is for park improvements in Paul Bunyan Park and Library Park in the city of Bemidji;

(14) \$275,000 is for park improvements at M.B. Johnson Park in the city of Moorhead; and

(15) \$279,000 is for park improvements at the Milford Mine Memorial Park in Crow Wing County.

(d) \$200,000 the first year and \$207,000 the second year are for enhanced, integrated, and accessible Web-based information for park and trail users; joint marketing and promotional efforts for all parks and trails of regional or statewide significance; and support of activities of a parks and trails legacy advisory committee. Of this amount, \$100,000 the first year and \$103,000 the second year are for Greater Minnesota Parks and Trails Commission capacity building.

(e) The commissioner shall contract for services with Conservation Corps Minnesota for restoration, maintenance, and other activities under this section for at least \$1,000,000 the first year and \$1,000,000 the second year.

(f) A recipient of a grant awarded under this section must give consideration to Conservation Corps Minnesota for possible use of the corps' services to contract for restoration and enhancement services.

(g) For projects with the potential to need historic preservation services, the commissioner or a recipient of a grant awarded under this section must give consideration to the Northern Bedrock Conservation Corps for possible use of the corps' services.

(h) By January 15, 2015, the commissioner shall submit a list of projects, ranked in priority order, that contains the Department of Natural Resources' recommendations for funding from the parks and trails fund for the 2016-2017 biennium to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over the environment and



natural resources and the parks and trails fund.

Sec. 4. METROPOLITAN COUNCIL                    \$            16,821,000 \$            16,953,000

(a) \$16,821,000 the first year and \$16,953,000 the second year are for parks and trails of regional or statewide significance in the metropolitan area, distributed according to paragraphs (b) to (1). Any funds remaining after completion of the listed project may be spent on projects to support parks and trails by the implementing agency.

(b) \$1,443,000 the first year and \$1,455,000 the second year are for grants to Anoka County for:

(1) a trail connection for Bunker Hills Regional Park from Avocet Street;

(2) restoration, including erosion repair, along Pleasure Creek and the Mississippi River Regional Trail at the Coon Rapids Dam Regional Park;

(3) a new playground and surfacing at Lake George Regional Park;

(4) land acquisition for the Rice Creek Chain of Lakes Park Reserve;

(5) improvements at the Rice Creek Chain of Lakes Park Reserve, including maintenance shop rehabilitation, road and parking construction, fencing, beach improvements, and roof repairs;

(6) trail reconstruction under East River Road on the Rice Creek West Regional Trail;

(7) contracts with Conservation Corps Minnesota;

(8) a volunteer or resource coordinator position;

(9) a landscape designer or architect;

(10) design, engineering, and construction of the Central Anoka County Regional Trail;

(11) road rehabilitation at Lake George Regional Park;

(12) reconstruction of a retaining wall on the Mississippi River Regional Trail;

(13) a trail connection on the Mississippi River Regional Trail to connect Mississippi West Regional Park to the city of Ramsey;

(14) improvements of the Heritage Laboratory/Day Camp at the Rice Creek Chain of Lakes Park Reserve; and

(15) trail reconstruction on the Rice Creek North Regional Trail from Lexington Avenue to Golden Lake Elementary School.

(c) \$289,000 the first year and \$292,000 the second year are for grants to the city of Bloomington to reconstruct parking lots at the Hyland-Bush-Anderson Lakes Park Reserve.

(d) \$294,000 the first year and \$297,000 the second year are for grants to Carver County to connect the Minnesota River Bluffs Regional Trail and Southwest Regional Trail and for trail and bridge construction on the Minnesota River Bluff Regional Trail.

(e) \$1,174,000 the first year and \$1,183,000 the second year are for grants to Dakota County for:

(1) engineering to extend the Mississippi River Regional Trail and Big Rivers Regional Trails, including extensions to St. Paul, and to provide a connection to Lilydale Regional Trail;

(2) a trail connection for the Mississippi River Regional Trail to connect St. Paul and to construct a bridge over railroad tracks;

(3) engineering and construction of regional trail segments throughout the county;

(4) engineering and construction of a bridge and trails through the Minnesota Zoological Garden on the North Creek Regional Greenway; and

(5) resource management of the county's parks and trails system.

(f) \$3,221,000 the first year and \$3,246,000 the second are for grants to the Minneapolis Park and Recreation Board for:

(1) design and construction of trail loops, river access areas, landscapes, and storm water management improvements at Above the Falls Regional Park;

(2) land acquisition at Above the Falls Regional Park;

(3) a master plan and trail design for Central Mississippi Riverfront Regional Park;

(4) planning and design for the Central Riverfront including the water works and the Mississippi Whitewater Park sites;

(5) trail, path, and shoreline improvements and play area rehabilitation at Nokomis-Hiawatha Regional Park;

(6) trail, shoreline, water access, picnic, sailboat facility, and concession improvements at Minneapolis Chain of Lakes Regional Park;

(7) a bird sanctuary, trail stabilization, habitat restoration, accessibility improvements, and construction of new entrances at Minneapolis Chain of Lakes Regional Park;

(8) a trail connection for the Minnehaha Parkway Regional Trail below Lyndale Avenue; and

(9) trail work at Theodore Wirth Regional Park.

(g) \$1,299,000 the first year and \$1,309,000 the second year are for grants to Ramsey County for:

(1) wayfinding for cross-country ski trails at Battle Creek Regional Park, Tamarack Nature Center, and Grass-Vadnais-Snail Lakes Regional Park;

(2) contracts with Conservation Corps Minnesota;

(3) design and construction of an early learning center at Tamarack Nature Center and pedestrian connections, landscape restoration, signage, and other site amenities at Bald Eagle-Otter Lakes Regional Park;

(4) improvements to Tamarack Nature Center;

(5) building and supporting a volunteer corps for Tamarack Nature Center and Discovery Hollow;

(6) trail development to connect Tamarack Nature Center to the Otter Lake boat launch;

(7) a trail on Vadnais Lake, storm water management improvements, and site amenities at Grass-Vadnais-Snail Lakes Regional Park;

(8) trail development and connection, storm water management improvements, and site amenities at Rice Creek North Regional Trail; and

(9) the Bruce Vento Regional Trail.

(h) \$2,378,000 the first year and \$2,397,000 the second year are for grants to the city of Saint Paul for:

(1) an education coordinator;

(2) a volunteer coordinator;

(3) Como Regional Park shuttle operation;

(4) a trail connection to connect Harriet Island to the Mississippi Regional Trail;

(5) Estabrook Road reconstruction and lighting upgrades at Como Regional Park; and

(6) a trail connection and railroad bridge reconstruction at Lilydale Regional Park.

(i) \$550,000 the first year and \$554,000 the second year are for grants to Scott County

for construction at Cedar Lake Farm Regional Park.

(j) \$3,669,000 the first year and \$3,697,000 the second year are for grants to Three Rivers Park District for:

(1) a trail connection to connect Grand Rounds to Nine Mile Creek Trail;

(2) a trail bridge over County State-Aid Highway 19 for the Lake Minnetonka LRT Regional Trail;

(3) trail construction on the Crystal Lake Regional Trail;

(4) trail construction on the Bassett Creek Regional Trail;

(5) trail construction on the Twin Lakes Regional Trail; and

(6) trail construction on the Nine Mile Creek Regional Trail.

(k) \$821,000 the first year and \$827,000 the second year are for grants to Washington County for:

(1) parking, buildings, and other improvements at the Swim Pond in Lake Elmo Park Reserve;

(2) design and construction of the Point Douglas Regional Trail, which connects to Wisconsin; and

(3) paving improvements to Hardwood Creek Regional Trail, which may include new trail sections toward Bald Eagle Regional Park.

(l) \$1,682,000 the first year and \$1,695,000 the second year are for grants to implementing agencies for land acquisition within Metropolitan Council approved regional parks and trails master plan boundaries as provided under Minnesota Statutes, section 85.53, subdivision 3, clause (4).

(m) A recipient of a grant awarded under this section must give consideration to Conservation Corps Minnesota for possible

use of corps services to contract for restoration and enhancement services.

(n) For projects with the potential to need historic preservation services, a recipient of a grant awarded under this section must give consideration to the Northern Bedrock Conservation Corps for possible use of the corps' services.

(o) By January 15, 2015, the council shall submit a list of projects, ranked in priority order, that contains the council's recommendations for funding from the parks and trails fund for the 2016 and 2017 biennium to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over the environment and natural resources and the parks and trails fund.

Sec. 5. <u>LEGISLATURE</u>	\$	<u>7,000</u>	\$	<u>6,000</u>
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\$7,000 the first year and \$6,000 the second year are for the Legislative Coordinating Commission for the Web site required in Minnesota Statutes, section 3.303, subdivision 10, including detailed mapping.

Sec. 6. <u>UNIVERSITY OF MINNESOTA</u>	\$	<u>250,000</u>	\$	<u>-0-</u>
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\$250,000 the first year is for the University of Minnesota Center for Changing Landscapes to update the long-range inventory and framework for an integrated statewide parks and trails network that provides information on the natural resource-based recreational opportunities available throughout the state. The detailed inventory and framework must be updated to include new census data, updated data from the Greater Minnesota Regional Parks and Trails study authorized by the 2011 legislature, updated physical information, the adoption of a user-friendly platform for the information, and the development of a standardized survey tool for use by:

(1) the commissioner of natural resources for state parks and trails;

(2) metropolitan area park and trail agencies for metropolitan parks and trails; and

(3) park and trail managers outside the metropolitan area for parks and trails of regional or statewide significance.

In updating the inventory and framework, the Center for Changing Landscapes shall consult with the Department of Natural Resources, the Office of Explore Minnesota Tourism, the Greater Minnesota Regional Parks and Trails Commission, the Metropolitan Council, local units of government, park and trail groups, the public, and other stakeholder groups. The Center for Changing Landscapes shall submit a report on the updated inventory and framework and a summary of the inventory to the commissioner of natural resources and to the chairs and ranking minority members of the senate and house of representatives committees and divisions having jurisdiction over natural resources policy and finance by February 15, 2015.

Sec. 7. Minnesota Statutes 2012, section 10A.01, subdivision 35, is amended to read:

Subd. 35. **Public official.** "Public official" means any:

- (1) member of the legislature;
- (2) individual employed by the legislature as secretary of the senate, legislative auditor, chief clerk of the house of representatives, revisor of statutes, or researcher, legislative analyst, or attorney in the Office of Senate Counsel and Research or House Research;
- (3) constitutional officer in the executive branch and the officer's chief administrative deputy;
- (4) solicitor general or deputy, assistant, or special assistant attorney general;
- (5) commissioner, deputy commissioner, or assistant commissioner of any state department or agency as listed in section 15.01 or 15.06, or the state chief information officer;
- (6) member, chief administrative officer, or deputy chief administrative officer of a state board or commission that has either the power to adopt, amend, or repeal rules under chapter 14, or the power to adjudicate contested cases or appeals under chapter 14;
- (7) individual employed in the executive branch who is authorized to adopt, amend, or repeal rules under chapter 14 or adjudicate contested cases under chapter 14;
- (8) executive director of the State Board of Investment;

- (9) deputy of any official listed in clauses (7) and (8);
- (10) judge of the Workers' Compensation Court of Appeals;
- (11) administrative law judge or compensation judge in the State Office of Administrative Hearings or unemployment law judge in the Department of Employment and Economic Development;
- (12) member, regional administrator, division director, general counsel, or operations manager of the Metropolitan Council;
- (13) member or chief administrator of a metropolitan agency;
- (14) director of the Division of Alcohol and Gambling Enforcement in the Department of Public Safety;
- (15) member or executive director of the Higher Education Facilities Authority;
- (16) member of the board of directors or president of Enterprise Minnesota, Inc.;
- (17) member of the board of directors or executive director of the Minnesota State High School League;
- (18) member of the Minnesota Ballpark Authority established in section 473.755;
- (19) citizen member of the Legislative-Citizen Commission on Minnesota Resources;
- (20) manager of a watershed district, or member of a watershed management organization as defined under section 103B.205, subdivision 13;
- (21) supervisor of a soil and water conservation district;
- (22) director of Explore Minnesota Tourism;
- (23) citizen member of the Lessard-Sams Outdoor Heritage Council established in section 97A.056;
- (24) citizen member of the Clean Water Council established in section 114D.30; or
- (25) member or chief executive of the Minnesota Sports Facilities Authority established in section 473J.07; or
- (26) member of the Greater Minnesota Regional Parks and Trails Commission.

**Sec. 8. [85.536] GREATER MINNESOTA REGIONAL PARKS AND TRAILS COMMISSION.**

Subdivision 1. **Establishment; purpose.** The Greater Minnesota Regional Parks and Trails Commission is created to undertake system planning and provide recommendations to the legislature for grants funded by the parks and trails fund to counties and cities outside of the seven-county metropolitan area for parks and trails of regional significance.

Subd. 2. **Commission.** The commission shall include 13 members appointed by the governor with two members from each of the regional parks and trails districts determined under subdivision 5 and one member at large. Membership terms, compensation, and removal of members and filling of vacancies are as provided in section 15.0575.



Subd. 3. **First appointments.** The governor shall make the first appointment by June 15, 2013. The governor shall designate six of the first appointees to terms ending on the first Monday in January 2015, and the remainder of the first appointees shall serve terms ending the first Monday in January 2016.

Subd. 4. **First meeting.** The governor or the governor's designee shall convene the first meeting of the commission by July 15, 2013, and shall act as chair until the commission elects a chair. The commission shall elect a chair at its first meeting.

Subd. 5. **Districts; plans and hearings.** (a) The commissioner of natural resources, in consultation with the Greater Minnesota Regional Parks and Trails Coalition, shall establish six regional parks and trails districts in the state encompassing the area outside the seven-county metropolitan area. The commissioner shall establish districts by combining counties and may not assign a county to more than one district.

(b) The commission shall develop a strategic plan and criteria for determining parks and trails of regional significance that are eligible for funding from the parks and trails fund and meet the criteria under subdivision 6.

(c) Counties within each district may jointly prepare, after consultation with all affected municipalities, and submit to the commission, and from time to time revise and resubmit to the commission, a master plan for the acquisition and development of parks and trails of regional significance located within the district. Districtwide plans and master plans for individual parks and trails must meet the protocols and criteria as set forth in the Greater Minnesota Regional Parks and Trails strategic plan. The counties, after consultation with the commission, shall jointly hold a public hearing on the proposed plan and budget at a time and place determined by the counties. Not less than 15 days before the hearing, the counties shall provide notice of the hearing stating the date, time, and place of the hearing and the place where the proposed plan and budget may be examined by any interested person. At any hearing, interested persons shall be permitted to present their views on the plan and budget.

(d) The commission shall review each master plan to determine whether it meets the conditions of subdivision 7. If it does not, the commission shall return the plan with its comments to the district for revision and resubmittal.

Subd. 6. **Regional significance.** The commission must determine whether a park or trail is regionally significant under this section based on the definitions and criteria determined in the Greater Minnesota Parks and Trails Strategic Plan, along with the following criteria:

(1) a park must provide a natural resource-based setting and should provide outdoor recreation facilities and multiple activities that are primarily natural resource-based;

(2) a trail must serve more than a local population and where feasible connect to existing or planned state or regional parks or trails;

(3) a park or trail must be utilized by a regional population that may encompass multiple jurisdictions; and

(4) a park may include or a trail may pass unique natural, historic, or cultural features or characteristics.

Subd. 7. **Recommendations.** (a) In recommending grants under this section, the commission shall make recommendations consistent with master plans.

(b) The commission shall determine recommended grant amounts through an adopted merit-based evaluation process that includes the level of local financial support. The evaluation process is not subject to the rulemaking provisions of chapter 14 and section 14.386 does not apply.

(c) When recommending grants, the commission shall consider balance of the grant benefits across greater Minnesota.

(d) Grants may be recommended only for parks and trails included in a plan approved by the commission under subdivision 5.

Subd. 8. **Chair.** The commission shall annually elect from among its members a chair and other officers necessary for the performance of its duties.

Subd. 9. **Meetings.** The commission shall meet at least twice each year. Commission meetings are subject to chapter 13D.

Subd. 10. **Report.** The commission shall submit a report by January 15 each year listing its recommendations under subdivision 7, in priority order, to the chairs and ranking minority members of the committees of the senate and house of representatives with primary jurisdiction over legacy appropriations.

Subd. 11. **Conflict of interest.** A member of the commission may not participate in or vote on a decision of the commission relating to an organization in which the member has either a direct or indirect financial interest.

Subd. 12. **Definitions.** For purposes of this section, "commission" means the Greater Minnesota Regional Parks and Trails Commission established under this section.

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

**Sec. 9. MISSISSIPPI WHITEWATER PARK.**

The appropriation in Laws 2003, chapter 128, article 1, section 5, subdivision 6, from the water recreation account in the natural resources fund for a cooperative project with the United States Army Corps of Engineers to develop the Mississippi Whitewater Park is available until June 30, 2018.

## ARTICLE 4

### ARTS AND CULTURAL HERITAGE FUND

#### Section 1. **ARTS AND CULTURAL HERITAGE FUND APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the entities and for the purposes specified in this article. The appropriations are from the arts and cultural heritage fund and are available for the fiscal years indicated for allowable activities under the Minnesota Constitution, article XI, section 15. The figures "2014" and "2015" used in this article mean that the appropriations listed under the figure are available for the fiscal year ending June 30, 2014, and June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015. All appropriations in this article are onetime.

**APPROPRIATIONS**  
**Available for the Year**  
**Ending June 30**  
**2014**                      **2015**

Sec. 2. **ARTS AND CULTURAL HERITAGE**

<b><u>Subdivision 1. Total Appropriation</u></b>	<b><u>\$</u></b>	<b><u>58,309,000</u></b>	<b><u>\$</u></b>	<b><u>57,659,000</u></b>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

**Subd. 2. Availability of Appropriation**

Money appropriated in this article may not be spent on activities unless they are directly related to and necessary for a specific appropriation. Money appropriated in this article must not be spent on indirect costs or other institutional overhead charges that are not directly related to and necessary for a specific appropriation. Notwithstanding Minnesota Statutes, section 16A.28, and unless otherwise specified in this article, fiscal year 2014 appropriations are available until June 30, 2015, and fiscal year 2015 appropriations are available until June 30, 2016. If a project receives federal funds, the time period of the appropriation is extended to equal the availability of federal funding.

<b><u>Subd. 3. Minnesota State Arts Board</u></b>		<b><u>26,675,000</u></b>		<b><u>26,675,000</u></b>
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(a) These amounts are appropriated to the Minnesota State Arts Board for arts, arts education, and arts access. Grant agreements entered into by the Minnesota State Arts Board and other recipients of appropriations in this subdivision shall ensure that these funds are used to supplement and not substitute for traditional sources of funding. Each grant program established within this appropriation shall be separately administered from other state appropriations for program planning and outcome measurements, but may take into

consideration other state resources awarded in the selection of applicants and grant award size. If, during the term of a fiscal year 2013 grant agreement between the Minnesota State Arts Board and an arts organization, a lockout occurs, and if the amount of the grant under the agreement exceeds the amount of eligible expenses according to the terms of the agreement, any unexpended funds must be returned to the board at the end of the grant agreement. If a 2013 fiscal year grantee uses grant funds during a lockout, then the commissioner of management and budget shall report on all such uses to the Office of the Legislative Auditor and shall recommend actions that may be taken by the Minnesota State Arts Board to offset such expenditures with reductions in future grants to the organization given by the Minnesota State Arts Board. Any arts and cultural heritage funds returned to the board must be redistributed pursuant to its formulas for distribution of grants to arts organizations. Any arts and cultural heritage funds returned to the Minnesota State Arts Board under this paragraph shall be considered a onetime appropriation and are available until June 30, 2014.

**(b) Arts and Arts Access Initiatives**

\$21,325,000 the first year and \$21,325,000 the second year are to support Minnesota artists and arts organizations in creating, producing, and presenting high-quality arts activities; to overcome barriers to accessing high-quality arts activities; and to instill the arts into the community and public life in this state.

**(c) Arts Education**

\$3,760,000 the first year and \$3,760,000 the second year are for high-quality, age-appropriate arts education for Minnesotans of all ages to develop knowledge, skills, and understanding of the arts.

**(d) Arts and Cultural Heritage**

\$1,590,000 the first year and \$1,590,000 the second year are for events and activities that represent the diverse cultural arts traditions, including folk and traditional artists and art organizations, represented in this state.

(e) Up to 4.5 percent of the funds appropriated in paragraphs (b) to (d) may be used by the board for administration of grant programs, delivering technical services, providing fiscal oversight for the statewide system, and ensuring accountability.

(f) Thirty percent of the remaining total appropriation to each of the categories listed in paragraphs (b) to (d) is for grants to the regional arts councils. Notwithstanding any other provision of law, regional arts council grants or other arts council grants for touring programs, projects, or exhibits shall be able to tour in their own region as well as all other regions of the state.

(g) Any unencumbered balance remaining under this section in the first year does not cancel, but is available for the second year of the biennium.

**Subd. 4. Department of Education**3,000,0003,000,000

These amounts are appropriated to the commissioner of education for grants to the 12 Minnesota regional library systems to provide educational opportunities in the arts, history, literary arts, and cultural heritage of Minnesota. These funds shall be allocated using the formula in Minnesota Statutes, section 134.355, subdivisions 3, 4, and 5, with the remaining 25 percent to be distributed to all qualifying systems in an amount proportionate to the number of qualifying system entities in each system. For purposes of this subdivision, "qualifying system entity" means a public library, a regional library system, a regional library system headquarters, a county, or an outreach service program. These funds may be used to sponsor

programs provided by regional libraries or to provide grants to local arts and cultural heritage programs for programs in partnership with regional libraries. These funds shall be distributed in ten equal payments per year. Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered on or before June 30, 2015, as grants or contracts in this subdivision are available until June 30, 2017.

**Subd. 5. Minnesota Historical Society**

13,800,000

14,075,000

(a) These amounts are appropriated to the governing board of the Minnesota Historical Society to preserve and enhance access to Minnesota's history and its cultural and historical resources. Grant agreements entered into by the Minnesota Historical Society and other recipients of appropriations in this subdivision must ensure that these funds are used to supplement and not substitute for traditional sources of funding. Funds directly appropriated to the Minnesota Historical Society shall be used to supplement, and not substitute for, traditional sources of funding. Notwithstanding Minnesota Statutes, section 16A.28, for historic preservation projects that improve historic structures, the amounts are available until June 30, 2017. The Minnesota Historical Society or grant recipients of the Minnesota Historical Society using arts and cultural heritage funds under this subdivision must give consideration to Conservation Corps Minnesota and Northern Bedrock Conservation Corps, or an organization carrying out similar work, for projects with the potential to need historic preservation services.

**(b) Historical Grants and Programs**

**(1) Statewide Historic and Cultural Grants**

\$5,525,000 the first year and \$5,675,000 the second year are for history programs and projects operated or conducted by or through

local, county, regional, or other historical or cultural organizations or for activities to preserve significant historic and cultural resources. Funds are to be distributed through a competitive grant process. The Minnesota Historical Society shall administer these funds using established grant mechanisms, with assistance from the advisory committee created under Laws 2009, chapter 172, article 4, section 2, subdivision 4, paragraph (b), item (ii).

(2) Programs

\$5,525,000 the first year and \$5,675,000 the second year are for programs and purposes related to the historical and cultural heritage of the state of Minnesota, conducted by the Minnesota Historical Society.

(3) History Partnerships

\$2,000,000 the first year and \$2,000,000 the second year are for partnerships involving multiple organizations, which may include the Minnesota Historical Society, to preserve and enhance access to Minnesota's history and cultural heritage in all regions of the state.

(4) Statewide Survey of Historical and Archaeological Sites

\$300,000 the first year and \$300,000 the second year are for a contract or contracts to be awarded on a competitive basis to conduct statewide surveys of Minnesota's sites of historical, archaeological, and cultural significance. Results of the surveys must be published in a searchable form and available to the public on a cost-free basis. The Minnesota Historical Society, the Office of the State Archaeologist, and the Indian Affairs Council shall each appoint a representative to an oversight board to select contractors and direct the conduct of the surveys. The oversight board shall consult

with the Departments of Transportation and Natural Resources.

(5) Digital Library

\$300,000 the first year and \$300,000 the second year are for a digital library project to preserve, digitize, and share Minnesota images, documents, and historical materials. The Minnesota Historical Society shall cooperate with the Minitex interlibrary loan system and shall jointly share this appropriation for these purposes.

(6) Civil War Task Force

\$25,000 the first year is to the Civil War Task Force for activities that commemorate the sesquicentennial of the American Civil War and the Dakota Conflict, as recommended by the Civil War Commemoration Task Force established in Executive Order 11-15 (2011).

(c) Civics Programs

\$125,000 the first year and \$125,000 the second year are for grants to Kids Voting St. Paul, Learning Law and Democracy Foundation, and YMCA Youth in Government, to conduct civics education programs for the civic and cultural development of Minnesota youth. Civic education is the study of constitutional principles and the democratic foundation of our national, state, and local institutions and the study of political processes and structures of government, grounded in the understanding of constitutional government under the rule of law.

Subd. 6. Department of Administration

9,605,000

8,925,000

(a) These amounts are appropriated to the commissioner of administration for grants to the named organizations for the purposes specified in this subdivision. Up to one percent of funds may be used by the commissioner for grants administration.



(b) Grant agreements entered into by the commissioner and recipients of appropriations in this subdivision must ensure that money appropriated in this subdivision is used to supplement and not substitute for traditional sources of funding.

**(c) Minnesota Public Radio**

\$1,500,000 the first year and \$1,500,000 the second year are for Minnesota Public Radio to create programming and expand news service on Minnesota's cultural heritage and history.

**(d) Association of Minnesota Public Educational Radio Stations**

\$1,650,000 the first year and \$1,650,000 the second year are appropriated for a grant to the Association of Minnesota Public Educational Radio Stations for production and acquisition grants in accordance with Minnesota Statutes, section 129D.19.

**(e) Lake Superior Center Authority**

\$200,000 the first year is for development of an exhibit to examine the effect that aquatic environments have on shipwrecks and to preserve Minnesota's history and cultural heritage. Priority should be given to projects that have a nonstate cash match of at least 25 percent of the total eligible project costs.

**(f) Lake Superior Zoo**

\$150,000 each year is for development of the forest discovery zone to create educational exhibits using animals and the environment. Priority should be given to projects that have a nonstate cash match of at least 25 percent of the total eligible project costs.

**(g) Como Park Zoo**

\$500,000 the first year and \$500,000 the second year are for the Como Park Zoo for program development. Priority should be given to projects that have a nonstate cash

match of at least 25 percent of the total eligible project costs.

**(h) Science Museum of Minnesota**

\$1,100,000 the first year and \$1,100,000 the second year are for programs described in this paragraph. Grant recipients must provide a nonstate cash match of at least 25 percent of the total eligible project costs:

(1) \$500,000 the first year and \$500,000 the second year are for arts, arts education, and arts access and to preserve Minnesota's history and cultural heritage including student and teacher outreach and expansion of the museum's American Indian initiatives; and

(2) \$600,000 each year is for a grant to upgrade the Science Museum's Omnitheater audio and projection systems.

**(i) Public Television**

\$3,950,000 the first year and \$3,950,000 the second year are for grants to the Minnesota Public Television Association for production and acquisition grants according to Minnesota Statutes, section 129D.18.

**(j) Small Theatre Grants**

\$75,000 each year is for grants to theatres in Minnesota to purchase and install digital projection technology to allow continued access to films. Priority for grants is to theaters that have exclusively 35 millimeter projection systems in communities with few available theaters or to small theaters with only one screen. Priority should be given to projects that have a nonstate cash match of at least 65 percent of the total eligible project costs.

**(k) Minnesota African American Museum and Cultural Center**

\$400,000 the first year is for a grant to the Minnesota African American Museum and Cultural Center for arts, arts education, and

arts access, and to preserve Minnesota's history and cultural heritage.

**(l) Veterans Memorial Parks**

\$80,000 the first year is for at least four grants to local units of government for veterans memorials in municipal parks to preserve the culture and heritage of Minnesota. The local unit of government must provide a nonstate cash match equal to the amount of the grant received under this paragraph.

**Subd. 7. Minnesota Humanities Center**

1,725,000

1,525,000

(a) These amounts are appropriated to the Board of Directors of the Minnesota Humanities Center for the purposes specified in this subdivision. The Minnesota Humanities Center may use a portion of the following grants to cover the cost of administering, planning, evaluating, and reporting these grants.

**(b) Programs and Purposes**

\$425,000 the first year and \$425,000 the second year are for programs and purposes of the Minnesota Humanities Center. Of this amount, \$100,000 each year may be used for the veterans' voices program.

The Minnesota Humanities Center may consider museums and organizations celebrating the identities of Minnesotans for grants from these funds. The Minnesota Humanities Center may develop a written plan for the competitive issuance of these grants and, if developed, shall submit that plan for review and approval by the Department of Administration.

**(c) Children's Museum Grants**

\$1,100,000 the first year and \$900,000 the second year are for arts and cultural heritage grants to children's museums.

Of this amount, \$600,000 the first year and \$400,000 the second year are for the

Minnesota Children's Museum, \$200,000 each year is for the Duluth Children's Museum, \$100,000 each year is for the Grand Rapids Children's Museum, and \$200,000 each year is for the Southern Minnesota Children's Museum.

**(d) Council on Disability**

\$200,000 the first year and \$200,000 the second year are for a grant to the Minnesota State Council on Disability to provide educational opportunities in the arts, history, and cultural heritage of Minnesotans with disabilities in conjunction with the 25th anniversary of the Americans with Disabilities Act. If the amount in the first year is insufficient, the amount in the second year is available in the first year. These funds are available until June 30, 2016.

**Subd. 8. Perpich Center for Arts Education**

795,000

750,000

(a) These amounts are appropriated to the Board of Directors of the Perpich Center for Arts Education for the following programs. Money appropriated in this subdivision must not be used to purchase or lease a school facility previously operated by the East Metro Integration District No. 6067 or to continue any programs that were administered by the district.

(b) Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered on or before June 30, 2015, are available until June 30, 2017.

**(c) Administrative Costs**

\$20,000 the first year and \$20,000 the second year are for administrative costs.

**(d) Arts Integration**

\$775,000 the first year and \$730,000 the second year are for the arts integration program to increase the capacity of teachers to design, implement, and assess collaborative arts integration in Minnesota schools and

the capacity of administrators to support this instructional strategy, to improve standards-based student learning through collaborative arts integration, and to develop arts-integrated courses to be implemented in the 2015-2016 school year.

**Subd. 9. Minnesota Zoo**

1,750,000

1,750,000

These amounts are appropriated to the Minnesota Zoological Board for programs and development of the Minnesota Zoological Garden and to provide access to the arts, arts education, and cultural heritage of Minnesota.

**Subd. 10. Indian Affairs Council**

950,000

950,000

(a) These amounts are appropriated to the Indian Affairs Council for the purposes identified in this subdivision.

**(b) Grants to Preserve Dakota and Ojibwe Language**

\$475,000 the first year and \$475,000 the second year are for grants for programs that preserve Dakota and Ojibwe Indian language and to foster educational programs in Dakota and Ojibwe languages.

**(c) Language Immersion**

\$250,000 the first year and \$250,000 the second year are for grants of \$125,000 each year to the Niigaane Ojibwe Immersion School and the Wicoie Nandagikendan urban immersion project.

**(d) Competitive Grants for Language Immersion**

\$225,000 the first year and \$225,000 the second year are for competitive grants for language immersion programs.

**Subd. 11. Legislature**

9,000

9,000

This amount is appropriated to the Legislative Coordinating Commission to operate the Web site for dedicated funds required

under Minnesota Statutes, section 3.303, subdivision 10.

Sec. 3. Minnesota Statutes 2012, section 129D.17, is amended by adding a subdivision to read:

Subd. 4. **Minnesota State Arts Board allocation.** At least 47 percent of the money deposited in the arts and cultural heritage fund must be for grants and services awarded through the Minnesota State Arts Board, or regional arts councils subject to appropriation.

Sec. 4. Minnesota Statutes 2012, section 129D.19, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** This section applies only to the Association of Minnesota Public Educational Radio Stations and the noncommercial radio stations that are members of the Association of Minnesota Public Educational Radio Stations.

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

Sec. 5. Minnesota Statutes 2012, section 129D.19, subdivision 2, is amended to read:

Subd. 2. **Use of grant funds.** Money appropriated from the Minnesota arts and cultural heritage fund may be designated to make grants to the Association of Minnesota Public Educational Radio Stations and its member stations and noncommercial radio stations, as defined in section 129D.14, subdivision 2. Grants received under this section must be used to create, produce, acquire, or distribute programs that educate, enhance, or promote local, regional, or statewide items of artistic, cultural, or historic significance. Grant funds may be used to cover any expenses associated with the creation, production, acquisition, or distribution of noncommercial radio programs through broadcast.

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

Sec. 6. Laws 2001, chapter 193, section 10, is amended to read:

**Sec. 10. CAPITOL CAFETERIA; WINE AND BEER LICENSE.**

Notwithstanding Minnesota Statutes, section 340A.412, subdivision 4, paragraph (a), clause (2), the city of St. Paul may issue an on-sale wine and malt liquor license ~~for the premises known as the capitol cafeteria, for special events held at the capitol cafeteria.~~ to the Capitol cafeteria, also called the Rathskeller Café. The commissioner of administration must enter into an agreement with the food service vendor or another vendor on all matters related to the sale of wine and malt liquor in the Capitol. Minnesota Statutes, section 16B.275, does not apply to the sale of wine and malt liquor in the Capitol cafeteria and all profits earned by the Department of Administration from the sale of wine and malt liquor in the Capitol must be deposited in the arts and cultural heritage fund. The Capitol cafeteria must sell wine and malt liquor that are made in Minnesota.

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

**ARTICLE 5**

**GENERAL PROVISIONS; ALL LEGACY FUNDS**

Section 1. **COMMISSIONER DETERMINATION; FUND AVAILABILITY.**

The commissioner of management and budget shall determine if sufficient funds are available in the four legacy funds to allow payment of all appropriations made by the legislature. If the commissioner determines that a shortfall in available revenues will limit the availability of appropriations of the legacy funds, the commissioner must withhold payment of each appropriation in an equal or equitable amount, as needed to balance available revenue with expenditures from each fund. The commissioner must report all reductions required under this section to the Legislative Advisory Commission in a timely fashion.

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

Sec. 2. **SOLAR PHOTOVOLTAIC MODULES.**

No solar photovoltaic module may be installed that is financed directly or indirectly, wholly or in part, with money appropriated in this act, unless the solar photovoltaic module is made in Minnesota as defined in Minnesota Statutes, section 216C.411, paragraph (a)."

Delete the title and insert:

"A bill for an act relating to state government; appropriating money from the outdoor heritage fund, clean water fund, parks and trails fund, and arts and cultural heritage fund; providing for watershed restoration and protection strategies; creating the Greater Minnesota Regional Parks and Trails Commission; extending previous appropriations; providing for the allocation of arts and cultural heritage fund to the Minnesota State Arts Board; modifying certain grant eligibility; providing for sale of wine and malt liquor at Capitol cafeteria; requiring Minnesota-made solar photovoltaic modules; requiring report and study; amending Minnesota Statutes 2012, sections 10A.01, subdivision 35; 114D.15, by adding a subdivision; 114D.50, subdivision 6, by adding subdivisions; 116G.15, subdivisions 2, 3, 4, 7; 129D.17, by adding a subdivision; 129D.19, subdivisions 1, 2; Laws 2001, chapter 193, section 10; proposing coding for new law in Minnesota Statutes, chapters 85; 114D; 116; repealing Minnesota Statutes 2012, section 116.201."

We request the adoption of this report and repassage of the bill.

House Conferees: Phyllis Kahn, Leon Lillie, Mike Freiberg, David Bly, Anna Wills

Senate Conferees: Richard J. Cohen, Tom Saxhaug, David J. Tomassoni, Katie Sieben

Senator Cohen moved that the foregoing recommendations and Conference Committee Report on H.F. No. 1183 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

### CALL OF THE SENATE

Senator Cohen imposed a call of the Senate for the balance of the proceedings on H.F. No. 1183. The Sergeant at Arms was instructed to bring in the absent members.

H.F. No. 1183 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 43 and nays 21, as follows:

Those who voted in the affirmative were:

Bakk	Eaton	Jensen	Pappas	Skoe
Bonoff	Eken	Johnson	Pederson, J.	Sparks
Carlson	Fischbach	Kent	Reinert	Stumpf
Champion	Franzen	Latz	Rest	Tomassoni
Clausen	Goodwin	Lourey	Saxhaug	Torres Ray
Cohen	Hawj	Marty	Scalze	Wiger
Dahle	Hayden	Metzen	Schmit	Wiklund
Dibble	Hoffman	Miller	Sheran	
Dziedzic	Housley	Nelson	Sieben	

Those who voted in the negative were:

Anderson	Hall	Newman	Rosen	Westrom
Benson	Hann	Nienow	Ruud	
Chamberlain	Ingebrigtsen	Ortman	Senjem	
Dahms	Kiffmeyer	Osmek	Thompson	
Gazelka	Limmer	Petersen, B.	Weber	

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 26, Senator Bakk, Chair of the Committee on Rules and Administration, designated S.F. No. 1656 a Special Order to be heard immediately.

### SPECIAL ORDER

**S.F. No. 1656:** A bill for an act relating to disaster assistance; appropriating money to match federal disaster aid for the April 2013 severe winter storm in southwest Minnesota.

Senator Weber moved to amend S.F. No. 1656 as follows:

Delete everything after the enacting clause and insert:

"Section 1. **APPROPRIATION; DISASTER AID.**

\$1,500,000 is appropriated from the general fund to the commissioner of public safety for the purposes specified in Minnesota Statutes, section 12A.15, subdivision 1, to match federal disaster assistance for the severe winter storm that occurred April 9, 2013, through April 11, 2013, in the area designated under Presidential Declaration of a Major Disaster FEMA-4113-DR. Notwithstanding Minnesota Statutes, section 16A.28, this appropriation is available until June 30, 2016.

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

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 1656 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	Benson	Carlson	Champion	Cohen
Bakk	Bonoff	Chamberlain	Clausen	Dahle



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

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

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

### MOTIONS AND RESOLUTIONS - CONTINUED

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

### MESSAGES FROM THE HOUSE

Madam President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 1070.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 20, 2013

### FIRST READING OF HOUSE BILLS

The following bill was read the first time.

**H.F. No. 1070:** A bill for an act relating to capital improvements; appropriating money to acquire and better public land and buildings and other improvements of a capital nature; authorizing the sale and issuance of state bonds; modifying and cancelling prior appropriations; amending Laws 2002, chapter 393, section 22, subdivision 6, as amended; Laws 2005, chapter 20, article 1, section 20, subdivision 3, as amended; Laws 2006, chapter 258, sections 17, subdivision 8, as amended; 18, subdivision 6; Laws 2008, chapter 179, section 21, subdivision 3; Laws 2008, chapter 365, section 4, subdivision 3, as amended; Laws 2010, chapter 189, section 16, subdivision 4, as amended; Laws 2011, First Special Session chapter 12, section 10.

**MOTIONS AND RESOLUTIONS - CONTINUED****SUSPENSION OF RULES**

Senator Bakk moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 1070 and that the rules of the Senate be so far suspended as to give H.F. No. 1070 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 1070 was read the second time.

H.F. No. 1070 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 58 and nays 6, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Benson	Limmer	Sheran
Hann	Osmeck	Thompson

So the bill passed and its title was agreed to.

**MOTIONS AND RESOLUTIONS - CONTINUED**

S.F. No. 1589 and the Conference Committee Report thereon were reported to the Senate.

**CONFERENCE COMMITTEE REPORT ON S.F. NO. 1589**

A bill for an act relating to the operation of state government finance; allowing the secretary of state authority to accept funds from local government units for election systems enhancements and to receive certain funds for the address confidentiality program; allowing the state auditor to charge a onetime user fee for a small city and town accounting system software; changing provisions for bid solicitations and proposals; changing certain provisions for service contracts and the solicitation process; requiring a determination of the IT cost for agency technology projects; expanding E-Government initiative and establishing the E-Government Advisory Council; changing certain audit provisions from the state auditor to the legislative auditor; repealing the Minnesota Sunset Act; changing provisions for barbering and cosmetology; changing licensing provisions for accountants; changing a paid military leave provision; modifying provisions in the Veterans Service Office grant program; changing provision in the Minnesota GI Bill program; establishing a veterans home in Beltrami County; making Department of Revenue changes;

making compensation council changes and requiring a compensation study; adjusting certain salary groups; establishing administrative penalties; establishing fees; appropriating money; amending Minnesota Statutes 2012, sections 3.099, subdivision 1; 3.855, subdivision 3; 13.591, subdivision 3; 15A.0815, subdivisions 1, 2, 3, 5; 15A.082, subdivision 2; 16A.82; 16C.02, subdivision 13; 16C.06, subdivision 2; 16C.09; 16C.10, subdivision 6; 16C.145; 16C.33, subdivision 3; 16C.34, subdivision 1; 16E.07, by adding a subdivision; 32C.04; 43A.17, subdivisions 1, 3; 65B.84, subdivision 1; 154.001, by adding a subdivision; 154.003; 154.02; 154.05; 154.06; 154.065, subdivision 2; 154.07, subdivision 1; 154.08; 154.09; 154.10, subdivision 1; 154.11, subdivision 1; 154.12; 154.14; 154.15, subdivision 2; 154.26; 155A.23, subdivision 3; 155A.25, subdivisions 1a, 4; 155A.27, subdivisions 4, 7, 10; 155A.29, subdivision 2; 155A.30, subdivision 1, by adding subdivisions; 192.26; 197.608, subdivisions 1, 3, 4, 5, 6; 197.791, subdivisions 4, 5; 254A.035, subdivision 2; 254A.04; 256B.093, subdivision 1; 260.835, subdivision 2; 270C.69, subdivision 1; 289A.20, subdivisions 2, 4; 289A.26, subdivision 2a; 295.55, subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.30, by adding a subdivision; 297I.35, subdivision 2; 326A.04, subdivisions 2, 3, 5, 7; 326A.10; 469.3201; 473.843, subdivision 3; Laws 2012, chapter 278, article 1, section 5; article 2, sections 27; 34; proposing coding for new law in Minnesota Statutes, chapters 4; 5; 5B; 6; 16E; 154; 155A; 198; 297I; repealing Minnesota Statutes 2012, sections 3D.01; 3D.02; 3D.03; 3D.04; 3D.045; 3D.05; 3D.06; 3D.065; 3D.07; 3D.08; 3D.09; 3D.10; 3D.11; 3D.12; 3D.13; 3D.14; 3D.15; 3D.16; 3D.17; 3D.18; 3D.19; 3D.20; 3D.21, subdivisions 2, 3, 4, 5, 6, 7, 8; 43A.17, subdivision 4; 155A.25, subdivision 1; 168A.40, subdivisions 3, 4; 197.608, subdivision 2a; 270C.145; 326A.03, subdivisions 2, 5, 8; Laws 2012, chapter 278, article 1, section 6; Minnesota Rules, parts 1105.0600; 1105.2550; 1105.2700.

May 19, 2013

The Honorable Sandra L. Pappas  
President of the Senate

The Honorable Paul Thissen  
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 1589 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 1589 be further amended as follows:

Delete everything after the enacting clause and insert:

## "ARTICLE 1

### STATE GOVERNMENT APPROPRIATIONS

#### Section 1. STATE GOVERNMENT APPROPRIATIONS.

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015.

	<u>APPROPRIATIONS</u>	
	<u>Available for the Year</u>	
	<u>Ending June 30</u>	
	<u>2014</u>	<u>2015</u>
<b>Sec. 2. <u>LEGISLATURE</u></b>		
<b>Subdivision 1. <u>Total Appropriation</u></b>	<b>\$ <u>69,470,000</u></b>	<b>\$ <u>68,970,000</u></b>
<u>Appropriations by Fund</u>		
	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>69,342,000</u>	<u>68,842,000</u>
<u>Health Care Access</u>	<u>128,000</u>	<u>128,000</u>
<u>The amounts that may be spent for each purpose are specified in the following subdivisions.</u>		
<u>Subd. 2. <u>Senate</u></u>	<u>23,133,000</u>	<u>22,633,000</u>
<u>Subd. 3. <u>House of Representatives</u></u>	<u>30,524,000</u>	<u>30,524,000</u>
<u>During the biennium ending June 30, 2015, any revenues received by the house of representatives from voluntary donations to support broadcast or print media are appropriated to the house of representatives.</u>		
<u>Subd. 4. <u>Legislative Coordinating Commission</u></u>	<u>15,813,000</u>	<u>15,813,000</u>
<u>Appropriations by Fund</u>		
<u>General</u>	<u>15,685,000</u>	<u>15,685,000</u>
<u>Health Care Access</u>	<u>128,000</u>	<u>128,000</u>
<u>From its funds, \$10,000 each year is for purposes of the legislators' forum, through which Minnesota legislators meet with counterparts from South Dakota, North Dakota, and Manitoba to discuss issues of mutual concern.</u>		
<u>The Legislative Coordinating Commission is authorized to enter into an agreement with the National Conference of State Legislatures to provide the organization up to \$100,000 of its funds to support activities in preparation for</u>		

the annual conference to be held in Minnesota in 2014. It is anticipated that these funds will be returned to the Legislative Coordinating Commission, and are reappropriated to the commission.

**Sec. 3. GOVERNOR AND LIEUTENANT GOVERNOR**

**\$ 3,353,000 \$ 3,353,000**

(a) This appropriation is to fund the Office of the Governor and Lieutenant Governor.

(b) \$19,000 the first year and \$19,000 the second year are for necessary expenses in the normal performance of the Governor's and Lieutenant Governor's duties for which no other reimbursement is provided.

(c) By September 1 of each year, the commissioner of management and budget shall report to the chairs and ranking minority members of the senate State Departments and Veterans Affairs Budget Division and the house of representatives State Government Finance Committee any personnel costs incurred by the Offices of the Governor and Lieutenant Governor that were supported by appropriations to other agencies during the previous fiscal year. The Office of the Governor shall inform the chairs and ranking minority members of the committees before initiating any interagency agreements.

**Sec. 4. STATE AUDITOR**

**\$ 2,070,000 \$ 2,121,000**

**Sec. 5. ATTORNEY GENERAL**

**\$ 24,342,000 \$ 24,342,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>22,125,000</u>	<u>22,125,000</u>
<u>State Government</u>		
<u>Special Revenue</u>	<u>1,822,000</u>	<u>1,822,000</u>
<u>Environmental</u>	<u>145,000</u>	<u>145,000</u>
<u>Remediation</u>	<u>250,000</u>	<u>250,000</u>

Of this appropriation, \$65,000 in the first year and \$65,000 in the second year are from the



costs of campaign violations hearings. This is a onetime appropriation.

**Data Practices Hearings.** \$36,000 the first year is appropriated from the general fund to cover the fiscal year 2013 costs for data practices hearings.

**Sec. 10. OFFICE OF ENTERPRISE TECHNOLOGY**

\$ 2,431,000 \$ 2,431,000

During the biennium ending June 30, 2015, the Office of Enterprise Technology must not charge fees to a public noncommercial educational television broadcast station eligible for funding under Minnesota Statutes, chapter 129D, for access to the state broadcast infrastructure. If the access fees not charged to public noncommercial educational television broadcast stations total more than \$400,000 for the biennium, the office may charge for access fees in excess of these amounts.

The commissioner of Minnesota management and budget is authorized to provide cash flow assistance of up to \$110,000,000 from the special revenue fund or other statutory general funds as defined in Minnesota Statutes, section 16A.671, subdivision 3, paragraph (a), to the Office of Enterprise Technology for the purpose of managing revenue and expenditure differences during the initial phases of IT consolidation. These funds shall be repaid with interest by June 30, 2015.

**Sec. 11. ADMINISTRATION**

**Subdivision 1. Total Appropriation**

\$ 20,532,000 \$ 20,202,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

**Subd. 2. Government and Citizen Services**

7,698,000 7,668,000

\$74,000 the first year and \$74,000 the second year are for the Council on Developmental Disabilities.

**Nellie Stone Johnson bust or statue.**  
\$30,000 is to place a bust or statue of Nellie Stone Johnson in the State Capitol Building. This appropriation is contingent on receipt of an equal nonstate match. The commissioner must follow the process in Minnesota Statutes, sections 138.67 to 138.70, in the acquisition and placement of the bust or statue. This appropriation is available until expended.

Subd. 3. <b><u>Strategic Management Services</u></b>	<u>1,757,000</u>	<u>1,757,000</u>
Subd. 4. <b><u>Fiscal Agent</u></b>	<u>11,077,000</u>	<u>10,777,000</u>

The appropriations under this section are to the commissioner of administration for the purposes specified.

**In-Lieu of Rent.** \$8,158,000 the first year and \$8,158,000 the second year are for space costs of the legislature and veterans organizations, ceremonial space, and statutorily free space.

**Public Broadcasting.** (a) \$1,550,000 the first year and \$1,550,000 the second year are for matching grants for public television.

(b) \$250,000 the first year and \$250,000 the second year are for public television equipment grants.

(c) The equipment or matching grants in paragraphs (a) and (b) must be allocated after considering the recommendations of the Minnesota Public Television Association.

(d) \$392,000 the first year and \$392,000 the second year are for community service grants to public educational radio stations. This appropriation may be used to disseminate emergency information in foreign languages.

(e) \$117,000 the first year and \$117,000 the second year are for equipment grants to public educational radio stations. This appropriation may be used for the repair, rental, and purchase of equipment including equipment under \$500.



(f) The grants in paragraphs (d) and (e) must be allocated after considering the recommendations of the Association of Minnesota Public Education Radio Stations under Minnesota Statutes, section 129D.14.

(g) \$610,000 the first year and \$310,000 the second year are for equipment grants to Minnesota Public Radio, Inc., including upgrades to Minnesota's Emergency Alert and AMBER Alert Systems.

(h) Any unencumbered balance remaining the first year for grants to public television or radio stations does not cancel and is available for the second year.

**Sec. 12. CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD**

**\$ 335,000 \$ 335,000**

**Sec. 13. MINNESOTA MANAGEMENT AND BUDGET**

**\$ 28,144,000 \$ 20,369,000**

**Statewide Budget System.** \$4,500,000 for the biennium is to continue development of the new statewide budget system and to develop new capabilities including, but not limited to, capital budget and fiscal notes.

**Sec. 14. REVENUE**

**Subdivision 1. Total Appropriation**

**\$ 140,673,000 \$ 140,137,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>136,438,000</u>	<u>135,902,000</u>
<u>Health Care Access</u>	<u>1,749,000</u>	<u>1,749,000</u>
<u>Highway User Tax Distribution</u>	<u>2,183,000</u>	<u>2,183,000</u>
<u>Environmental</u>	<u>303,000</u>	<u>303,000</u>

**Subd. 2. Tax System Management**

**112,057,000 111,521,000**

Appropriations by Fund

<u>General</u>	<u>107,822,000</u>	<u>107,286,000</u>
<u>Health Care Access</u>	<u>1,749,000</u>	<u>1,749,000</u>

<u>Highway User Tax</u>		
<u>Distribution</u>	<u>2,183,000</u>	<u>2,183,000</u>
<u>Environmental</u>	<u>303,000</u>	<u>303,000</u>

**County Technical Assistance Grants. (a)**

The commissioner of revenue may make technical assistance grants to counties to fund development, implementation, or maintenance of data collection and data processing systems that will facilitate improved reporting of property tax data on parcels and portions of parcels to the commissioner for analytical and administrative use. The grants may be made in the order they are requested, or on some other basis determined by the commissioner. The commissioner shall determine whether to require an application or recipient agreement and shall determine the form and content of the application or agreement.

(b) \$300,000 is appropriated to the commissioner from the general fund in fiscal year 2014 to make grants to counties as provided in this section. This appropriation is available for fiscal years 2014 and 2015 only, and does not become part of the base.

**Appropriation; Taxpayer Assistance. (a)**

\$200,000 in fiscal year 2014, and \$200,000 in fiscal year 2015, are added to the base appropriation of \$200,000 each year. These amounts are appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. The unencumbered balance in the first year does not cancel but is available for the second year.

(b) For purposes of this section, "taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income, elderly, and disadvantaged Minnesota residents to help

them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the Department of Revenue and Internal Revenue Service.

Subd. 3. **Debt Collection Management** 28,616,000 28,616,000

Sec. 15. **GAMBLING CONTROL** \$ 3,959,000 \$ 3,959,000

These appropriations are from the lawful gambling regulation account in the special revenue fund.

Sec. 16. **RACING COMMISSION** \$ 899,000 \$ 899,000

These appropriations are from the racing and card playing regulation accounts in the special revenue fund.

Sec. 17. **STATE LOTTERY**

Notwithstanding Minnesota Statutes, section 349A.10, subdivision 3, the operating budget must not exceed \$30,500,000 in fiscal year 2014 and \$30,500,000 in fiscal year 2015.

Sec. 18. **AMATEUR SPORTS COMMISSION** \$ 266,000 \$ 266,000

Sec. 19. **COUNCIL ON BLACK MINNESOTANS** \$ 392,000 \$ 392,000

Sec. 20. **COUNCIL ON ASIAN-PACIFIC MINNESOTANS** \$ 354,000 \$ 354,000

Sec. 21. **COUNCIL ON AFFAIRS OF CHICANO/LATINO PEOPLE** \$ 375,000 \$ 375,000

Sec. 22. **INDIAN AFFAIRS COUNCIL** \$ 562,000 \$ 562,000

Sec. 23. **MINNESOTA HISTORICAL SOCIETY**

Subdivision 1. **Total Appropriation** \$ 21,783,000 \$ 21,649,000

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Operations and Programs** 21,335,000 21,335,000

Notwithstanding Minnesota Statutes, section 138.668, the Minnesota Historical Society may not charge a fee for its general tours at the Capitol, but may charge fees for special programs other than general tours.

**Subd. 3. Fiscal Agent**

(a) <u>Minnesota International Center</u>	<u>39,000</u>	<u>39,000</u>
(b) <u>Minnesota Air National Guard Museum</u>	<u>34,000</u>	<u>-0-</u>
(c) <u>Minnesota Military Museum</u>	<u>160,000</u>	<u>60,000</u>

Of this amount, \$60,000 each year is for an archivist staff position. The base for fiscal year 2016 is \$100,000.

(d) <u>Farmamerica</u>	<u>115,000</u>	<u>115,000</u>
(e) <u>Hockey Hall of Fame</u>	<u>100,000</u>	<u>100,000</u>

**Balances Forward.** Any unencumbered balance remaining in this subdivision the first year does not cancel but is available for the second year of the biennium.

Sec. 24. **BOARD OF THE ARTS**

<b>Subdivision 1. <u>Total Appropriation</u></b>	<b><u>\$</u></b>	<b><u>7,514,000</u></b>	<b><u>\$</u></b>	<b><u>7,514,000</u></b>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<b>Subd. 2. <u>Operations and Services</u></b>	<u>575,000</u>	<u>575,000</u>
<b>Subd. 3. <u>Grants Program</u></b>	<u>4,800,000</u>	<u>4,800,000</u>
<b>Subd. 4. <u>Regional Arts Councils</u></b>	<u>2,139,000</u>	<u>2,139,000</u>

**Unencumbered Balance Available.** Any unencumbered balance remaining in this section the first year does not cancel, but is available for the second year of the biennium.

**Projects located in Minnesota; travel restriction.** Money appropriated in this section and distributed as grants may only be spent on projects located in Minnesota.



**Sec. 29. MINNESOTA STATE RETIREMENT SYSTEM**

<b><u>Subdivision 1. Total Appropriation</u></b>	<b><u>\$</u></b>	<b><u>3,891,000</u></b>	<b><u>\$</u></b>	<b><u>3,964,000</u></b>
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The amounts that may be spent for each purpose are specified in the following subdivisions.

<b><u>Subd. 2. Legislators</u></b>		<b><u>3,406,000</u></b>		<b><u>3,475,000</u></b>
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Under Minnesota Statutes, sections 3A.03, subdivision 2; 3A.04, subdivisions 3 and 4; and 3A.115.

<b><u>Subd. 3. Constitutional Officers</u></b>		<b><u>485,000</u></b>		<b><u>489,000</u></b>
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Under Minnesota Statutes, section 352C.001, if an appropriation in this section for either year is insufficient, the appropriation for the other year is available for it.

**Sec. 30. MINNEAPOLIS EMPLOYEES RETIREMENT FUND DIVISION ACCOUNT**

	<b><u>\$</u></b>	<b><u>24,000,000</u></b>	<b><u>\$</u></b>	<b><u>24,000,000</u></b>
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These amounts are estimated to be needed under Minnesota Statutes, section 353.505.

**Sec. 31. TEACHERS RETIREMENT ASSOCIATION**

	<b><u>\$</u></b>	<b><u>15,454,000</u></b>	<b><u>\$</u></b>	<b><u>15,454,000</u></b>
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The amounts estimated to be needed are as follows:

**Special Direct State Aid.** \$12,954,000 the first year and \$12,954,000 the second year are for special direct state aid authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

**Special Direct State Matching Aid.** \$2,500,000 the first year and \$2,500,000 the second year are for special direct state matching aid authorized under Minnesota Statutes, section 354.435.

**Sec. 32. ST. PAUL TEACHERS RETIREMENT FUND**

	<b><u>\$</u></b>	<b><u>2,827,000</u></b>	<b><u>\$</u></b>	<b><u>2,827,000</u></b>
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The amounts estimated to be needed for special direct state aid to first class city

teachers retirement funds authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

**Sec. 33. DULUTH TEACHERS RETIREMENT FUND**

**\$ 346,000 \$ 346,000**

The amounts estimated to be needed for special direct state aid to first class city teachers retirement funds authorized under Minnesota Statutes, section 354A.12, subdivisions 3a and 3c.

**Sec. 34. MILITARY AFFAIRS**

**Subdivision 1. Total Appropriation**

**\$ 19,368,000 \$ 19,368,000**

The amounts that may be spent for each purpose are specified in the following subdivisions.

**Subd. 2. Maintenance of Training Facilities**

6,661,000 6,661,000

**Subd. 3. General Support**

2,359,000 2,359,000

**Subd. 4. Enlistment Incentives**

10,348,000 10,348,000

If appropriations for either year of the biennium are insufficient, the appropriation from the other year is available. The appropriations for enlistment incentives are available until expended.

**Sec. 35. VETERANS AFFAIRS**

**Subdivision 1. Total Appropriation**

**\$ 63,508,000 \$ 62,753,000**

The amounts that may be spent for each purpose are specified in the following subdivisions.

**Subd. 2. Veterans Services**

16,051,000 16,240,000

**Veterans Service Organizations.** \$353,000 each year is for grants to the following congressionally chartered veterans service organizations, as designated by the commissioner: Disabled American Veterans, Military Order of the Purple Heart, the American Legion, Veterans of Foreign Wars,

Vietnam Veterans of America, AMVETS, and Paralyzed Veterans of America. This funding must be allocated in direct proportion to the funding currently being provided by the commissioner to these organizations.

**Minnesota Assistance Council for Veterans.** \$750,000 each year is for a grant to the Minnesota Assistance Council for Veterans to provide assistance throughout Minnesota to veterans and their families who are homeless or in danger of homelessness, including assistance with the following:

- (1) utilities;
- (2) employment; and
- (3) legal issues.

The assistance authorized under this paragraph must be made only to veterans who have resided in Minnesota for 30 days prior to application for assistance and according to other guidelines established by the commissioner. In order to avoid duplication of services, the commissioner must ensure that this assistance is coordinated with all other available programs for veterans.

**IT Upgrades.** \$618,000 in fiscal year 2014 and \$382,000 in fiscal year 2015 are to improve and modernize the department's information technology systems. These funds shall be transferred to the Office of Enterprise Technology. This is a onetime transfer and is available until spent.

**Veterans Cemetery in Fillmore County.** \$425,000 in fiscal year 2015 is for operation of the new veterans cemetery in Fillmore County. This amount is added to the program's base funding.

**Honor Guards.** \$200,000 each year is for compensation for honor guards at the funerals of veterans under Minnesota Statutes, section 197.231. This amount is added to the program's base funding.



**Minnesota GI Bill.** \$200,000 each year is for the costs of administering the Minnesota GI Bill postsecondary educational benefits, on-the-job training, and apprenticeship program under Minnesota Statutes, section 197.791. Of this amount, \$100,000 is for transfer to the Office of Higher Education.

**Gold Star Program.** \$100,000 each year is for administering the Gold Star Program for surviving family members of deceased veterans. This amount is added to the program's base funding.

**County Veterans Service Office.** \$1,100,000 each year is for funding the County Veterans Service Office grant program under Minnesota Statutes, section 197.608.

**Veterans Paramedic Apprenticeship Program.** All unspent funds, estimated to be \$110,000, from the Veterans Paramedic Apprenticeship Program, from the onetime appropriation under Laws 2009, chapter 79, article 13, section 7, are canceled to the general fund on July 1, 2013.

Subd. 3. **Veterans Homes**

47,457,000

46,513,000

**Veterans Homes Special Revenue Account.** The general fund appropriations made to the department may be transferred to a veterans homes special revenue account in the special revenue fund in the same manner as other receipts are deposited according to Minnesota Statutes, section 198.34, and are appropriated to the department for the operation of veterans homes facilities and programs.

**IT Upgrades.** \$2,472,000 in fiscal year 2014 and \$1,528,000 in fiscal year 2015 are to improve and modernize the department's information technology systems. These funds shall be transferred to the Office of Enterprise Technology. This is a onetime transfer and is available until spent.

**Maximize Federal Reimbursements.** The department will seek opportunities to maximize federal reimbursements of

Medicare-eligible expenses and will provide annual reports to the commissioner of management and budget on the federal Medicare reimbursements received. Contingent upon future federal Medicare receipts, reductions to the homes' general fund appropriation may be made.

## ARTICLE 2

### MINNESOTA SUNSET ACT

Section 1. Minnesota Statutes 2012, section 3.885, is amended by adding a subdivision to read:

Subd. 11. **Review of advisory groups.** (a) By September 1 of each odd-numbered year, the commission shall compile a list of executive branch advisory groups created in statute. The commission may develop a schedule for review of advisory groups, or may select particular groups for review. By December 31 of each odd-numbered year, the commission may make recommendations on the continuing need for certain advisory groups, and on any changes in laws governing a group that are needed to improve the group's efficiency and effectiveness.

(b) In conducting reviews of executive branch advisory groups, the commission shall consider:

(1) the mission of each group, and the extent to which the mission has been satisfied;

(2) the extent to which each advisory group is effective in allowing persons interested in the program or activity for which the group provides advice to have input into the operations of the state agency implementing the program or activity;

(3) the extent to which the existence of the advisory group provides state agencies with an efficient and effective means of obtaining expert advice and opinions;

(4) whether there are more efficient and effective methods of accomplishing the mission of the advisory group; and

(5) whether the work of the advisory group overlaps or duplicates the work of other groups.

Sec. 2. Minnesota Statutes 2012, section 254A.035, subdivision 2, is amended to read:

**Subd. 2. Membership terms, compensation, removal and expiration.** The membership of this council shall be composed of 17 persons who are American Indians and who are appointed by the commissioner. The commissioner shall appoint one representative from each of the following groups: Red Lake Band of Chippewa Indians; Fond du Lac Band, Minnesota Chippewa Tribe; Grand Portage Band, Minnesota Chippewa Tribe; Leech Lake Band, Minnesota Chippewa Tribe; Mille Lacs Band, Minnesota Chippewa Tribe; Bois Forte Band, Minnesota Chippewa Tribe; White Earth Band, Minnesota Chippewa Tribe; Lower Sioux Indian Reservation; Prairie Island Sioux Indian Reservation; Shakopee Mdewakanton Sioux Indian Reservation; Upper Sioux Indian Reservation; International Falls Northern Range; Duluth Urban Indian Community; and two representatives from the Minneapolis Urban Indian Community and two from the St. Paul Urban Indian Community. The terms, compensation, and removal of American Indian Advisory Council members shall be as provided in section 15.059. The council expires June 30, 2014, ~~or in accordance with section 3D.21, whichever is later.~~

Sec. 3. Minnesota Statutes 2012, section 254A.04, is amended to read:

**254A.04 CITIZENS ADVISORY COUNCIL.**

There is hereby created an Alcohol and Other Drug Abuse Advisory Council to advise the Department of Human Services concerning the problems of alcohol and other drug dependency and abuse, composed of ten members. Five members shall be individuals whose interests or training are in the field of alcohol dependency and abuse; and five members whose interests or training are in the field of dependency and abuse of drugs other than alcohol. The terms, compensation and removal of members shall be as provided in section 15.059. The council expires June 30, 2014, ~~or in accordance with section 3D.21, whichever is later.~~ The commissioner of human services shall appoint members whose terms end in even-numbered years. The commissioner of health shall appoint members whose terms end in odd-numbered years.

Sec. 4. Minnesota Statutes 2012, section 256B.093, subdivision 1, is amended to read:

Subdivision 1. **State traumatic brain injury program.** The commissioner of human services shall:

- (1) maintain a statewide traumatic brain injury program;
- (2) supervise and coordinate services and policies for persons with traumatic brain injuries;
- (3) contract with qualified agencies or employ staff to provide statewide administrative case management and consultation;
- (4) maintain an advisory committee to provide recommendations in reports to the commissioner regarding program and service needs of persons with brain injuries;
- (5) investigate the need for the development of rules or statutes for the brain injury home and community-based services waiver;
- (6) investigate present and potential models of service coordination which can be delivered at the local level; and
- (7) the advisory committee required by clause (4) must consist of no fewer than ten members and no more than 30 members. The commissioner shall appoint all advisory committee members to one- or two-year terms and appoint one member as chair. Notwithstanding section 15.059, subdivision 5, the advisory committee does not terminate until June 30, 2014, ~~or in accordance with section 3D.21, whichever is later.~~

Sec. 5. Minnesota Statutes 2012, section 260.835, subdivision 2, is amended to read:

Subd. 2. **Expiration.** Notwithstanding section 15.059, subdivision 5, the American Indian Child Welfare Advisory Council expires June 30, 2014, ~~or in accordance with section 3D.21, whichever is later.~~

Sec. 6. Laws 2012, chapter 278, article 1, section 5, is amended to read:

**Sec. 5. COUNCIL ON BLACK MINNESOTANS.**

The Office of the Legislative Auditor should conduct a financial audit of the Council on Black Minnesotans by December 1, 2013. In its next report to the ~~Sunset Advisory Commission~~ governor

and legislature under Minnesota Statutes, section 3.9225, subdivision 7, the Council on Black Minnesotans must respond to any issues raised in this audit and to issues raised in previous audits.

Sec. 7. Laws 2012, chapter 278, article 2, section 27, is amended to read:

**Sec. 27. HEALTH-RELATED LICENSING BOARDS REPORTING OBLIGATIONS.**

(a) By January 15, 2013, the health-related boards and the commissioner of health, as the regulator for occupational therapy practitioners, speech-language pathologists, audiologists, and hearing instrument dispensers, shall jointly study and submit draft legislation to ~~the Sunset Commission~~ and the chairs and ranking minority members of the legislative committees with jurisdiction over health and human services developing consistent reporting requirements that require institutions, professional societies, other licensed professionals, courts, insurers, and other entities to report conduct constituting grounds for disciplinary action to the respective regulatory entity. The study and draft legislation shall include a self-reporting requirement that requires the licensed individual to report to the respective regulatory entity any action that would require a report to be filed by another specified entity. The study and draft legislation shall also include penalties that may be imposed for failure to report.

(b) Health-related boards with existing statutory reporting obligations shall participate to ensure that the existing reporting requirements are consistent with the recommended requirements and draft legislation.

Sec. 8. Laws 2012, chapter 278, article 2, section 34, is amended to read:

**Sec. 34. BOARD OF MEDICAL PRACTICE REVIEW.**

The legislative auditor is requested to conduct a special investigation of the Minnesota Board of Medical Practice and its implementation of the Medical Practice Act. The legislative auditor is requested to submit the results of the investigation to the Legislative Audit Commission, ~~the Sunset Advisory Commission~~, and the chairs and ranking minority members of the senate and house of representatives policy committees having jurisdiction over the board by January 1, 2013.

**Sec. 9. REVISOR'S INSTRUCTION.**

The revisor of statutes shall delete all references to "the Sunset Advisory Commission" wherever they appear in Minnesota Statutes, and shall make other changes as necessary in Minnesota Statutes as a result of the enactment of this article.

**Sec. 10. REPEALER.**

(a) Minnesota Statutes 2012, sections 3D.01; 3D.02; 3D.03; 3D.04; 3D.045; 3D.05; 3D.06; 3D.065; 3D.07; 3D.08; 3D.09; 3D.10; 3D.11; 3D.12; 3D.13; 3D.14; 3D.15; 3D.16; 3D.17; 3D.18; 3D.19; 3D.20; and 3D.21, subdivisions 2, 3, 4, 5, 6, 7, and 8, are repealed.

(b) Laws 2012, chapter 278, article 1, section 6, is repealed.

**Sec. 11. EFFECTIVE DATE.**

Sections 1 to 10 are effective the day following final enactment.

**ARTICLE 3****STATE GOVERNMENT OPERATIONS**

Section 1. Minnesota Statutes 2012, section 3.30, subdivision 2, is amended to read:

Subd. 2. **Members; duties.** (a) The majority leader of the senate or a designee, the chair of the senate Committee on Finance, and the chair of the senate Division of Finance responsible for overseeing the items being considered by the commission, the speaker of the house or a designee, the chair of the house of representatives Committee on Ways and Means, and the chair of the appropriate finance committee, or division of the house of representatives committee responsible for overseeing the items being considered by the commissioner, constitute the Legislative Advisory Commission. The division chair of the Finance Committee in the senate and the division chair of the appropriate finance committee or division in the house of representatives shall rotate according to the items being considered by the commission. If any of the members elect not to serve on the commission, the house of which they are members, if in session, shall select some other member for the vacancy. If the legislature is not in session, vacancies in the house of representatives membership of the commission shall be filled by the last speaker of the house or, if the speaker is not available, by the last chair of the house of representatives Rules Committee, and by the last senate Committee on Committees or other appointing authority designated by the senate rules in case of a senate vacancy. The commissioner of management and budget shall be secretary of the commission and keep a permanent record and minutes of its proceedings, which are public records. The commissioner of management and budget shall transmit, under section 3.195, a report to the next legislature of all actions of the commission. Members shall receive traveling and subsistence expenses incurred attending meetings of the commission. The commission shall meet from time to time upon the call of the governor or upon the call of the secretary at the request of two or more of its members. A recommendation of the commission must be made at a meeting of the commission unless a written recommendation is signed by all the members entitled to vote on the item.

(b) The chair alternates between a member of the senate and a member of the house of representatives in January of each odd-numbered year.

Sec. 2. Minnesota Statutes 2012, section 3.303, is amended by adding a subdivision to read:

Subd. 11. **Acceptance of grants and gifts.** The commission may accept gifts and grants for purposes related to the duties of the commission. Money received by the commission from gifts and grants is appropriated to the commission for purposes specified in the gift or grant.

Sec. 3. Minnesota Statutes 2012, section 3.85, subdivision 8, is amended to read:

Subd. 8. **Expenses, reimbursement.** The members of the commission and its assistants staff shall be reimbursed for all expenses actually and necessarily incurred in the performance of their duties. Reimbursement for expenses incurred shall be made under the rules governing state employees in accordance with policies adopted by the Legislative Coordinating Commission.

Sec. 4. Minnesota Statutes 2012, section 3.85, subdivision 9, is amended to read:

Subd. 9. **Expenses and reports.** Expenses of the commission shall be approved by the chair or another member as the rules of the commission provide. The expenses shall then be paid like other state expenses. A general summary or statement of expenses incurred by the commission and paid shall be made to the legislature by November 15 of each even-numbered year.

Sec. 5. Minnesota Statutes 2012, section 3.971, subdivision 6, is amended to read:

Subd. 6. **Financial audits.** The legislative auditor shall audit the financial statements of the state of Minnesota required by section 16A.50 and, as resources permit, ~~shall audit~~ Minnesota State Colleges and Universities, the University of Minnesota, state agencies, departments, boards, commissions, offices, courts, and other ~~state~~ organizations subject to audit by the legislative auditor, including, but not limited to, the State Agricultural Society, Agricultural Utilization Research Institute, Enterprise Minnesota, Inc., Minnesota Historical Society, ~~Labor Interpretive Center, Minnesota Partnership for Action Against Tobacco, Metropolitan Sports Facilities Commission~~ ClearWay Minnesota, Minnesota Sports Facilities Authority, Metropolitan Airports Commission, and Metropolitan Mosquito Control District. Financial audits must be conducted according to generally accepted government auditing standards. The legislative auditor shall see that all provisions of law respecting the appropriate and economic use of public funds and other public resources are complied with and may, as part of a financial audit or separately, investigate allegations of noncompliance.

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

Sec. 6. Minnesota Statutes 2012, section 3.971, is amended by adding a subdivision to read:

Subd. 6a. **Data security audits.** The legislative auditor shall audit, as resources permit, information and data systems supported with public funds and operated by an organization listed in subdivision 6. The audits shall include an assessment of controls designed to protect government data, particularly government data classified as not public by chapter 13, from unauthorized access and use. The audits shall also include an assessment of organizations' compliance with other applicable legal requirements related to the operation of information and data systems and proper classification and protection of the data contained in the systems.

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

Sec. 7. Minnesota Statutes 2012, section 3.971, is amended by adding a subdivision to read:

Subd. 9. **Obligation to notify the legislative auditor.** The chief executive, financial, or information officers of an organization subject to audit under this section, must promptly notify the legislative auditor when the officer obtains information indicating that public money or other public resources may have been used for an unlawful purpose, or when the officer obtains information indicating that government data classified by chapter 13 as not public may have been accessed or used unlawfully. As necessary, the legislative auditor shall coordinate an investigation of the allegation with appropriate law enforcement officials.

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

Sec. 8. **[5.38] AUTHORITY TO ACCEPT FUNDS.**

The secretary of state may enter into agreements with a local governmental unit to provide a technological service or project to enhance the state's election system. The secretary of state and the local governmental unit shall agree to the amount of consideration to be paid under the agreement. In addition, the secretary of state may accept federal funds for election purposes. If the secretary of state accepts federal funds and the terms of the grant do not require the state to maintain its effort, section 3.3005 does not apply. If the secretary of state accepts federal funds and the terms of the grant do require the state to maintain its effort, section 3.3005 applies. The funds accepted under

this section must be deposited in accounts in the special revenue fund and are appropriated to the secretary of state for the uses authorized by this section. The secretary of state shall report by January 15 each year to the chair and ranking minority members of the finance committees of the house of representatives and the senate with jurisdiction over the secretary of state the total amounts received in the preceding calendar year, the sources of those funds, and the uses to which those funds were or will be put. For purposes of this section, "local governmental unit" means a county, home rule charter or statutory city, town, or school district.

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

**Sec. 9. [5B.12] AUTHORITY TO ACCEPT FUNDS.**

Notwithstanding sections 16A.013 to 16A.016, the secretary of state may accept funds contributed by individuals and may apply for grants from charitable foundations, to be used for the address confidentiality program established in section 5B.03. In addition, the secretary of state may apply for grants from the federal government for purposes of the address confidentiality program. If the secretary of state accepts federal funds and the terms of the grant do not require the state to maintain its effort, section 3.3005 does not apply. If the secretary of state accepts federal funds and the terms of the grant do require the state to maintain its effort, section 3.3005 applies. The funds accepted under this section must be deposited in accounts in the special revenue fund and are appropriated to the secretary of state for use in the address confidentiality program. The secretary of state shall report by January 15 each year to the chair and ranking minority members of the finance committees of the house of representatives and the senate with jurisdiction over the secretary of state the total amounts received in the preceding calendar year, the sources of those funds, and the uses to which those funds were or will be put. Any contributions from program participants must be aggregated, and the names of program participants must not be reported.

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

**Sec. 10. [6.475] CITY AND TOWN ACCOUNTING SYSTEM SOFTWARE.**

(a) The state auditor may charge a onetime user fee to cities, towns, and other government entities for the development, maintenance, and distribution of the small city and town accounting system software. The amount of this fee shall be set by the state auditor in consultation with the Minnesota Association of Townships, the League of Minnesota Cities, and the Minnesota Association of Small Cities.

(b) A city and town accounting systems (CTAS) account is established in the special revenue fund.

(c) Amounts received under paragraph (a) shall be credited to the CTAS account in the special revenue fund and are appropriated to the state auditor for all costs associated with the development, maintenance, and distribution of the small city and town accounting system software. If at any time the small city and town accounting system software ceases to be offered by the state auditor, any amount remaining in the CTAS account shall be equitably refunded to users. The amount of the refund shall be set by the state auditor in consultation with the Minnesota Association of Townships, the League of Minnesota Cities, and the Minnesota Association of Small Cities, and the account shall be closed.

Sec. 11. Minnesota Statutes 2012, section 6.48, is amended to read:

**6.48 EXAMINATION OF COUNTIES; COST, FEES.**

All the powers and duties conferred and imposed upon the state auditor shall be exercised and performed by the state auditor in respect to the offices, institutions, public property, and improvements of several counties of the state. At least once in each year, if funds and personnel permit, the state auditor may visit, without previous notice, each county and make a thorough examination of all accounts and records relating to the receipt and disbursement of the public funds and the custody of the public funds and other property. If the audit is performed by a private certified public accountant, the state auditor may require additional information from the private certified public accountant as the state auditor deems in the public interest. The state auditor may accept the audit or make additional examinations as the state auditor deems to be in the public interest. The state auditor shall prescribe and install systems of accounts and financial reports that shall be uniform, so far as practicable, for the same class of offices. A copy of the report of such examination shall be filed and be subject to public inspection in the office of the state auditor and another copy in the office of the auditor of the county thus examined. The state auditor may accept the records and audit, or any part thereof, of the Department of Human Services in lieu of examination of the county social welfare funds, if such audit has been made within any period covered by the state auditor's audit of the other records of the county. If any such examination shall disclose malfeasance, misfeasance, or nonfeasance in any office of such county, such report shall be filed with the county attorney of the county, and the county attorney shall institute such civil and criminal proceedings as the law and the protection of the public interests shall require.

The county receiving any examination shall pay to the ~~state general fund, notwithstanding the provisions of section 16A.125,~~ state auditor enterprise fund the total cost and expenses of such examinations, including the salaries paid to the examiners while actually engaged in making such examination. The state auditor on deeming it advisable may bill counties, ~~having a population of 200,000 or over,~~ monthly periodically for services rendered and the officials responsible for approving and paying claims shall cause said bill to be promptly paid. The ~~general~~ state auditor enterprise fund shall be credited with all collections made for any such examinations.

Sec. 12. Minnesota Statutes 2012, section 6.56, subdivision 2, is amended to read:

Subd. 2. **Billings by state auditor.** Upon the examination of the books, records, accounts, and affairs of any political subdivision, as provided by law, such political subdivision shall be liable to the state for the total cost and expenses of such examination, including the salaries paid to the examiners while actually engaged in making such examination. The state auditor may bill such political subdivision ~~monthly~~ monthly periodically for service rendered and the officials responsible for approving and paying claims are authorized to pay said bill promptly. Said payments shall be without prejudice to any defense against said claims that may exist or be asserted. The ~~general~~ state auditor enterprise fund shall be credited with all collections made for any such examinations, including interest payments made pursuant to subdivision 3.

Sec. 13. **[6.581] STATE AUDITOR ENTERPRISE FUND.**

Subdivision 1. State auditor enterprise fund. A state auditor enterprise fund is established in the state treasury. All amounts received for the costs and expenses of examinations performed under this chapter shall be credited to the fund. Amounts credited to the fund are annually appropriated



to the state auditor to pay the costs and expenses related to the examinations performed, including, but not limited to, salaries, office overhead, equipment, authorized contracts, and other expenses.

Subd. 2. **Contract with private parties; equipment acquisition.** When full-time personnel are not available, the state auditor may contract with a private entity for accounting and other technical services. Notwithstanding any law to the contrary, the acquisition of equipment may include duplicating equipment to be used in producing the reports issued by the Office of the State Auditor.

Subd. 3. **Schedule of charges.** The state auditor may adjust the schedule of charges for the examinations performed so that the charges are sufficient to cover all costs of the examinations performed and that the aggregate charges collected are sufficient to pay all salaries and other expenses, including the charges for the use of the equipment used in connection with the reimbursable examinations performed, and the cost of contracting for accounting and other technical services. The schedule of charges shall be based on an estimate of the cost of performing reimbursable examinations including, but not limited to, salaries, office overhead, equipment, authorized contracts, and other expenses. The state auditor may allocate a proportionate part of the total costs to an hourly or daily charge for each person or class of persons engaged in the performance of an examination. The schedule of charges shall reflect an equitable charge for the expenses incurred in the performance of any given examination. The state auditor shall review and adjust the schedule of charges for the examinations performed at least annually. All schedules of charges must be approved by the commissioner of management and budget before the charges are adopted to ensure that the amount collected is sufficient to pay all the costs connected with the examinations performed during the fiscal year.

Subd. 4. **Reports to legislature.** At least 30 days before implementing increased charges for examinations, the state auditor must report the proposed increases to the chairs and ranking minority members of the committees in the house of representatives and the senate with jurisdiction over the budget of the state auditor. By January 15 of each odd-numbered year, the state auditor must report to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over the budget of the state auditor, a summary of state auditor enterprise fund anticipated revenues, and expenditures for the biennium ending June 30 of that year. The report must also include for the biennium the number of full-time equivalents paid by the fund, any audit rate changes stated as a percentage, the number of audit reports issued, and the number of counties audited.

Sec. 14. Minnesota Statutes 2012, section 13.591, subdivision 3, is amended to read:

Subd. 3. **Business as vendor.** (a) Data submitted by a business to a government entity in response to a request for bids as defined in section 16C.02, subdivision 11, are private or nonpublic until the bids are opened. Once the bids are opened, the time and date specified in the solicitation that bids are due, at which time the name of the bidder and the dollar amount specified in the response are read and become public. All other data in a bidder's response to a bid are private or nonpublic data until completion of the selection process. For purposes of this section, "completion of the selection process" means that the government entity has completed its evaluation and has ranked the responses. After a government entity has completed the selection process, all remaining data submitted by all bidders are public with the exception of trade secret data as defined and classified in section 13.37. A statement by a bidder that submitted data are copyrighted or otherwise protected does not prevent public access to the data contained in the bid.

If all responses to a request for bids are rejected prior to completion of the selection process, all data, other than ~~that made public at the bid opening~~ the name of the bidder and the dollar amount specified in the response, remain private or nonpublic until a resolicitation of bids results in completion of the selection process or a determination is made to abandon the purchase. If the rejection occurs after the completion of the selection process, the data remain public. If a resolicitation of bids does not occur within one year of the bid opening date, the remaining data become public.

(b) Data submitted by a business to a government entity in response to a request for proposal, as defined in section 16C.02, subdivision 12, are private or nonpublic until ~~the responses are opened. Once the responses are opened,~~ the time and date specified in the solicitation that proposals are due, at which time the name of the responder is read and becomes public. All other data in a responder's response to a request for proposal are private or nonpublic data until completion of the evaluation process. For purposes of this section, "completion of the evaluation process" means that the government entity has completed negotiating the contract with the selected vendor. After a government entity has completed the evaluation process, all remaining data submitted by all responders are public with the exception of trade secret data as defined and classified in section 13.37. A statement by a responder that submitted data are copyrighted or otherwise protected does not prevent public access to the data contained in the response.

If all responses to a request for proposal are rejected prior to completion of the evaluation process, all data, other than ~~that made public at the response opening,~~ the names of the responders, remain private or nonpublic until a resolicitation of the requests for proposal results in completion of the evaluation process or a determination is made to abandon the purchase. If the rejection occurs after the completion of the evaluation process, the data remain public. If a resolicitation of proposals does not occur within one year of the proposal opening date, the remaining data become public.

Sec. 15. Minnesota Statutes 2012, section 16A.10, subdivision 1c, is amended to read:

Subd. 1c. **Performance measures for change items.** For each change item in the budget proposal requesting new or increased funding, the budget document must present proposed performance measures that can be used to determine if the new or increased funding is accomplishing its goals. To the extent possible, each budget change item must identify relevant ~~Minnesota Milestones and other~~ statewide goals and indicators related to the proposed initiative. ~~The commissioner must report to the Subcommittee on Government Accountability established under section 3.885, subdivision 10, regarding the format to be used for the presentation and selection of Minnesota Milestones and other statewide goals and indicators.~~

Sec. 16. Minnesota Statutes 2012, section 16C.02, subdivision 13, is amended to read:

Subd. 13. **Resident vendor.** "Resident vendor" means a person, firm, or corporation that:

(1) is authorized to conduct business in the state of Minnesota on the date a solicitation for a contract is first advertised or announced. It includes a foreign corporation duly authorized to engage in business in Minnesota;

(2) has paid unemployment taxes or income taxes in this state during the 12 calendar months immediately preceding submission of the bid or proposal for which any preference is sought;

(3) has a business address in the state; and

(4) has affirmatively claimed that status in the bid or proposal submission.

Sec. 17. Minnesota Statutes 2012, section 16C.06, subdivision 2, is amended to read:

Subd. 2. **Solicitation process.** (a) A formal solicitation must be used to acquire all goods, service contracts, and utilities estimated at or more than \$50,000, or in the case of a Department of Transportation solicitation, at or more than \$100,000, unless otherwise provided for. All formal responses must be sealed when they are received and must be ~~opened in public at the hour stated in the solicitation~~ made publicly available as required by section 13.591. Formal responses must be authenticated by the responder in a manner specified by the commissioner.

(b) An informal solicitation may be used to acquire all goods, service contracts, and utilities that are estimated at less than \$50,000, or in the case of a Department of Transportation solicitation, at or less than \$100,000. The number of vendors required to receive solicitations may be determined by the commissioner. Informal responses must be authenticated by the responder in a manner specified by the commissioner.

Sec. 18. Minnesota Statutes 2012, section 16C.09, is amended to read:

**16C.09 PROCEDURE FOR SERVICE CONTRACTS.**

(a) Before entering into or approving a service contract valued in excess of \$5,000, the commissioner must determine, at least, that:

(1) no current state employee is able and available to perform the services called for by the contract;

(2) the work to be performed under the contract is necessary to the agency's achievement of its statutory responsibilities and there is statutory authority to enter into the contract;

(3) the contract will not establish an employment relationship between the state or the agency and any persons performing under the contract;

(4) the contractor and agents are not employees of the state;

(5) the contracting agency has specified a satisfactory method of evaluating and using the results of the work to be performed; and

(6) the combined contract and amendments will not exceed five years without specific, written approval by the commissioner according to established policy, procedures, and standards, or unless otherwise provided for by law. The term of the original contract must not exceed two years, unless the commissioner determines that a longer duration is in the best interest of the state.

(b) For purposes of paragraph (a), clause (1), employees are available if qualified and:

(1) are already doing the work in question; or

(2) are on layoff status in classes that can do the work in question.

An employee is not available if the employee is doing other work, is retired, or has decided not to do the work in question.

(c) This section does not apply to an agency's use of inmates pursuant to sections 241.20 to 241.23 or to an agency's use of persons required by a court to provide:

- (1) community service; or
- (2) conservation or maintenance services on lands under the jurisdiction and control of the state.

Sec. 19. Minnesota Statutes 2012, section 16C.10, subdivision 6, is amended to read:

Subd. 6. **Expenditures under specified amounts.** The solicitation process described in this chapter is not required for:

- (1) acquisition of goods or services, other than professional or technical services, in an amount of ~~\$2,500~~ \$5,000 or less; or
- (2) acquisition of professional or technical services in an amount of \$5,000 or less, provided the requirements of section 16C.08, subdivisions 3 to 6, are met.

Sec. 20. Minnesota Statutes 2012, section 16C.145, is amended to read:

**16C.145 NONVISUAL TECHNOLOGY ACCESS STANDARDS.**

(a) The commissioner shall develop nonvisual technology access standards. The standards must be included in all contracts for the procurement of information technology by, or for the use of, agencies, political subdivisions, and the Minnesota State Colleges and Universities. The University of Minnesota is encouraged to consider similar standards.

(b) The nonvisual access standards must include the following minimum specifications:

(1) that effective, interactive control and use of the technology including the operating system, applications programs, prompts, and format of the data presented, are readily achievable by nonvisual means;

(2) that the nonvisual access technology must be compatible with information technology used by other individuals with whom the blind or visually impaired individual must interact;

(3) that nonvisual access technology must be integrated into networks used to share communications among employees, program participants, and the public; and

(4) that the nonvisual access technology must have the capability of providing equivalent access by nonvisual means to telecommunications or other interconnected network services used by persons who are not blind or visually impaired.

(c) Nothing in this section requires the installation of software or peripheral devices used for nonvisual access when the information technology is being used by individuals who are not blind or visually impaired.

(d) Executive branch state agencies subject to section 16E.03, subdivision 9, are not required to include nonvisual technology access standards developed under this section in contracts for the procurement of information technology.

Sec. 21. Minnesota Statutes 2012, section 16C.33, subdivision 3, is amended to read:

Subd. 3. **Solicitation of qualifications or proposals.** (a) Every user agency, except the Capitol Area Architectural and Planning Board, shall submit a written request for a design-builder for its project to the commissioner who shall forward the request to the board, consistent with section 16B.33, subdivision 3, paragraph (a). The University of Minnesota shall follow the process in subdivision 4 to select design-builders for projects that are subject to section 16B.33. The written

request must include a description of the project, the total project cost, a description of any special requirements or unique features of the proposed project, and other information requested by the board which will assist the board in carrying out its duties and responsibilities set forth in this section.

(b) A request for qualifications or proposals soliciting design-builders shall be prepared for each design-build contract pursuant to subdivision 5 or 7. The request for qualifications or proposals shall contain, at a minimum, the following elements:

(1) the identity of the agency for which the project will be built and that will award the design-build contract;

(2) procedures for submitting qualifications or proposals, the criteria for evaluation of qualifications or proposals and the relative weight for each criterion and subcriterion, and the procedures for making awards according to the stated criteria and subcriteria, including a reference to the requirements of this section;

(3) the proposed terms and conditions for the contract;

(4) the desired qualifications of the design-builder and the desired or permitted areas of construction to be performed by named members of the design-build team, if applicable. The primary designer shall be a named member of the design-build team;

(5) the schedule for commencement and completion of the project;

(6) any applicable budget limits for the project;

(7) the requirements for insurance and statutorily required performance and payment bonds;

(8) the identification and location of any other information in the possession or control of the agency that the user agency determines is material, which may include surveys, soils reports, drawings or models of existing structures, environmental studies, photographs, or references to public records;

(9) for a design-build design and price-based selection process, the request shall also include the design criteria package, including the performance and technical requirements for the project, and the functional and operational elements for the delivery of the completed project. The request shall also contain a description of the drawings, specifications, or other submittals to be included with the proposal, with guidance as to the form and level of completeness of the drawings, specifications or submittals that will be acceptable, and the stipend to be paid to the design-builders selected to submit the above described information; and

(10) the criteria shall not impose unnecessary conditions beyond reasonable requirements to ensure maximum participation of qualified design-builders. The criteria shall not consider the collective bargaining status of the design-builder.

(c) Notice of requests for qualifications or proposals must be advertised in the State Register a manner designated by the commissioner.

Sec. 22. Minnesota Statutes 2012, section 16C.34, subdivision 1, is amended to read:

Subdivision 1. **Solicitation of qualifications.** (a) Every user agency, except the Capitol Area Architectural and Planning Board, shall submit a written request for proposals for a construction

manager at risk for its project to the commissioner. The written request for proposals must include a description of the project, the estimated cost of completing the project, a description of any special requirements or unique features of the proposed project, and other information which will assist the commissioner in carrying out its duties and responsibilities set forth in this section.

(b) The commissioner may include in the request for qualifications criteria a requirement that the proposer include the overhead and fee that the construction manager at risk proposes to charge for its services.

(c) A request for qualifications shall be prepared for each construction manager at risk contract as provided in this section. The request for qualifications shall contain, at a minimum, the following elements:

(1) the identity of the agency for which the project will be built and that will award the construction manager at risk contract;

(2) procedures for submitting qualifications, the criteria and subcriteria for evaluation of qualifications and the relative weight for each criteria and subcriteria, and the procedures for making awards in an open, competitive, and objective manner, and according to the stated criteria and subcriteria, including a reference to the requirements of this section;

(3) the terms and conditions for the contract;

(4) the qualifications that the construction manager at risk shall be desired to have;

(5) a schedule for commencement and completion of the project;

(6) any applicable budget limits for the project;

(7) requirements for insurance, statutorily required performance and payment bonds;

(8) identification and location of any other information in the possession or control of the agency that the user agency determines is material, which may include surveys, soils reports, drawings or models of existing structures, environmental studies, photographs, or references to public records; and

(9) criteria shall not impose unnecessary conditions beyond reasonable requirements to ensure maximum participation of construction managers at risk. The criteria shall not consider the collective bargaining status of the construction manager at risk.

(d) Notice of requests for qualifications must be advertised in the State Register a manner designated by the commissioner.

**Sec. 23. [16E.0466] STATE AGENCY TECHNOLOGY PROJECTS.**

Every state agency with an information or telecommunications project must consult with the Office of Enterprise Technology to determine the information technology cost of the project. Upon agreement between the commissioner of a particular agency and the chief information officer, the agency must transfer the information technology cost portion of the project to the Office of Enterprise Technology. Service level agreements must document all project-related transfers under this section. Those agencies specified in section 16E.016, paragraph (d), are exempt from the requirements of this section.

Sec. 24. Minnesota Statutes 2012, section 16E.07, is amended by adding a subdivision to read:

Subd. 12. **Private entity services; fee authority.** (a) The office may enter into a contract with a private entity to manage, maintain, support, and expand North Star and online government information services to citizens and businesses.

(b) A contract established under paragraph (a) may provide for compensation of the private entity through a fee established under paragraph (c).

(c) The office, subject to the approval of the agency or office responsible for the data or services involved in the transaction, may charge and may authorize a private entity that enters into a contract under paragraph (a) to charge a convenience fee for users of North Star and online government information services up to a total of \$2 per transaction, provided that no fee shall be charged for viewing or inspecting data. The office shall consider the recommendation of the E-Government Advisory Council under section 16E.071 in setting the convenience fee. A fee established under this paragraph is in addition to any fees or surcharges authorized under other law.

(d) Receipts from the convenience fee shall be deposited in the North Star account established in subdivision 7. Notwithstanding section 16A.1285, subdivision 2, receipts credited to the account are appropriated to the office for payment to the contracted private entity under paragraph (a). In lieu of depositing the receipts in the North Star account, the office can directly transfer the receipts to the private entity or allow the private entity to retain the receipts pursuant to a contract established under this subdivision.

(e) The office shall report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over state government finance by January 15 of each odd-numbered year regarding the convenience fee receipts and the status of North Star projects and online government information services developed and supported by convenience fee receipts.

**Sec. 25. [16E.071] E-GOVERNMENT ADVISORY COUNCIL.**

Subdivision 1. E-Government Advisory Council established. The E-Government Advisory Council is established for the purpose of improving online government information services to citizens and businesses.

Subd. 2. Membership. The council shall consist of nine members as follows:

(1) the state chief information officer or the chief information officer's designee;

(2) one public member appointed by the speaker of the house;

(3) one public member appointed by the senate Subcommittee on Committees of the Rules and Administration Committee;

(4) five members appointed by the governor representing state executive branch agencies that are actively involved with private businesses, the private business community, or the public; and

(5) one member appointed by the governor who is knowledgeable in public access to government data.

Subd. 3. Initial appointments and first meeting. Appointing authorities shall make the first appointments to the council by September 1, 2013. The first member appointed by the speaker of the house shall serve until the first Monday in January, 2015. The governor shall designate three initial appointees to serve until the first Monday in January 2015. The term of the other three initial

appointees of the governor and the first member appointed by the senate shall be until the first Monday in January 2017. The chief information officer or the chief information officer's designee shall convene the council's first meeting by November 1, 2013, and shall act as chair until the council elects a chair at its first meeting.

Subd. 4. **Terms; removal; vacancies; compensation.** Membership terms, removal of member, and filling of vacancies are as provided in section 15.059, except that members shall not receive compensation or be reimbursed for expenses and except that terms of initial appointees are as provided in subdivision 3.

Subd. 5. **Chair.** The council shall annually elect a chair from its members.

Subd. 6. **Duties.** The council shall recommend to the office the priority of North Star projects and online government information services to be developed and supported by convenience fee receipts. The council shall provide oversight on the convenience fee and its receipts in the North Star account. The council shall by majority quorum vote to recommend to approve or disapprove establishing the convenience fee on particular types of transactions, the fee amount, and any changes in the fee amount. If the convenience fee receipts are retained by or transferred to the private entity in lieu of deposit in the North Star account, the council may audit the private entity's convenience fee receipts, expenses paid by the receipts, and associated financial statements.

Subd. 7. **Staff.** The office shall provide administrative support to the council.

Subd. 8. **Sunset.** The council shall expire the first Monday in January 2017.

Subd. 9. **Reports.** By June 1, 2014, and every year thereafter, the council shall report to the office with its recommendations regarding establishing the convenience fee, the fee amount, and changes to the fee amount.

Sec. 26. Minnesota Statutes 2012, section 32C.04, is amended to read:

**32C.04 ACCOUNTS; AUDITS.**

The authority may establish funds and accounts that it determines to be reasonable and necessary to conduct the business of the authority. The board shall ~~provide for and pay the cost of an independent annual audit of its official books and records~~ be subject to audit by the state legislative auditor. A copy of ~~this~~ an audit must be filed with the secretary of state.

Sec. 27. Minnesota Statutes 2012, section 129D.14, subdivision 2, is amended to read:

Subd. 2. **Definitions.** As used in this section, the terms defined in this subdivision have the meanings given them.

(a) "Corporation for Public Broadcasting" or "CPB" means the nonprofit organization established pursuant to United States Code, title 47, section 396.

(b) "Federal Communications Commission" or "FCC" means the federal agency established pursuant to United States Code, title 47, section 151.

(c) "Licensee" means ~~the individual or business~~ an entity to ~~whom~~ which the Federal Communications Commission has issued ~~the~~ a license to operate a noncommercial radio station as defined in Code of Federal Regulations, title 47, subpart D, section 73.503.



(d) "Noncommercial radio station" means a station operated by a licensee of the FCC as a noncommercial educational radio station ~~under a license or program test authority from the Federal Communications Commission as a noncommercial educational radio station~~ as defined in Code of Federal Regulations, title 47, subpart D, section 73.503, licensed to a community within the state and serving a segment of the population of the state.

(e) "Operating income" may include:

- (1) individual and other community contributions;
- (2) all grants received from the Corporation for Public Broadcasting;
- (3) grants received from foundations, corporations, or federal, state, or local agencies or other sources for the purpose of programming or general operating support;
- (4) interest income;
- (5) earned income;
- (6) employee salaries paid through the federal Comprehensive Employment and Training Act, or other similar public employment programs, provided that only salary expended for employee duties directly relating to radio station operations shall be counted;
- (7) employee salaries paid through supporting educational institutions, provided that only salary expended for employee duties directly relating to radio station operations shall be counted;
- (8) direct operating costs provided by supporting educational institutions; and
- (9) no more than \$15,000 in volunteer time calculated at the federal minimum wage.

The following are specifically excluded in determining a station's operating income:

- (1) dollar representations in in-kind assistance from any source except as stipulated in clauses (8) and (9) above;
- (2) grants or contributions from any source for the purpose of purchasing capital improvements or equipment; and
- (3) noncommercial radio station grants received in the previous fiscal year pursuant to this section.

(f) "Local" means the area designated by the FCC's 60 dBu contour map.

Sec. 28. Minnesota Statutes 2012, section 129D.14, subdivision 3, is amended to read:

Subd. 3. **Eligibility.** (a) To qualify for a grant under this section, the licensee ~~shall~~ must:

~~(a) (1) hold a valid noncommercial educational radio station license or program test authority from the Federal Communications Commission; FCC that is a Class "A" or "C" FM, as defined in Code of Federal Regulations, title 47, subpart B, sections 73.210 and 73.211 or Class "C" or "D" AM, as defined in Code of Federal Regulations, title 47, subpart A, section 73.21. Stations with a Class "L1" and "LP100" are not eligible for this funding. The station must be licensed to a community in the state of Minnesota and must be operated as a noncommercial educational station.~~

~~(b) (2) have facilities adequate to provide local program production and origination;~~

(e) (3) employ a minimum of two full-time professional radio staff persons or the equivalent in part-time staff and agree to employ a minimum of two full-time professional radio staff persons or the equivalent in part-time staff throughout the fiscal year of the grant;

(d) (4) maintain a minimum daily broadcasting schedule of (H) (i) the maximum allowed by its Federal Communications Commission license or (2) (ii) 12 hours a day during the first year of eligibility for state assistance, 15 hours a day during the second year of eligibility and 18 hours a day during the third and following years of eligibility;

(e) (5) broadcast 365 days a year or the maximum number of days allowed by its Federal Communications Commission license with an exception for power outages and natural disasters;

(f) (6) have a daily broadcast schedule devoted primarily to programming that serves ascertained community needs of an educational, informational or cultural nature within its primary signal area; however, a program schedule of a main channel carrier designed to further the principles of one or more particular religious philosophies or including 25 percent or more religious programming on a broadcast day does not meet this criterion, nor does a program schedule of a main channel carrier designed primarily for in-school or professional in-service audiences;

(g) (7) originate significant, locally produced programming designed to serve its community of license;

(h) (8) have a total annual operating income and budget of at least \$50,000;

(i) (9) have either a board of directors representing the community or a community advisory board that conducts advisory board meetings that are open to the public;

(j) (10) have a board of directors that: (H) (i) holds the portion of any meeting relating to the management or operation of the radio station open to the public and (2) (ii) permits any person to attend any meeting of the board without requiring a person, as a condition to attendance at the meeting, to register the person's name or to provide any other information; and

(k) (11) have met the criteria in clauses (a) (1) to (j) (10) for six months before it is eligible for state assistance under this section.

(b) The commissioner shall accept the judgment of Corporation for Public Broadcasting accepted audit when it is available on a station's eligibility for assistance under the criteria of this subdivision. If the station is not qualified for assistance or is qualified for but not receiving funding from the Corporation for Public Broadcasting, an independent audit is required to verify eligibility under paragraph (a), clause (8). If neither is available, the commissioner may accept a written declaration of eligibility signed by an independent auditor, a certified public accountant, or the chief executive officer of the station's parent organization if it is an institution of education.

Sec. 29. Minnesota Statutes 2012, section 129D.15, is amended to read:

#### **129D.15 EQUIPMENT GRANTS.**

To be eligible for an equipment grant under sections 129D.11 to 129D.14, a public broadcasting station must meet the eligibility criteria set forth in sections 129D.13 and 129D.14. Before receiving an equipment grant, a station must submit to the commissioner a list of the equipment the station plans to purchase with the equipment grant. The commissioner may not require the station

to purchase equipment before receiving the grant funds. A station must report to the commissioner a list of the equipment purchased with the grant.

Sec. 30. Minnesota Statutes 2012, section 129D.155, is amended to read:

**129D.155 REPAYMENT OF FUNDS.**

State funds distributed to public television or noncommercial radio stations and used to purchase equipment assets must be repaid to the state, without interest, if the assets purchased with these funds are sold within five years or otherwise converted to a person other than a nonprofit or municipal corporation. The amount due to the state shall be the net amount realized from the sale of the assets, but shall not exceed the amount of state funds advanced for the purchase of the asset. The commissioner of administration may approve the use of funds derived from the sale of such assets for the purchase of new equipment for similar purposes.

Sec. 31. Minnesota Statutes 2012, section 161.1419, subdivision 3, is amended to read:

Subd. 3. **Investigatory powers; Chair, vice-chair, and secretary.** The commission may hold meetings and hearings at such time and places as it may designate to accomplish the purposes set forth in this section ~~and may subpoena witnesses and records.~~ It shall select a chair, a vice-chair, and such other officers from its membership as it deems necessary. The commission shall appoint a secretary who shall also serve as a commission member.

Sec. 32. Minnesota Statutes 2012, section 469.3201, is amended to read:

**469.3201 STATE LEGISLATIVE AUDITOR; AUDITS OF JOB OPPORTUNITY BUILDING ZONES AND BUSINESS SUBSIDY AGREEMENTS.**

As resources allow, the Office of the State Auditor legislative auditor must annually audit the creation and operation of all job opportunity building zones and business subsidy agreements entered into under Minnesota Statutes, sections 469.310 to 469.320. To the extent necessary to perform this audit, the state auditor may request from the commissioner of revenue tax return information of taxpayers who are eligible to receive tax benefits authorized under section 469.315. To the extent necessary to perform this audit, the state auditor may request from the commissioner of employment and economic development wage detail report information required under section 268.044 of taxpayers eligible to receive tax benefits authorized under section 469.315 All public officials and parties to the agreements shall provide the legislative auditor with all documents and data the legislative auditor deems necessary and in all other respects comply with the requirements of section 3.978, subdivision 2.

Sec. 33. Minnesota Statutes 2012, section 471.699, is amended to read:

**471.699 ENFORCEMENT OF REPORTING REQUIREMENTS.**

Failure of a city to timely file a statement or report under section 471.697 or 471.698 shall, in addition to any other penalties provided by law, authorize the state auditor to send full-time personnel to the city or to contract with private persons, firms, or corporations pursuant to section ~~6.58~~ 6.581, in order to complete and file the financial statement or report. The expenses related to the completion and filing of the financial statement or report shall be charged to the city. Upon failure by the city to pay the charge within 30 days of billing, the state auditor shall so certify to the commissioner of management and budget who shall forward the amount certified to the general fund and deduct

the amount from any state funds due to the city under any shared taxes or aids. The state auditor's annual report on cities shall include a listing of all cities failing to file a statement or report.

Sec. 34. **LEGISLATIVE ADVISORY COMMISSION CHAIR; 2013.**

Under Minnesota Statutes, section 3.30, subdivision 2, the chair of the Legislative Advisory Commission must be a member of the senate in 2013.

Sec. 35. **AUDIT OF FINANCIAL STATEMENTS.**

The legislative auditor shall examine alternatives for achieving an annual independent audit of the financial statements of the state of Minnesota required by Minnesota Statutes, section 16A.50, and make recommendations to the Legislative Audit Commission and appropriate legislative committees by October 1, 2013.

Sec. 36. **REVISOR'S INSTRUCTION.**

In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall:

(1) substitute the term "Office of MN.IT Services" for "Office of Enterprise Technology" in each place where the latter term appears; and

(2) substitute the term "MN.IT services revolving fund" for "enterprise technology revolving fund" in each place where the latter term appears.

Sec. 37. **REPEALER.**

Minnesota Statutes 2012, sections 3.304, subdivisions 1 and 5; 3.885, subdivision 10; and 6.58, are repealed.

## ARTICLE 4

### MILITARY AND VETERANS PROVISIONS

Section 1. Minnesota Statutes 2012, section 192.26, is amended to read:

**192.26 STATE AND MUNICIPAL OFFICERS AND EMPLOYEES NOT TO LOSE PAY WHILE ON AUTHORIZED LEAVE FOR MILITARY DUTY.**

Subdivision 1. **Authorized leave.** Subject to the conditions hereinafter prescribed, any officer or employee of the state or of any political subdivision, municipal corporation, or other public agency of the state who shall be a member of the National Guard, or any other component of the militia of the state now or hereafter organized or constituted under state or federal law, or who shall be a member of the officers' reserve corps, the enlisted reserve corps, the Naval Reserve, the Marine Corps reserve, or any other reserve component of the military or naval forces of the United States now or hereafter organized or constituted under federal law, shall be entitled to leave of absence from the public office or employment without loss of pay, seniority status, efficiency rating, vacation, sick leave, or other benefits for all the time when engaged with such organization or component in training or active service ordered or authorized by proper authority pursuant to law, whether for state or federal purposes, but not exceeding a total of 15 days in any calendar year. The state or political subdivision, municipal corporation, or other public agency shall allow the officer or employee to choose when during the calendar year to take the 15 days of paid military leave. The officer or employee may choose to use all of the 15 days of paid military leave at one time or, in the alternative, the 15 days

of paid military leave may be divided and taken throughout the calendar year at the discretion of the officer or employee. Such leave shall be allowed only in case the required military or naval service is satisfactorily performed, which shall be presumed unless the contrary is established. Such leave shall not be allowed unless the officer or employee (1) returns to the public position immediately on being relieved from such military or naval service and not later than the expiration of the time herein limited for such leave, or (2) is prevented from so returning by physical or mental disability or other cause not due to the officer's or employee's own fault, or (3) is required by proper authority to continue in such military or naval service beyond the time herein limited for such leave.

Sec. 2. Minnesota Statutes 2012, section 197.608, subdivision 1, is amended to read:

Subdivision 1. **Grant program.** A veterans service office grant program is established to be administered by the commissioner of veterans affairs consisting of grants to counties to enable them to enhance the effectiveness of their veterans service offices. "Commissioner" as used in this section means the commissioner of veterans affairs.

Sec. 3. Minnesota Statutes 2012, section 197.608, subdivision 3, is amended to read:

Subd. 3. **Eligibility.** (a) To be eligible for a grant under ~~this program~~ subdivision 6, a county must employ a county veterans service officer as authorized by sections 197.60 and 197.606, who is certified to serve in this position by the commissioner.

(b) A county that employs a newly hired county veterans service officer who is serving an initial probationary period and who has not been certified by the commissioner is eligible to receive a grant under ~~subdivision 2a 6~~ subdivision 6 for one year from the date the county veterans service officer is appointed.

(c) ~~Except for the situation described in paragraph (b), A county whose county veterans service officer does not receive certification during any year of the three-year cycle is not eligible to receive a grant during the remainder of that cycle or the next three-year cycle by the end of the first year of the county veterans service officer's appointment is ineligible for the grant under subdivision 6 until the county veterans service officer receives certification.~~

Sec. 4. Minnesota Statutes 2012, section 197.608, subdivision 4, is amended to read:

Subd. 4. **Grant process.** (a) The commissioner shall determine the process for awarding grants. A grant may be used only for the purpose of enhancing the operations of the County Veterans Service Office.

(b) The commissioner shall provide a list of qualifying uses for grant expenditures as developed in subdivision 5 and shall approve a grant under subdivision 6 only for a qualifying use and if there are sufficient funds remaining in the grant program to cover the full amount of the grant.

(c) The commissioner is authorized to use any unexpended funding for this program to provide training and education for county veterans service officers.

Sec. 5. Minnesota Statutes 2012, section 197.608, subdivision 5, is amended to read:

Subd. 5. **Qualifying uses.** The commissioner shall consult with the Minnesota Association of County Veterans Service Officers in developing a list of qualifying uses for grants awarded under ~~this program~~ subdivision 6.

~~The commissioner is authorized to use any unexpended funding for this program to provide training and education for county veterans service officers.~~

Sec. 6. Minnesota Statutes 2012, section 197.608, subdivision 6, is amended to read:

Subd. 6. **Grant amount.** (a) Each county is eligible to receive an annual grant of \$7,500 for the following purposes:

- (1) to provide outreach to the county's veterans;
- (2) to assist in the reintegration of combat veterans into society;
- (3) to collaborate with other social service agencies, educational institutions, and other community organizations for the purposes of enhancing services offered to veterans;
- (4) to reduce homelessness among veterans; and
- (5) to enhance the operations of the county veterans service office.

(b) In addition to the grant amount in paragraph (a), each county is eligible to receive an additional annual grant under this paragraph. The amount of each additional annual grant must be determined by the commissioner and may not exceed:

- (1) ~~\$1,400~~ \$0, if the county's veteran population is less than 1,000;
- (2) ~~\$2,800~~ \$2,500, if the county's veteran population is 1,000 or more but less than 3,000;
- (3) ~~\$4,200~~ \$5,000, if the county's veteran population is 3,000 or more but less than ~~10,000~~ 4,999; or
- (4) ~~\$5,600~~ \$7,500, if the county's veteran population is ~~10,000~~ 5,000 or more: but less than 9,999;
- (5) \$10,000, if the county's veteran population is 10,000 or more but less than 19,999;
- (6) \$15,000, if the county's veteran population is 20,000 or more but less than 29,999; or
- (7) \$20,000, if the county's veteran population is 30,000 or more.

(c) The Minnesota Association of County Veterans Service Officers is eligible to receive an annual grant of \$50,000. The grant shall be used for administrative costs of the association, certification of mandated county veterans service officer training and accreditation, and costs associated with reintegration services.

The veteran population of each county shall be determined by the figure supplied by the United States Department of Veterans Affairs, as adopted by the commissioner.

Sec. 7. Minnesota Statutes 2012, section 197.791, subdivision 4, is amended to read:

Subd. 4. **Eligibility.** (a) A person is eligible for educational assistance under this section if:

- (1) the person is:
  - (i) a veteran who is serving or has served honorably in any branch or unit of the United States armed forces at any time ~~on or after September 11, 2001;~~
  - (ii) a nonveteran who has served honorably for a total of five years or more cumulatively as a member of the Minnesota National Guard or any other active or reserve component of the United States armed forces, and any part of that service occurred on or after September 11, 2001;

(iii) the surviving spouse or child of a person who has served in the military ~~at any time on or after September 11, 2001,~~ and who has died as a direct result of that military service, only if the surviving spouse or child is eligible to receive federal education benefits under United States Code, title 38, chapter 33, as amended, or United States Code, title 38, chapter 35, as amended; or

(iv) the spouse or child of a person who has served in the military at any time ~~on or after September 11, 2001,~~ and who has a total and permanent service-connected disability as rated by the United States Veterans Administration, only if the spouse or child is eligible to receive federal education benefits under United States Code, title 38, chapter 33, as amended, or United States Code, title 38, chapter 35, as amended; and

(2) the person receiving the educational assistance is a Minnesota resident, as defined in section 136A.101, subdivision 8; and

(3) the person receiving the educational assistance:

(i) is an undergraduate or graduate student at an eligible institution;

(ii) is maintaining satisfactory academic progress as defined by the institution for students participating in federal Title IV programs;

(iii) is enrolled in an education program leading to a certificate, diploma, or degree at an eligible institution;

(iv) has applied for educational assistance under this section prior to the end of the academic term for which the assistance is being requested;

(v) is in compliance with child support payment requirements under section 136A.121, subdivision 2, clause (5); and

(vi) has completed the Free Application for Federal Student Aid (FAFSA).

(b) A person's eligibility terminates when the person becomes eligible for benefits under section 135A.52.

(c) To determine eligibility, the commissioner may require official documentation, including the person's federal form DD-214 or other official military discharge papers; correspondence from the United States Veterans Administration; birth certificate; marriage certificate; proof of enrollment at an eligible institution; signed affidavits; proof of residency; proof of identity; or any other official documentation the commissioner considers necessary to determine eligibility.

(d) The commissioner may deny eligibility or terminate benefits under this section to any person who has not provided sufficient documentation to determine eligibility for the program. An applicant may appeal the commissioner's eligibility determination or termination of benefits in writing to the commissioner at any time. The commissioner must rule on any application or appeal within 30 days of receipt of all documentation that the commissioner requires. The decision of the commissioner regarding an appeal is final. However, an applicant whose appeal of an eligibility determination has been rejected by the commissioner may submit an additional appeal of that determination in writing to the commissioner at any time that the applicant is able to provide substantively significant additional information regarding the applicant's eligibility for the program. An approval of an applicant's eligibility by the commissioner following an appeal by

the applicant is not retroactively effective for more than one year or the semester of the person's original application, whichever is later.

(e) Upon receiving an application with insufficient documentation to determine eligibility, the commissioner must notify the applicant within 30 days of receipt of the application that the application is being suspended pending receipt by the commissioner of sufficient documentation from the applicant to determine eligibility.

Sec. 8. Minnesota Statutes 2012, section 197.791, subdivision 5, is amended to read:

Subd. 5. **Benefit amount.** (a) On approval by the commissioner of eligibility for the program, the applicant shall be awarded, on a funds-available basis, the educational assistance under the program for use at any time according to program rules at any eligible institution.

(b) The amount of educational assistance in any semester or term for an eligible person must be determined by subtracting from the eligible person's cost of attendance the amount the person received or was eligible to receive in that semester or term from:

(1) the federal Pell Grant;

(2) the state grant program under section 136A.121; and

(3) any federal military or veterans educational benefits including but not limited to the Montgomery GI Bill, GI Bill Kicker, the federal tuition assistance program, vocational rehabilitation benefits, and any other federal benefits associated with the person's status as a veteran, except veterans disability payments from the United States Veterans Administration and payments made under the Veterans Retraining Assistance Program (VRAP).

(c) The amount of educational assistance for any eligible person who is a full-time student must not exceed the following:

(1) \$1,000 per semester or term of enrollment;

(2) \$3,000 per state fiscal year; and

(3) \$10,000 in a lifetime.

For a part-time student, the amount of educational assistance must not exceed \$500 per semester or term of enrollment. For the purpose of this paragraph, a part-time undergraduate student is a student taking fewer than 12 credits or the equivalent for a semester or term of enrollment and a part-time graduate student is a student considered part time by the eligible institution the graduate student is attending. The minimum award for undergraduate and graduate students is \$50 per term.

Sec. 9. Minnesota Statutes 2012, section 364.03, subdivision 3, is amended to read:

Subd. 3. **Evidence of rehabilitation.** (a) A person who has been convicted of a crime or crimes which directly relate to the public employment sought or to the occupation for which a license is sought shall not be disqualified from the employment or occupation if the person can show competent evidence of sufficient rehabilitation and present fitness to perform the duties of the public employment sought or the occupation for which the license is sought. Sufficient Competent evidence of sufficient rehabilitation may be established by the production of the person's most recent certified copy of a United States Department of Defense form DD-214 showing the person's honorable discharge, or separation under honorable conditions, from the United States armed forces



for military service rendered following conviction for any crime that would otherwise disqualify the person from the public employment sought or the occupation for which the license is sought, or:

- (1) a copy of the local, state, or federal release order; and
- (2) evidence showing that at least one year has elapsed since release from any local, state, or federal correctional institution without subsequent conviction of a crime; and evidence showing compliance with all terms and conditions of probation or parole; or
- (3) a copy of the relevant Department of Corrections discharge order or other documents showing completion of probation or parole supervision.

(b) In addition to the documentary evidence presented, the licensing or hiring authority shall consider any evidence presented by the applicant regarding:

- (1) the nature and seriousness of the crime or crimes for which convicted;
- (2) all circumstances relative to the crime or crimes, including mitigating circumstances or social conditions surrounding the commission of the crime or crimes;
- (3) the age of the person at the time the crime or crimes were committed;
- (4) the length of time elapsed since the crime or crimes were committed; and
- (5) all other competent evidence of rehabilitation and present fitness presented, including, but not limited to, letters of reference by persons who have been in contact with the applicant since the applicant's release from any local, state, or federal correctional institution.

(c) The certified copy of a person's United States Department of Defense form DD-214 showing the person's honorable discharge or separation under honorable conditions from the United States armed forces ceases to qualify as competent evidence of sufficient rehabilitation for purposes of this section upon the person's conviction for any gross misdemeanor or felony committed by the person subsequent to the effective date of that honorable discharge or separation from military service.

**Sec. 10. [471.3457] VETERAN-OWNED SMALL BUSINESS CONTRACTS.**

Subdivision 1. **Definitions.** For the purposes of this section:

- (1) "local government" means a town or home rule charter or statutory city; and
- (2) "governing body" means the town board of supervisors or city council.

Subd. 2. **Authority.** The governing body of a local government may implement a program within its jurisdiction to provide a bid preference in awarding contracts as defined in section 471.345, and in awarding contracts for services, to designated veteran-owned small businesses, as provided in section 375.771.

Sec. 11. Minnesota Statutes 2012, section 626.8517, is amended to read:

**626.8517 ELIGIBILITY FOR RECIPROCITY EXAMINATION BASED ON RELEVANT MILITARY EXPERIENCE.**

(a) For purposes of this section:

- (1) "active service" has the meaning given in section 190.05, subdivision 5; and

(2) "relevant military experience" means:

(i) five years' active service experience in a military law enforcement occupational specialty;

(ii) three years' active service experience in a military law enforcement occupational specialty, and completion of a two-year or more degree from a regionally accredited postsecondary education institution; or

(iii) five years' cumulative experience as a full-time peace officer in another state combined with active service experience in a military law enforcement occupational specialty.

(b) A person ~~who has relevant military experience and who~~ is eligible to take the reciprocity examination if the person has relevant military experience and:

(1) has been honorably discharged from military active service as evidenced by a the most recent form DD-214 is eligible to take the reciprocity examination; or

(2) is currently in active service as evidenced by:

(i) active duty orders providing service time in military police specialty;

(ii) a United States Department of Defense Manpower Data Center status report pursuant to Service Members Civil Relief Act, active duty status report; or

(iii) Military Personnel Center assignment information.

(c) A person who passed the examination under paragraph (b), clause (2), shall not be eligible to be licensed as a peace officer until honorably discharged as evidenced by the most recent form DD-214.

Sec. 12. **REPEALER.**

Minnesota Statutes 2012, section 197.608, subdivision 2a, is repealed.

## ARTICLE 5

### REVENUE DEPARTMENT

Section 1. Minnesota Statutes 2012, section 16A.82, is amended to read:

#### **16A.82 TECHNOLOGY LEASE-PURCHASE APPROPRIATION.**

The following amounts are appropriated from the general fund to the commissioner to make payments under a lease-purchase agreement as defined in section 16A.81 for replacement of the state's accounting and procurement systems, provided that the state is not obligated to continue such appropriation of funds or to make lease payments in any future fiscal year.

Fiscal year 2010	\$2,828,038
Fiscal year 2011	\$3,063,950
Fiscal year 2012	\$8,967,850
Fiscal year 2013	\$8,968,950
Fiscal year 2014	\$8,970,850

Fiscal year 2015	\$8,971,150
Fiscal year 2016	\$8,966,450
Fiscal year 2017	\$8,967,500
Fiscal year 2018	\$8,970,750
Fiscal year 2019	\$8,968,500

Of these appropriations, up to \$2,000 per year may be used to pay the annual trustee fees for the lease-purchase agreements authorized in this section ~~and section 270C.145~~. Any unexpended portions of this appropriation cancel to the general fund at the close of each biennium. This section expires June 30, 2019.

Sec. 2. Minnesota Statutes 2012, section 65B.84, subdivision 1, is amended to read:

Subdivision 1. **Program described; commissioner's duties; appropriation.** (a) The commissioner of commerce shall:

(1) develop and sponsor the implementation of statewide plans, programs, and strategies to combat automobile theft, improve the administration of the automobile theft laws, and provide a forum for identification of critical problems for those persons dealing with automobile theft;

(2) coordinate the development, adoption, and implementation of plans, programs, and strategies relating to interagency and intergovernmental cooperation with respect to automobile theft enforcement;

(3) annually audit the plans and programs that have been funded in whole or in part to evaluate the effectiveness of the plans and programs and withdraw funding should the commissioner determine that a plan or program is ineffective or is no longer in need of further financial support from the fund;

(4) develop a plan of operation including:

(i) an assessment of the scope of the problem of automobile theft, including areas of the state where the problem is greatest;

(ii) an analysis of various methods of combating the problem of automobile theft;

(iii) a plan for providing financial support to combat automobile theft;

(iv) a plan for eliminating car hijacking; and

(v) an estimate of the funds required to implement the plan; and

(5) distribute money, in consultation with the commissioner of public safety, pursuant to subdivision 3 from the automobile theft prevention special revenue account for automobile theft prevention activities, including:

(i) paying the administrative costs of the program;

(ii) providing financial support to the State Patrol and local law enforcement agencies for automobile theft enforcement teams;

(iii) providing financial support to state or local law enforcement agencies for programs designed to reduce the incidence of automobile theft and for improved equipment and techniques for responding to automobile thefts;

(iv) providing financial support to local prosecutors for programs designed to reduce the incidence of automobile theft;

(v) providing financial support to judicial agencies for programs designed to reduce the incidence of automobile theft;

(vi) providing financial support for neighborhood or community organizations or business organizations for programs designed to reduce the incidence of automobile theft and to educate people about the common methods of automobile theft, the models of automobiles most likely to be stolen, and the times and places automobile theft is most likely to occur; and

(vii) providing financial support for automobile theft educational and training programs for state and local law enforcement officials, driver and vehicle services exam and inspections staff, and members of the judiciary.

(b) The commissioner may not spend in any fiscal year more than ten percent of the money in the fund for the program's administrative and operating costs. The commissioner is annually appropriated and must distribute the amount of the proceeds credited to the automobile theft prevention special revenue account each year, less the transfer of \$1,300,000 each year to the general fund described in section ~~68A.40, subdivision 4~~ 297I.11, subdivision 2.

**EFFECTIVE DATE.** This section is effective for premiums collected after June 30, 2013.

Sec. 3. Minnesota Statutes 2012, section 270C.69, subdivision 1, is amended to read:

Subdivision 1. **Notice and procedures.** (a) The commissioner may, within five years after the date of assessment of the tax, or if a lien has been filed under section 270C.63, within the statutory period for enforcement of the lien, give notice to any employer deriving income which has a taxable situs in this state regardless of whether the income is exempt from taxation, that an employee of that employer is delinquent in a certain amount with respect to any taxes, including penalties, interest, and costs. The commissioner can proceed under this section only if the tax is uncontested or if the time for appeal of the tax has expired. The commissioner shall not proceed under this section until the expiration of 30 days after mailing to the taxpayer, at the taxpayer's last known address, a written notice of (1) the amount of taxes, interest, and penalties due from the taxpayer and demand for their payment, and (2) the commissioner's intention to require additional withholding by the taxpayer's employer pursuant to this section. The effect of the notice shall expire one year after it has been mailed to the taxpayer provided that the notice may be renewed by mailing a new notice which is in accordance with this section. The renewed notice shall have the effect of reinstating the priority of the original claim. The notice to the taxpayer shall be in substantially the same form as that provided in section 571.72. The notice shall further inform the taxpayer of the wage exemptions contained in section 550.37, subdivision 14. If no statement of exemption is received by the commissioner within 30 days from the mailing of the notice, the commissioner may proceed under this section. The notice to the taxpayer's employer may be served by mail or by delivery by an agent of the department and shall be in substantially the same form as provided in section 571.75. Upon receipt of notice, the employer shall withhold from compensation due or to become due to the employee, the total amount shown by the notice, subject to the provisions of section 571.922. The employer shall continue to withhold each pay period until the notice is released by the commissioner under section 270C.7109.

Upon receipt of notice by the employer, the claim of the state of Minnesota shall have priority over any subsequent garnishments or wage assignments. The commissioner may arrange between the employer and the employee for withholding a portion of the total amount due the employee each pay period, until the total amount shown by the notice plus accrued interest has been withheld.

(b) The "compensation due" any employee is defined in accordance with the provisions of section 571.921. The maximum withholding allowed under this section for any one pay period shall be decreased by any amounts payable pursuant to a garnishment action with respect to which the employer was served prior to being served with the notice of delinquency and any amounts covered by any irrevocable and previously effective assignment of wages; the employer shall give notice to the commissioner of the amounts and the facts relating to such assignments within ten days after the service of the notice of delinquency on the form provided by the commissioner as noted in this section.

(c) Within ten days after the expiration of such pay period, the employer shall remit to the commissioner, ~~on a form and~~ in the manner prescribed by the commissioner, the amount withheld during each pay period under this section. The employer must file all wage levy disclosure forms and remit all wage levy payments by electronic means.

**EFFECTIVE DATE.** This section is effective for wage levy disclosures or wage levy payments filed or made after December 31, 2013.

Sec. 4. Minnesota Statutes 2012, section 289A.20, subdivision 2, is amended to read:

Subd. 2. **Withholding from wages, entertainer withholding, withholding from payments to out-of-state contractors, and withholding by partnerships, small business corporations, trusts.**

(a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships, S corporations, and trusts must be paid on a quarterly basis as estimated taxes under section 289A.25 for partnerships and trusts and under section 289A.26 for S corporations.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Code of Federal Regulations, title 26, section 31.6302-1, as amended through December 31, 2001, without regard to the safe harbor or de minimis rules in paragraph (f) or the one-day rule in paragraph (c)(3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner

and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld is:

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

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

the employer must remit each required deposit for wages paid in ~~the~~ all subsequent calendar year years by electronic means.

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by electronic means as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 5. 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~~ 2013, and fiscal years thereafter, must remit by electronic means all liabilities on returns due for periods beginning in ~~the~~ all subsequent calendar year years 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 for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 6. Minnesota Statutes 2012, section 289A.26, subdivision 2a, is amended to read:

Subd. 2a. **Electronic payments.** If the aggregate amount of estimated tax payments made is:

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

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

all estimated tax payments in the all subsequent calendar year years must be paid by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 7. Minnesota Statutes 2012, section 295.55, subdivision 4, is amended to read:

Subd. 4. **Electronic payments.** A taxpayer with an aggregate tax liability of:

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

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

must remit all liabilities by electronic means in the all subsequent calendar year years.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 8. Minnesota Statutes 2012, section 297F.09, subdivision 7, is amended to read:

Subd. 7. **Electronic payment.** A cigarette or tobacco products distributor having a liability of \$10,000 or more during a fiscal year ending June 30 must remit all liabilities in the all subsequent calendar year years by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 9. Minnesota Statutes 2012, section 297G.09, subdivision 6, is amended to read:

Subd. 6. **Electronic payments.** A licensed brewer, importer, or wholesaler having an excise tax liability of \$10,000 or more during a fiscal year ending June 30 must remit all excise tax liabilities in the all subsequent calendar year years by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.



Sec. 10. [297I.11] AUTOMOBILE THEFT PREVENTION SURCHARGE.

Subdivision 1. **Surcharge.** Each insurer engaged in the writing of policies of automobile insurance shall collect a surcharge, at the rate of 50 cents per vehicle for every six months of coverage, on each policy of automobile insurance providing comprehensive insurance coverage issued or renewed in this state. The surcharge may not be considered premium for any purpose, including the computation of premium tax or agents' commissions. The amount of the surcharge must be separately stated on either a billing or policy declaration sent to an insured. Insurers shall remit the revenue derived from this surcharge to the commissioner of revenue for purposes of the automobile theft prevention program described in section 65B.84. For purposes of this subdivision, "policy of automobile insurance" has the meaning given it in section 65B.14, covering only the following types of vehicles as defined in section 168.002:

- (1) a passenger automobile;
- (2) a pickup truck;
- (3) a van but not commuter vans as defined in section 168.126; or
- (4) a motorcycle,

except that no vehicle with a gross vehicle weight in excess of 10,000 pounds is included within this definition.

Subd. 2. **Automobile theft prevention account.** A special revenue account in the state treasury shall be credited with the proceeds of the surcharge imposed under subdivision 1. Of the revenue in the account, \$1,300,000 each year must be transferred to the general fund. Revenues in excess of \$1,300,000 each year may be used only for the automobile theft prevention program described in section 65B.84.

Subd. 3. **Collection and administration.** The commissioner shall collect and administer the surcharge imposed by this section in the same manner as the taxes imposed by this chapter.

**EFFECTIVE DATE.** This section is effective for premiums collected after June 30, 2013.

Sec. 11. Minnesota Statutes 2012, section 297I.30, is amended by adding a subdivision to read:

Subd. 10. **Automobile theft prevention surcharge.** On or before May 1, August 1, November 1, and February 1 of each year, every insurer required to pay the surcharge under section 297I.11 shall file a return with the commissioner for the preceding three-month period ending March 31, June 30, September 30, and December 31, in the form prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for premiums collected after June 30, 2013.

Sec. 12. Minnesota Statutes 2012, section 297I.35, subdivision 2, is amended to read:

Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges due under this chapter during a fiscal year ending June 30 is equal to or exceeds \$10,000, or if the taxpayer is required to make payment of any other tax to the commissioner by electronic means, then all tax and surcharge payments in the all subsequent calendar year years must be paid by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 13. Minnesota Statutes 2012, section 473.843, subdivision 3, is amended to read:

Subd. 3. **Payment of fee.** On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

An operator having a fee of \$10,000 or more during a fiscal year ending June 30 must pay all fees in ~~the~~ all subsequent calendar ~~year~~ years by electronic means.

**EFFECTIVE DATE.** This section is effective for the fiscal year ending June 30, 2013, and all fiscal years thereafter.

Sec. 14. **DATA SECURITY AUDIT.**

The legislative auditor is requested, as resources permit, to conduct a data security audit under Minnesota Statutes, section 3.971, subdivision 6a, of the Department of Revenue's use of debit cards as payment for tax refunds.

Sec. 15. **REPEALER.**

(a) Minnesota Statutes 2012, section 168A.40, subdivisions 3 and 4, are repealed effective for premiums collected after June 30, 2013.

(b) Minnesota Statutes 2012, section 270C.145, is repealed the day following final enactment.

## ARTICLE 6

### COMPENSATION COUNCIL

Section 1. Minnesota Statutes 2012, section 3.855, subdivision 3, is amended to read:

Subd. 3. **Other salaries and compensation plans.** The commission shall also:

(1) review and approve, reject, or modify a plan for compensation and terms and conditions of employment prepared and submitted by the commissioner of management and budget under section 43A.18, subdivision 2, covering all state employees who are not represented by an exclusive bargaining representative and whose compensation is not provided for by chapter 43A or other law;

(2) review and approve, reject, or modify a plan for total compensation and terms and conditions of employment for employees in positions identified as being managerial under section 43A.18, subdivision 3, whose salaries and benefits are not otherwise provided for in law or other plans established under chapter 43A;

(3) review and approve, reject, or modify recommendations for salaries submitted by ~~the governor or other~~ an appointing authority other than the governor under section 15A.0815, subdivision 5, covering agency head positions listed in section 15A.0815;

(4) review and approve, reject, or modify recommendations for ~~salaries~~ salary range of officials of higher education systems under section 15A.081, ~~subdivisions 7b and~~ subdivision 7c;

(5) review and approve, reject, or modify plans for compensation, terms, and conditions of employment proposed under section 43A.18, subdivisions 3a, 3b, and 4; and

(6) review and approve, reject, or modify the plan for compensation, terms, and conditions of employment of classified employees in the office of the legislative auditor under section 3.971, subdivision 2.

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

Sec. 2. Minnesota Statutes 2012, section 15A.0815, subdivision 1, is amended to read:

Subdivision 1. **Salary limits.** The governor or other appropriate appointing authority shall set the salary rates for positions listed in this section within the salary limits listed in subdivisions 2 to 4. If the appointing authority is not the governor, the appointing authority's action is subject to approval of the Legislative Coordinating Commission and the legislature as provided by subdivision 5 and sections 3.855 and 15A.081, subdivision 7b.

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

Sec. 3. Minnesota Statutes 2012, section 15A.0815, subdivision 2, is amended to read:

Subd. 2. **Group I salary limits.** ~~The salaries for positions in this subdivision may not exceed 95 percent of the salary of the governor.~~ The salary for a position listed in this subdivision shall not exceed 133 percent of the salary of the governor. This limit must be adjusted annually on January 1. The new limit must equal the limit for the prior year increased by the percentage increase, if any, in the Consumer Price Index for all urban consumers from October of the second prior year to October of the immediately prior year. The commissioner of management and budget must publish the limit on the department's Web site. This subdivision applies to the following positions:

- Commissioner of administration;
- Commissioner of agriculture;
- Commissioner of education;
- Commissioner of commerce;
- Commissioner of corrections;
- Commissioner of health;
- Executive director, Minnesota Office of Higher Education;
- Commissioner, Housing Finance Agency;
- Commissioner of human rights;
- Commissioner of human services;
- Commissioner of labor and industry;
- Commissioner of management and budget;
- Commissioner of natural resources;
- ~~Director of Office of Strategic and Long-Range Planning;~~
- Commissioner, Pollution Control Agency;
- Executive director, Public Employees Retirement Association;

Commissioner of public safety;  
Commissioner of revenue;  
Executive director, State Retirement System;  
Executive director, Teachers Retirement Association;  
Commissioner of employment and economic development;  
Commissioner of transportation; and  
Commissioner of veterans affairs.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 15A.0815, subdivision 3, is amended to read:

Subd. 3. **Group II salary limits.** The salaries for positions in this subdivision may not exceed 85 percent of the salary of the governor. The salary for a position listed in this subdivision shall not exceed 120 percent of the salary of the governor. This limit must be adjusted annually on January 1. The new limit must equal the limit for the prior year increased by the percentage increase, if any, in the Consumer Price Index for all urban consumers from October of the second prior year to October of the immediately prior year. The commissioner of management and budget must publish the limit on the department's Web site. This subdivision applies to the following positions:

Executive director of Gambling Control Board;  
Commissioner, Iron Range Resources and Rehabilitation Board;  
Commissioner, Bureau of Mediation Services;  
Ombudsman for Mental Health and Developmental Disabilities;  
Chair, Metropolitan Council;  
School trust lands director;  
Executive director of pari-mutuel racing; and  
Commissioner, Public Utilities Commission.

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 15A.0815, subdivision 5, is amended to read:

Subd. 5. **Appointing authorities to recommend certain salaries.** (a) When the governor is the appointing authority, the governor, or other appropriate appointing authority, may submit to the Legislative Coordinating Commission recommendations for must establish salaries within the salary limits for the positions listed in subdivisions 2 to 4. An appointing authority may also propose additions or deletions of positions from those listed. Before establishing a salary, the governor must consult with the commissioner of management and budget concerning the salary. In establishing the salary, the governor shall consider the criteria established in section 43A.18, subdivision 8, and the performance of individual incumbents. The performance evaluation must include a review of an incumbent's progress toward attainment of affirmative action goals. The governor shall establish an

objective system for quantifying knowledge, abilities, duties, responsibilities, and accountabilities, and in determining recommendations rate each position by this system.

(b) An appointing authority other than the governor may submit to the Legislative Coordinating Commission recommendations for salaries within the salary limits for the positions listed in subdivisions 2 to 4.

(b) Before submitting the recommendations, the appointing authority shall consult with the commissioner of management and budget concerning the recommendations.

(c) In making recommendations, the appointing authority shall consider the criteria established in section 43A.18, subdivision 8, and the performance of individual incumbents. The performance evaluation must include a review of an incumbent's progress toward attainment of affirmative action goals. The appointing authority shall establish an objective system for quantifying knowledge, abilities, duties, responsibilities, and accountabilities, and in determining recommendations, rate each position by this system.

~~(d) Before the appointing authority's recommended salaries take effect, the recommendations must be reviewed and approved, rejected, or modified by the Legislative Coordinating Commission and the legislature under section 3.855, subdivisions 2 and 3. If, when the legislature is not in session, the commission fails to reject or modify salary recommendations of the governor within 30 calendar days of their receipt, the recommendations are deemed to be approved.~~

(c) The governor or other appointing authority may propose additions or deletions of positions from those listed in subdivisions 2 to 4.

~~(e) (d) The governor or other appointing authority shall set the initial salary of a head of a new agency or a chair of a new metropolitan board or commission whose salary is not specifically prescribed by law after consultation with the commissioner, whose recommendation is advisory only. The amount of the new salary must be comparable to the salary of an agency head or commission chair having similar duties and responsibilities.~~

~~(f) (e) The salary of a newly appointed head of an agency or chair of a metropolitan agency listed in subdivisions 2 to 4 who is appointed by someone other than the governor, may be increased or decreased by the appointing authority from the salary previously set for that position within 30 days of the new appointment after consultation with the commissioner. If the appointing authority increases a salary under this paragraph, the appointing authority shall submit the new salary to the Legislative Coordinating Commission and the full legislature for approval, modification, or rejection under section 3.855, subdivisions 2 and 3. If, when the legislature is not in session, the commission fails to reject or modify salary recommendations of the governor within 30 calendar days of their receipt, the recommendations are deemed to be approved.~~

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

Sec. 6. Minnesota Statutes 2012, section 15A.082, subdivision 1, is amended to read:

Subdivision 1. **Creation.** A Compensation Council is created each ~~even-numbered~~ odd-numbered year to assist the legislature in establishing the compensation of constitutional officers, members of the legislature, justices of the Supreme Court, judges of the Court of Appeals and district court, and the heads of state and metropolitan agencies included in section 15A.0815.

Sec. 7. Minnesota Statutes 2012, section 15A.082, subdivision 2, is amended to read:

Subd. 2. **Membership.** The Compensation Council consists of 16 members: two members of ~~the house of representatives~~ appointed by the speaker of the house, who are not members of the legislature; two members of ~~the senate~~ appointed by the majority leader of the senate, who are not members of the legislature; one member of ~~the house of representatives~~ appointed by the minority leader of the house of representatives, who is not a member of the legislature; one member of ~~the senate~~ appointed by the minority leader of the senate, who is not a member of the legislature; two nonjudges appointed by the chief justice of the Supreme Court; and one member from each congressional district appointed by the governor, of whom no more than four may belong to the same political party. Appointments must be made by ~~October 1~~ after the first Monday in January and before January 15. The compensation and removal of members appointed by the governor or the chief justice shall be as provided in section 15.059, subdivisions 3 and 4. The Legislative Coordinating Commission shall provide the council with administrative and support services.

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

Sec. 8. Minnesota Statutes 2012, section 15A.082, subdivision 3, is amended to read:

Subd. 3. **Submission of recommendations.** (a) By ~~May 1~~ March 15 in each odd-numbered year, the Compensation Council shall submit to the speaker of the house and the president of the senate salary recommendations for constitutional officers, legislators, justices of the Supreme Court, and judges of the Court of Appeals and district court. The recommended salary for each office must take effect on the first Monday in January of the next odd-numbered year, with no more than one adjustment, to take effect on January 1 of the year after that. The salary recommendations for legislators, judges, and constitutional officers take effect if an appropriation of money to pay the recommended salaries is enacted after the recommendations are submitted and before their effective date. Recommendations may be expressly modified or rejected. The salary recommendations for legislators are subject to additional terms that may be adopted according to section 3.099, subdivisions 1 and 3.

(b) The council shall also submit to the speaker of the house and the president of the senate recommendations for the salary ranges of the heads of state and metropolitan agencies, to be effective retroactively from January 1 of that year if enacted into law. The recommendations shall include the appropriate group in section 15A.0815 to which each agency head should be assigned and the appropriate limitation on the maximum range of the salaries of the agency heads in each group, expressed as a percentage of the salary of the governor.

Sec. 9. Minnesota Statutes 2012, section 43A.17, subdivision 1, is amended to read:

Subdivision 1. **Salary limits.** As used in subdivisions 1 to 9, "salary" means hourly, monthly, or annual rate of pay including any lump-sum payments and cost-of-living adjustment increases but excluding payments due to overtime worked, shift or equipment differentials, work out of class as required by collective bargaining agreements or plans established under section 43A.18, and back pay on reallocation or other payments related to the hours or conditions under which work is performed rather than to the salary range or rate to which a class is assigned. For presidents of state universities, "salary" does not include a housing allowance provided through a compensation plan approved under section 43A.18, subdivision 3a.

~~The salary, as established in section 15A.0815, of the head of a state agency in the executive branch is the upper limit on the salaries of individual employees in the agency. However, if an agency head is assigned a salary that is lower than the current salary of another agency employee,~~

~~the employee retains the salary, but may not receive an increase in salary as long as the salary is above that of the agency head. The commissioner may grant exemptions from these upper limits as provided in subdivisions 3 and 4.~~

**EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

Sec. 10. Minnesota Statutes 2012, section 43A.17, subdivision 3, is amended to read:

Subd. 3. **Unusual employment situations.** (a) Upon the request of the appointing authority, and when the commissioner determines that changes in employment situations create difficulties in attracting or retaining employees, the commissioner may approve an unusual employment situation increase to advance an employee within the compensation plan salary range.

(b) ~~If the commissioner determines that a position requires special expertise necessitating a higher salary to attract or retain qualified persons, the commissioner may grant an exemption not to exceed 120 percent of the salary of the head of the agency or the maximum rate established for the position, whichever is less.~~

(c) ~~The following conditions apply to a request under paragraph (a) to advance an employee within a compensation plan or under paragraph (b) to exceed the salary of the agency head~~ salary range:

(1) the appointing authority making the request must submit a detailed written statement for each position contained in the request, specifying the changes in employment situations that create difficulties in attracting or retaining an employee for the position;

(2) the commissioner shall review each proposal giving due consideration to salary rates paid to other employees in the same class and agency and, if other conditions in this paragraph are met, may approve any request that in the commissioner's judgment is in the best interest of the state;

(3) the action must be consistent with applicable provisions of collective bargaining agreements or plans adopted under section 43A.18;

(4) each increase or exemption must be separately documented for each employee or position and may not be applied to groups of employees; and

(5) the commissioner shall report the granting of a request to the chair of the Legislative Coordinating Commission within three working days.

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

Sec. 11. **COMPENSATION STUDY.**

The commissioner of management and budget must contract with an independent consultant to conduct a comprehensive market analysis of compensation for managerial positions in the executive branch in order to better align compensation for these positions with comparable positions in the private sector and with other relevant public sector employers. The analysis should evaluate total compensation, including insurance, retirement, and performance pay.

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

Sec. 12. **CONSTITUTIONAL OFFICERS SALARIES.**

The salary of the governor is increased by three percent effective January 1, 2015, and by three percent on January 1, 2016. The salaries of the other constitutional officers shall be adjusted to retain their proportional relationship as of January 1, 2013, to the salary of the governor.

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

Sec. 13. **REPEALER.**

Minnesota Statutes 2012, section 43A.17, subdivision 4, is repealed."

Delete the title and insert:

"A bill for an act relating to the operation of state government; providing funding for the legislature, constitutional officers and other agencies, boards, councils, commissions, and state entities; changing certain state government programs; changing powers and duties of certain state officers; repealing the Minnesota Sunset Act; requiring the chair of the Legislative Advisory Commission alternate between a member of the senate and a member of the house of representatives; requiring the chair of the Legislative Advisory Commission be a senate member in 2013; allowing the Legislative Advisory Commission to accept grants and gifts related to the commission's duties; requiring data security audits by the legislative auditor under certain circumstances; requiring notification of the legislative auditor when public resources have been used unlawfully or government data has been accessed unlawfully; allowing the secretary of state authority to accept funds from local government units for election systems enhancements and to receive certain funds for the address confidentiality program; allowing the state auditor to change a onetime user fee for a small city and town accounting system software; changing provisions for bid solicitations and proposals; changing certain provisions for service contracts and the solicitation process; requiring a determination of the information technology cost for agency technology cost for agency technology projects; expanding E-Government initiative and establishing the E-Government Advisory Council; allowing a convenience fee for users of NorthStar or online government information services; changing certain audit provisions relating to duties of the state auditor and the legislative auditor; allowing the state auditor to bill counties and political subdivisions periodically for services rendered; establishing a state auditor enterprise fund; modifying provisions for general noncommercial radio station and equipment grants; removing investigative powers of the Mississippi River Parkway Commission; changing a paid military leave provision; modifying provisions in the Veterans Service Office grant program; changing provisions in the Minnesota GI Bill program; establishing presumption of rehabilitation by an honorable discharge status from military service following a prior offense; providing for a bid preference for contracts for veteran-owned small businesses; allowing active duty service members to take a peace officer reciprocity exam; making Department of Revenue changes; establishing electronic filing requirements; establishing an automobile theft prevention surcharge; requesting the legislative auditor conduct a data security of the Department of Revenue's use of debit cards for tax refunds; adjusting certain salary groups; making compensation council changes; requiring a compensation study; adjusting constitutional officers salaries; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 3.30, subdivision 2; 3.303, by adding a subdivision; 3.85, subdivisions 8, 9; 3.855, subdivision 3; 3.885, by adding a subdivision; 3.971, subdivision 6, by adding subdivisions; 6.48; 6.56, subdivision 2; 13.591, subdivision 3; 15A.0815, subdivisions 1, 2, 3, 5; 15A.082, subdivisions 1, 2, 3; 16A.10, subdivision 1c; 16A.82; 16C.02, subdivision 13; 16C.06, subdivision 2; 16C.09; 16C.10, subdivision 6; 16C.145; 16C.33, subdivision 3; 16C.34, subdivision 1; 16E.07, by adding a subdivision; 32C.04; 43A.17, subdivisions 1, 3; 65B.84,



subdivision 1; 129D.14, subdivisions 2, 3; 129D.15; 129D.155; 161.1419, subdivision 3; 192.26; 197.608, subdivisions 1, 3, 4, 5, 6; 197.791, subdivisions 4, 5; 254A.035, subdivision 2; 254A.04; 256B.093, subdivision 1; 260.835, subdivision 2; 270C.69, subdivision 1; 289A.20, subdivisions 2, 4; 289A.26, subdivision 2a; 295.55, subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.30, by adding a subdivision; 297I.35, subdivision 2; 364.03, subdivision 3; 469.3201; 471.699; 473.843, subdivision 3; 626.8517; Laws 2012, chapter 278, article 1, section 5; article 2, sections 27; 34; proposing coding for new law in Minnesota Statutes, chapters 5; 5B; 6; 16E; 297I; 471; repealing Minnesota Statutes 2012, sections 3.304, subdivisions 1, 5; 3.885, subdivision 10; 3D.01; 3D.02; 3D.03; 3D.04; 3D.045; 3D.05; 3D.06; 3D.065; 3D.07; 3D.08; 3D.09; 3D.10; 3D.11; 3D.12; 3D.13; 3D.14; 3D.15; 3D.16; 3D.17; 3D.18; 3D.19; 3D.20; 3D.21, subdivisions 2, 3, 4, 5, 6, 7, 8; 6.58; 43A.17, subdivision 4; 168A.40, subdivisions 3, 4; 197.608, subdivision 2a; 270C.145; Laws 2012, chapter 278, article 1, section 6."

We request the adoption of this report and repassage of the bill.

Senate Conferees: Tom Saxhaug, Richard J. Cohen, Chris A. Eaton, Bobby Joe Champion, Melisa Franzen

House Conferees: Mary Murphy, Jerry Newton, Michael V. Nelson, Steve Simon, John Persell

Senator Saxhaug moved that the foregoing recommendations and Conference Committee Report on S.F. No. 1589 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 1589 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 39 and nays 25, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Johnson	Pappas	Skoe
Bonoff	Eaton	Kent	Pederson, J.	Sparks
Carlson	Eken	Koenen	Rest	Stumpf
Champion	Franzen	Latz	Saxhaug	Tomassoni
Clausen	Hawj	Lourey	Scalze	Torres Ray
Cohen	Hayden	Marty	Schmit	Wiger
Dahle	Hoffman	Metzen	Sheran	Wiklund
Dibble	Jensen	Miller	Sieben	

Those who voted in the negative were:

Anderson	Gazelka	Kiffmeyer	Ortman	Ruud
Benson	Hall	Limmer	Osmek	Senjem
Chamberlain	Hann	Nelson	Petersen, B.	Thompson
Dahms	Housley	Newman	Pratt	Weber
Fischbach	Ingebrigtsen	Nienow	Rosen	Westrom

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

### **MOTIONS AND RESOLUTIONS - CONTINUED**

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

**MESSAGES FROM THE HOUSE**

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. 1656:** A bill for an act relating to disaster assistance; appropriating money to match federal disaster aid for the April 2013 severe winter storm in southwest Minnesota.

Senate File No. 1656 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 20, 2013

**CONCURRENCE AND REPASSAGE**

Senator Weber moved that the Senate concur in the amendments by the House to S.F. No. 1656 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1656 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 65 and nays 0, as follows:

Those who voted in the affirmative were:

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

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 that the House has adopted the recommendation and report of the Conference Committee on House File No. 677, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 677 is herewith transmitted to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Transmitted May 20, 2013

**CONFERENCE COMMITTEE REPORT ON H. F. NO. 677**

A bill for an act relating to financing of state and local government; making changes to individual income, corporate franchise, property, sales and use, estate, mineral, liquor, tobacco, aggregate materials, local, and other taxes and tax-related provisions; restoring the school district current year aid payment shift percentage to 90; conforming to federal section 179 expensing allowances; imposing an income surcharge; allowing an up-front exemption for capital equipment; modifying the definition of income for the property tax refund; decreasing the threshold percentage for the homestead credit refund for homeowners and the property tax refund for renters; increasing the maximum refunds for renters; changing property tax aids and credits; imposing an insurance surcharge; modifying pension aids; providing pension funding; changing provisions of the Sustainable Forest Incentive Act; modifying definitions for property taxes; providing exemptions; creating joint entertainment facilities coordination; imposing a sports memorabilia gross receipts tax; changing tax rates on tobacco and liquor; providing reimbursement for certain property tax abatement; modifying the small business investment tax credit; expanding the definition of domestic corporation to include foreign corporations incorporated in or doing business in tax havens; making changes to additions and subtractions from federal taxable income; changing rates for individuals, estates, and trusts; providing for charitable contributions and veterans jobs tax credits; modifying estate tax exclusions for qualifying small business and farm property; imposing a gift tax; expanding the sales tax to include suite and box seat rentals; modifying the definition of sales and purchase; changing the tax rate and modifying provisions for the rental motor vehicle tax; modifying nexus provisions; 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; imposing a tax on extraction and processing of fracturing sand; providing a taconite production tax grant for water supply improvements; authorizing taconite production tax bonds for grants to school districts; modifying and providing provisions for public finance; modifying the definition of market value for tax, debt, and other purposes; requiring labor peace agreements on certain qualifying projects; making conforming, policy, and technical changes to tax provisions; requiring studies and reports; appropriating money; amending Minnesota Statutes 2012, sections 16A.152, subdivision 2; 16A.46; 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, 8; 117.025, subdivision 7; 118A.04, subdivision 3; 118A.05, subdivision 5; 123A.455, subdivision 1; 123B.75, subdivision 5; 126C.48, subdivision 8; 127A.45, subdivision 2; 127A.48, subdivision 1; 138.053; 144F.01, subdivision 4; 162.07, subdivisions 3, 4; 163.04, subdivision 3; 163.051; 163.06, subdivision 6; 165.10, subdivision 1; 168.012, subdivision 9, by adding a subdivision; 216C.436, subdivision 7; 237.52, subdivision 3, by adding a subdivision; 270.077; 270.41, subdivision 5; 270B.01, subdivision 8; 270B.12, subdivision 4; 270C.34, subdivision 1; 270C.38, subdivision 1; 270C.42, subdivision 2; 270C.56, subdivision 1; 271.06, by adding a subdivision; 272.01, subdivision 2; 272.02, subdivisions 39, 97, by adding subdivisions; 272.03, subdivision 9, by adding subdivisions; 273.032; 273.11, subdivision 1, by adding a subdivision;

273.114, subdivision 6; 273.124, subdivisions 3a, 13; 273.13, subdivisions 21b, 23, 25; 273.1398, subdivisions 3, 4; 273.19, subdivision 1; 273.372, subdivision 4; 273.39; 275.011, subdivision 1; 275.077, subdivision 2; 275.71, subdivision 4; 276.04, subdivision 2; 276A.01, subdivisions 10, 12, 13, 15; 276A.06, subdivision 10; 279.01, subdivision 1, by adding a subdivision; 279.02; 279.06, subdivision 1; 287.05, by adding a subdivision; 287.08; 287.20, by adding a subdivision; 287.23, subdivision 1; 287.385, subdivision 7; 289A.02, subdivision 7; 289A.08, subdivisions 1, 3, 7; 289A.10, subdivision 1, 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 5, 19, as amended, 19a, 19b, 19c, 19d, 31, as amended, by adding subdivisions; 290.06, subdivisions 2c, 2d, by adding subdivisions; 290.067, subdivisions 1, 2a; 290.0671, subdivision 1; 290.0675, subdivision 1; 290.0677, subdivision 2; 290.068, subdivisions 3, 6a; 290.0681, subdivisions 1, 3, 4, 5; 290.091, subdivision 2; 290.0921, subdivision 3; 290.0922, subdivision 1; 290.17, subdivision 4; 290.21, subdivision 4; 290.9705, subdivision 1; 290A.03, subdivisions 3, 15, as amended; 290A.04, subdivisions 2, 2a, 4; 290B.04, subdivision 2; 290C.02, subdivision 6; 290C.05; 290C.07; 291.005, subdivision 1; 291.03, subdivisions 1, 8, 9, 10, 11, by adding a subdivision; 296A.01, subdivision 19, by adding a subdivision; 296A.22, subdivisions 1, 3; 297A.61, subdivisions 3, 4, by adding a subdivision; 297A.64, subdivisions 1, 2; 297A.66, by adding a subdivision; 297A.665; 297A.668, by adding a subdivision; 297A.67, subdivision 7; 297A.68, subdivision 5; 297A.70, subdivisions 4, 8, by adding subdivisions; 297A.71, by adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision 3; 297A.993, subdivisions 1, 2; 297B.11; 297E.021, subdivision 2; 297E.14, subdivision 7; 297F.01, subdivisions 3, 19, 23, by adding a subdivision; 297F.05, subdivisions 1, 3, 4, by adding a subdivision; 297F.09, subdivision 9; 297F.18, subdivision 7; 297F.24, subdivision 1; 297F.25, subdivision 1; 297G.03, subdivision 1, by adding a subdivision; 297G.04; 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, 4; 298.018; 298.227, as amended; 298.24, subdivision 1; 298.28, subdivisions 4, 6, 10; 298.75, subdivision 2; 325D.32, subdivision 2; 353G.08, subdivision 2; 365.025, subdivision 4; 366.095, subdivision 1; 366.27; 368.01, subdivision 23; 368.47; 370.01; 373.01, subdivisions 1, 3; 373.40, subdivisions 1, 2, 4; 375.167, subdivision 1; 375.18, subdivision 3; 375.555; 383B.152; 383B.245; 383B.73, subdivision 1; 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; 430.102, subdivision 2; 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; 469.071, subdivision 5; 469.107, subdivision 1; 469.169, by adding a subdivision; 469.176, subdivisions 4c, 4g, 6; 469.177, by adding a subdivision; 469.180, subdivision 2; 469.187; 469.190, subdivision 7, 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; 473.39, by adding a subdivision; 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 8, 9, by adding a subdivision; 477A.015; 477A.03, subdivisions 2a, 2b, 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 2008, chapter 366, article 5, sections 26; 33; 34, as amended; article 7, section 19, subdivision 3, as amended; Laws 2010, chapter 216, section 55; Laws 2010, chapter 389, article 1, section 12; article 5, section 6, subdivisions 4, 6; Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision 1, as amended; proposing coding for new law in Minnesota Statutes, chapters 116C; 287; 290; 290A; 292; 295; 297I; 403; 435; 469; proposing coding for new law as Minnesota Statutes, chapter 297J; repealing Minnesota Statutes 2012, sections 16A.725; 256.9658; 272.69; 273.11, subdivisions 1a, 22; 276A.01, subdivision 11; 289A.60, subdivision 31; 290.01, subdivision 6b; 290.06, subdivision 22a; 290.0672; 290.0921, subdivision 7; 383A.80, subdivision 4; 383B.80, subdivision 4; 428A.101; 428A.21; 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; Laws 2006, chapter 259, article 11, section 3, as amended; Laws 2009, chapter 88, article 4, section 23, as amended.

May 19, 2013

The Honorable Paul Thissen  
Speaker of the House of Representatives

The Honorable Sandra L. Pappas  
President of the Senate

We, the undersigned conferees for H. F. No. 677 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 677 be further amended as follows:

Delete everything after the enacting clause and insert:

#### **"ARTICLE 1**

#### **HOMESTEAD CREDIT REFUND AND RENTER PROPERTY TAX REFUND**

Section 1. 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, to the extent the sum of amounts exceeds the retirement base amount for the claimant and spouse;

(xii) to the extent not included in federal adjusted gross income, distributions received by the claimant or spouse from a traditional or Roth style retirement account or plan;

(xiii) nontaxable scholarship or fellowship grants;

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

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

~~(xv)~~ (xvi) the amount of deducted for tuition expenses required to be added to income under section 290.01, subdivision 19a, clause (12); under section 222 of the Internal Revenue Code; and

~~(xvi)~~ (xvii) 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) to the extent included in federal adjusted gross income, amounts contributed by the claimant or spouse to a traditional or Roth style retirement account or plan, but not to exceed the retirement base amount reduced by the amount of contributions excluded from federal adjusted gross income, but not less than zero;

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

~~(d)~~ (e) relief granted under this chapter;

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

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

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

(a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

(b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

(c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

(d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

(e) for the claimant's fifth dependent, the exemption amount; and

(f) if the claimant or claimant's spouse was disabled or attained the age of 65 on or before December 31 of the year for which the taxes were levied or rent paid, the exemption amount.

For purposes of this subdivision, the "exemption amount" means the exemption amount under section 151(d) of the Internal Revenue Code for the taxable year for which the income is reported; "retirement base amount" means the deductible amount for the taxable year for the claimant and spouse under section 219(b)(5)(A) of the Internal Revenue Code, adjusted for inflation as provided in section 219(b)(5)(D) of the Internal Revenue Code, without regard to whether the claimant or spouse claimed a deduction; and "traditional or Roth style retirement account or plan" means retirement plans under sections 401, 403, 408, 408A, and 457 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective beginning with refunds based on property taxes payable in 2014 and rent paid in 2013.

Sec. 2. Minnesota Statutes 2012, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **Homeowners; homestead credit refund.** A claimant whose property taxes payable are in excess of the percentage of the household income stated below shall 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 property taxes payable. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,549	1.0 percent	15 percent	\$ 2,460
1,550 to 3,089	1.1 percent	15 percent	\$ 2,460
3,090 to 4,669	1.2 percent	15 percent	\$ 2,460
4,670 to 6,229	1.3 percent	20 percent	\$ 2,460
6,230 to 7,769	1.4 percent	20 percent	\$ 2,460
7,770 to 10,879	1.5 percent	20 percent	\$ 2,460
10,880 to 12,429	1.6 percent	20 percent	\$ 2,460
12,430 to 13,989	1.7 percent	20 percent	\$ 2,460
13,990 to 15,539	1.8 percent	20 percent	\$ 2,460
15,540 to 17,079	1.9 percent	25 percent	\$ 2,460
17,080 to 18,659	2.0 percent	25 percent	\$ 2,460
18,660 to 21,759	2.1 percent	25 percent	\$ 2,460
21,760 to 23,309	2.2 percent	30 percent	\$ 2,460
23,310 to 24,859	2.3 percent	30 percent	\$ 2,460
24,860 to 26,419	2.4 percent	30 percent	\$ 2,460
26,420 to 32,629	2.5 percent	35 percent	\$ 2,460
32,630 to 37,279	2.6 percent	35 percent	\$ 2,460
37,280 to 46,609	2.7 percent	35 percent	\$ 2,000
46,610 to 54,369	2.8 percent	35 percent	\$ 2,000
54,370 to 62,139	2.8 percent	40 percent	\$ 1,750
62,140 to 69,909	3.0 percent	40 percent	\$ 1,440
69,910 to 77,679	3.0 percent	40 percent	\$ 1,290
77,680 to 85,449	3.0 percent	40 percent	\$ 1,130
85,450 to 90,119	3.5 percent	45 percent	\$ 960
90,120 to 93,239	3.5 percent	45 percent	\$ 790
93,240 to 97,009	3.5 percent	50 percent	\$ 650
97,010 to 100,779	3.5 percent	50 percent	\$ 480
			<u>Maximum</u>
<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by</u>	<u>State</u>
<u>\$0 to 1,619</u>	<u>1.0 percent</u>	<u>Claimant</u>	<u>Refund</u>
		<u>15 percent</u>	<u>\$ 2,580</u>



<u>1,620 to 3,229</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
<u>3,230 to 4,889</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$ 2,580</u>
<u>4,890 to 6,519</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
<u>6,520 to 8,129</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
<u>8,130 to 11,389</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
<u>11,390 to 13,009</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
<u>13,010 to 14,649</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
<u>14,650 to 16,269</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$ 2,580</u>
<u>16,270 to 17,879</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$ 2,580</u>
<u>17,880 to 22,779</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$ 2,580</u>
<u>22,780 to 24,399</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,580</u>
<u>24,400 to 27,659</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 2,580</u>
<u>27,660 to 39,029</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,580</u>
<u>39,030 to 56,919</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 2,090</u>
<u>56,920 to 65,049</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,830</u>
<u>65,050 to 73,189</u>	<u>2.1 percent</u>	<u>40 percent</u>	<u>\$ 1,510</u>
<u>73,190 to 81,319</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$ 1,350</u>
<u>81,320 to 89,449</u>	<u>2.3 percent</u>	<u>40 percent</u>	<u>\$ 1,180</u>
<u>89,450 to 94,339</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$ 1,000</u>
<u>94,340 to 97,609</u>	<u>2.5 percent</u>	<u>45 percent</u>	<u>\$ 830</u>
<u>97,610 to 101,559</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 680</u>
<u>101,560 to 105,499</u>	<u>2.5 percent</u>	<u>50 percent</u>	<u>\$ 500</u>

The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$100,780~~ \$105,500 or more.

**EFFECTIVE DATE.** This section is effective for refund claims based on taxes payable in 2014 and thereafter.

Sec. 3. 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	1.0 percent	5 percent	\$ 1,190
3,590 to 4,779	1.0 percent	10 percent	\$ 1,190
4,780 to 5,969	1.1 percent	10 percent	\$ 1,190
5,970 to 8,369	1.2 percent	10 percent	\$ 1,190
8,370 to 10,759	1.3 percent	15 percent	\$ 1,190
10,760 to 11,949	1.4 percent	15 percent	\$ 1,190
11,950 to 13,139	1.4 percent	20 percent	\$ 1,190
13,140 to 15,539	1.5 percent	20 percent	\$ 1,190
15,540 to 16,729	1.6 percent	20 percent	\$ 1,190
16,730 to 17,919	1.7 percent	25 percent	\$ 1,190
17,920 to 20,319	1.8 percent	25 percent	\$ 1,190
20,320 to 21,509	1.9 percent	30 percent	\$ 1,190
21,510 to 22,699	2.0 percent	30 percent	\$ 1,190
22,700 to 23,899	2.2 percent	30 percent	\$ 1,190
23,900 to 25,089	2.4 percent	30 percent	\$ 1,190
25,090 to 26,289	2.6 percent	35 percent	\$ 1,190
26,290 to 27,489	2.7 percent	35 percent	\$ 1,190
27,490 to 28,679	2.8 percent	35 percent	\$ 1,190
28,680 to 29,869	2.9 percent	40 percent	\$ 1,190
29,870 to 31,079	3.0 percent	40 percent	\$ 1,190
31,080 to 32,269	3.1 percent	40 percent	\$ 1,190
32,270 to 33,459	3.2 percent	40 percent	\$ 1,190
33,460 to 34,649	3.3 percent	45 percent	\$ 1,080
34,650 to 35,849	3.4 percent	45 percent	\$ 960
35,850 to 37,049	3.5 percent	45 percent	\$ 830
37,050 to 38,239	3.5 percent	50 percent	\$ 720
38,240 to 39,439	3.5 percent	50 percent	\$ 600
38,440 to 40,629	3.5 percent	50 percent	\$ 360
40,630 to 41,819	3.5 percent	50 percent	\$ 120
<u>\$0 to 4,909</u>	<u>1.0 percent</u>	<u>5 percent</u>	<u>\$ 2,000</u>

<u>4,910 to 6,529</u>	<u>1.0 percent</u>	<u>10 percent</u>	<u>\$ 2,000</u>
<u>6,530 to 8,159</u>	<u>1.1 percent</u>	<u>10 percent</u>	<u>\$ 1,950</u>
<u>8,160 to 11,439</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$ 1,900</u>
<u>11,440 to 14,709</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 1,850</u>
<u>14,710 to 16,339</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 1,800</u>
<u>16,340 to 17,959</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 1,750</u>
<u>17,960 to 21,239</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 1,700</u>
<u>21,240 to 22,869</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 1,650</u>
<u>22,870 to 24,499</u>	<u>1.7 percent</u>	<u>25 percent</u>	<u>\$ 1,650</u>
<u>24,500 to 27,779</u>	<u>1.8 percent</u>	<u>25 percent</u>	<u>\$ 1,650</u>
<u>27,780 to 29,399</u>	<u>1.9 percent</u>	<u>30 percent</u>	<u>\$ 1,650</u>
<u>29,400 to 34,299</u>	<u>2.0 percent</u>	<u>30 percent</u>	<u>\$ 1,650</u>
<u>34,300 to 39,199</u>	<u>2.0 percent</u>	<u>35 percent</u>	<u>\$ 1,650</u>
<u>39,200 to 45,739</u>	<u>2.0 percent</u>	<u>40 percent</u>	<u>\$ 1,650</u>
<u>45,740 to 47,369</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,500</u>
<u>47,370 to 49,009</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,350</u>
<u>49,010 to 50,649</u>	<u>2.0 percent</u>	<u>45 percent</u>	<u>\$ 1,150</u>
<u>50,650 to 52,269</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 1,000</u>
<u>52,270 to 53,909</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 900</u>
<u>53,910 to 55,539</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 500</u>
<u>55,540 to 57,169</u>	<u>2.0 percent</u>	<u>50 percent</u>	<u>\$ 200</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~~ \$57,170 or more.

**EFFECTIVE DATE.** This section is effective for claims based on rent paid in 2013 and following years.

Sec. 4. 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~~ 2013, 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 for refund claims based on taxes payable in 2014 and rent paid in 2013 and following years.

Sec. 5. **[290A.28] NOTIFICATION OF POTENTIAL ELIGIBILITY.**

Subdivision 1. Notification of eligibility. (a) By September 1, 2014, the commissioner shall notify, in writing or electronically, individual homeowners whom the commissioner determines may be eligible for a homestead credit refund under this chapter for that property taxes payable year as provided in this section. In determining whether to notify a homeowner, the commissioner shall consider the property tax information available to the commissioner under paragraph (b) for the homeowner and must estimate the homeowner's household income using the most recent income information available to the commissioner from filing under this chapter for the prior year, under chapter 290 for the current or prior year, and any other income information available to the commissioner. For each homeowner, the commissioner must estimate the homestead credit refund amount under the schedule in section 290A.04, subdivision 2, using the homeowner's property tax amount and estimated household income. If the estimated homestead credit refund is at least \$1,000, the commissioner must notify the homeowner of potential eligibility for the homestead credit refund. The notification must include information on how to file for the homestead credit refund. The notification requirement under this section does not apply to a homeowner who has already filed for the homestead credit refund for the current or prior year.

(b) By May 15, 2014, each county auditor shall transmit to the commissioner of revenue the following information for each property classified as a residential or agricultural homestead under section 273.13, subdivision 22 or 23:

- (1) the property taxes payable;
- (2) the name and address of the owner;
- (3) the Social Security number or numbers of the owners; and
- (4) any other information the commissioner deems necessary or useful to carry out the provisions of this section.

The information must be provided in the form and manner prescribed by the commissioner.

Subd. 2. **Reports.** (a) By March 15, 2015, the commissioner must provide a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes, in compliance with sections 3.195 and 3.197. The report must provide information on the number and dollar amount of homeowner property tax refund claims based on taxes payable in 2014, including:

(1) the number and dollar amount of claims projected for homestead credit refunds based on taxes payable in 2014 prior to enactment of the notification requirement in this section;

(2) the number of notifications issued as provided in this section, including the number issued by county;

(3) preliminary information on the number and dollar amount of claims for homestead credit refunds based on taxes payable in 2014; and

(4) a description of any outreach efforts undertaken by the commissioner for homestead credit refunds based on taxes payable in 2014, in addition to the notification required in this section.

(b) By February 1, 2016, the commissioner must provide a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes, in compliance with sections 3.195 and 3.197. The report must include the information required in paragraph (a) and must also include final information on the number and dollar amount of claims for homestead credit refunds based on taxes payable in 2014.

**EFFECTIVE DATE.** This section is effective for refund claims based on property taxes payable in 2014.

## ARTICLE 2

### PROPERTY TAX AIDS AND CREDITS

Section 1. 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. 2. 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 or nonprofit entity; (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 May 30, 2013; 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 certifications and applications due in 2013 and thereafter.

Sec. 3. 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. 4. 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. 5. 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 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. 6. [423A.022] POLICE AND FIREFIGHTER RETIREMENT SUPPLEMENTAL STATE AID.**

Subdivision 1. **Supplemental state aid.** Annually, the commissioner of revenue shall allocate police and firefighter retirement supplemental state aid appropriated under subdivision 6 as provided in subdivision 2 and paid as provided in subdivision 4.

Subd. 2. **Allocation.** Of the total amount appropriated as supplemental state aid:

(1) 58.065 percent must be 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) 35.484 percent must be paid to municipalities other than municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan 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 section 69.021, subdivision 7, for the municipality bears to the most recent total fire state aid for all municipalities other than the municipalities solely employing firefighters with retirement coverage provided by the public employees police and fire retirement plan paid under section 69.021, 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; and

(3) 6.452 percent must be paid to the executive director of the Minnesota State Retirement System for deposit in the state patrol retirement fund.

Subd. 3. **Reporting; definitions.** (a) On or before September 1, annually, the executive director of the Public Employees Retirement Association shall report to the commissioner of revenue 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 coverage 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 police and firefighter retirement supplemental state aid program.

(b) 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.

Subd. 4. **Payments; conditions prerequisite.** (a) The payments under this section must be made on October 1 each year, with interest at one percent for each month, or portion of a month, that the amount remains unpaid after October 1. Any necessary adjustments must be made to subsequent payments.



(b) The provisions of sections 69.011 to 69.051 that prevent municipalities and relief associations from being eligible for, or receiving fire state aid under sections 69.011 to 69.051 until the applicable financial reporting requirements have been complied with, apply to the amounts payable to municipalities and relief associations under this section.

Subd. 5. **Aid termination.** The aid program under this section ends on the December 1 next following the actuarial valuation date on which the assets of the retirement plan on a market value basis equals or exceeds 90 percent of the total actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation prepared under 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.

Subd. 6. **Appropriation.** \$15,500,000 is appropriated annually to the commissioner of revenue for this aid program.

**EFFECTIVE DATE.** This section is effective beginning in the fiscal year beginning July 1, 2013.

Sec. 7. 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. For aids payable in 2014, "pre-1940 housing percentage" shall be based on 2010 housing data.

(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 count 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. 8. 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. For aids payable in 2014, "percent of housing built between 1940 and 1970" shall be based on 2010 housing data.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 9. 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 285 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. 10. 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 1, of every even-numbered year beginning with January 1, 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 1 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. 11. 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. 12. 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, according to the most recent federal census, and 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. 13. 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) 0.0045. 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. 14. 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. 15. 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. 16. 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 (o), shall have its total aid under subdivision 9 increased by an amount equal to \$1,000,000 for aids payable in 2014 only.

Sec. 17. Minnesota Statutes 2012, section 477A.015, is amended to read:

**477A.015 PAYMENT DATES.**

The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in two installments on July 20 and December 26 annually.

When the commissioner of public safety determines that a local government has suffered financial hardship due to a natural disaster, the commissioner of public safety shall notify the commissioner of revenue, who shall make payments of aids under sections 477A.011 to 477A.014, which are otherwise due on December 26, as soon as is practical after the determination is made but not before July 20.

The commissioner may pay all or part of the payments of aids under sections 477A.011 to 477A.014, which are due on December 26 at any time after August 15 if a local government requests such payment as being necessary for meeting its cash flow needs. For aids payable in 2013 only, a city that is located in an area deemed a disaster area during the month of April 2013, as defined in section 12A.02, subdivision 5, shall receive its December 26, 2013 payment with its July 20, 2013 payment.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 18. 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 \$507,598,012. The total aid paid under section 477A.013, subdivision 9, is \$509,098,012 for aids payable in 2015. For aids payable in 2016 and thereafter, the total aid paid under section 477A.013, subdivision 9, is \$511,598,012.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

Sec. 19. 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 shall transfer to the commissioner of management and budget \$207,000 annually for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter and other local government activities. 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 fiscal year 2004 and thereafter shall transfer to the commissioner of education \$7,000 annually for the cost of preparation of local impact notes for school districts as required by section 3.987. The commissioner of revenue shall deduct the amounts billed transferred under this paragraph from the appropriation under this paragraph. The amounts deducted transferred are appropriated to the commissioner of management and budget and the commissioner of education for the preparation of local impact notes respectively.~~

**EFFECTIVE DATE.** This section is effective for aid payable in 2014 and thereafter.

Sec. 20. 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 \$10,000,000. 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. 21. **[477A.085] DEBT SERVICE AID; CITY OF MINNEAPOLIS.**

On or before November 1, 2016, and the first day of each November thereafter, the commissioner shall pay to the city of Minneapolis an amount equal to 40 percent of the city's otherwise required levy to pay its general obligation library referendum bonds for the following calendar year. The levy excludes any amount to pay bonds, other than refunding bonds, issued after May 1, 2013. An amount sufficient to pay the aid under this section is appropriated from the general fund to the commissioner of revenue.

Sec. 22. **[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. 23. 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. 24. 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. 25. 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. 26. 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. 27. 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. 28. 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. 29. 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. 30. 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. 31. 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. 32. 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. 33. 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. 34. **INELIGIBILITY; SUSTAINABLE FOREST INCENTIVE PROGRAM.**

Lands that no longer qualify as forest land under Minnesota Statutes, section 290C.02, subdivision 6, item (iii), are released from the covenant required under Minnesota Statutes, section 290C.04.

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

Sec. 35. **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 and be eligible for a payment in October 2013. 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. 36. **REPEALER.**

(a) Minnesota Statutes 2012, sections 477A.011, subdivisions 2a, 19, 29, 31, 32, 33, 36, 39, 40, and 41; 477A.013, subdivisions 11 and 12; 477A.0133; and 477A.0134, are repealed.

(b) Minnesota Statutes 2012, section 97A.061, and Laws 1973, chapter 567, section 7, as amended by Laws 1977, chapter 403, section 12, are repealed on July 1, 2013.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2014 and thereafter.

### ARTICLE 3

#### EDUCATION AIDS AND LEVIES

Section 1. **[124D.862] ACHIEVEMENT AND INTEGRATION REVENUE.**

Subdivision 1. **Initial achievement and integration revenue.** (a) An eligible district's initial achievement and integration revenue equals the sum of (1) \$350 times the district's adjusted pupil units for that year times the ratio of the district's enrollment of protected students for the previous school year to total enrollment for the previous school year and (2) the greater of zero or 66 percent of the difference between the district's integration revenue for fiscal year 2013 and the district's integration revenue for fiscal year 2014 under clause (1).

(b) In each year, 0.3 percent of each district's initial achievement and integration revenue is transferred to the department for the oversight and accountability activities required under this section and section 124D.861.

Subd. 2. **Incentive revenue.** An eligible school district's maximum incentive revenue equals \$10 per adjusted pupil unit. In order to receive this revenue, a district must be implementing a voluntary plan to reduce racial and economic enrollment disparities through intradistrict and interdistrict activities that have been approved as a part of the district's achievement and integration plan.

Subd. 3. **Achievement and integration revenue.** Achievement and integration revenue equals the sum of initial achievement and integration revenue and incentive revenue.

Subd. 4. **Achievement and integration aid.** For fiscal year 2015 and later, a district's achievement and integration aid equals 70 percent of its achievement and integration revenue.

Subd. 5. **Achievement and integration levy.** A district's achievement and integration levy equals its achievement and integration revenue times 30 percent. For Special School District No. 1, Minneapolis; Independent School District No. 625, St. Paul; and Independent School District

No. 709, Duluth, 100 percent of the levy certified under this subdivision is shifted into the prior calendar year for purposes of sections 123B.75, subdivision 5, and 127A.441.

Subd. 6. **Revenue uses.** (a) 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, school enrollment choices, family engagement activities, and other approved programs providing direct services to students.

(b) Up to 20 percent of the revenue may be used for professional development and staff development activities and placement services.

(c) No more than ten percent of the total amount of revenue may be spent on administrative services.

Subd. 7. **Revenue reserved.** Integration revenue received under this section must be reserved and used only for the programs authorized in subdivision 2.

Subd. 8. **Commissioner authority to withhold revenue.** (a) The commissioner must review the results of each district's integration and achievement plan by August 1 at the end of the third year of implementing the plan and determine if the district met its goals.

(b) If a district met its goals, it may submit a new three-year plan to the commissioner for review.

(c) If a district has not met its goals, the commissioner must:

(1) develop a district improvement plan and timeline, in consultation with the affected district, that identifies strategies and practices designed to meet the district's goals under this section and section 120B.11; and

(2) use up to 20 percent of the district's integration revenue, until the district's goals are reached, to implement the improvement plan.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later. Subdivision 5 is effective for taxes payable in 2014 only.

Sec. 2. 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, location equity revenue, small schools revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, pension adjustment revenue, and transition revenue.

Sec. 3. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 2d. **Location equity revenue.** (a) For a school district with any of its area located within the seven-county metropolitan area, location equity revenue equals \$424 times the adjusted pupil units of the district for that school year.

(b) For all other school districts with more than 2,000 pupils in adjusted average daily membership for the fiscal year ending in the year before the levy is certified, location equity revenue equals \$212 times the adjusted pupil units of the district for that year.

(c) A district's location equity levy equals its location equity revenue times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000. The location equity revenue levy must be spread on referendum market value.

(d) A district's location equity aid equals its location equity revenue less its location equity levy, times the ratio of the actual amount levied to the permitted levy.

(e) A school district may elect not to participate in the location equity revenue program by a board vote taken prior to September 1 of the fiscal year before the fiscal year for which the decision not to participate becomes effective. The board resolution must state which fiscal years the district will not participate. A copy of the board resolution to not participate must be submitted to the commissioner.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 4. 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 operating capital revenue, equity revenue, location equity revenue, and transition revenue, minus the student achievement levy, multiplied times the ratio of the actual amount of student achievement levy levied to the permitted student achievement levy; plus

(2) equity aid under section 126C.10, subdivision 30; plus

(3) transition aid under section 126C.10, subdivision 33; plus

(4) shared time aid under section 126C.10, subdivision 7; plus

- (5) referendum aid under section 126C.17, subdivisions 7 and 7a;
- (6) online learning aid under section 124D.096; plus
- (7) location equity aid according to section 126C.10, subdivision 2d, paragraph (d).

Sec. 5. 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 Minnesota Statutes 2012, 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 Minnesota Statutes 2012, section 126C.05;

(2) add to the result of clause (1) the adjustment the district would have received under Minnesota Statutes 2012, 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; 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 (i) the location equity revenue subtraction, and (ii) any allowances expiring in fiscal year 2016 or later, provided that the allowance may not be less than

zero. For a district with more than one referendum allowance for fiscal year 2015 under Minnesota Statutes 2012, 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 Minnesota Statutes 2012, section 126C.17.

(c) For purposes of this subdivision, a district's location equity revenue subtraction equals \$424 for a district receiving location equity revenue under section 126C.10, subdivision 2d, paragraph (a), \$212 for a district receiving location equity revenue under section 126C.10, subdivision 2d, paragraph (b), and zero for all other school districts.

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 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 Minnesota Statutes 2012, section 126C.17, subdivision 4, based on elections held before July 1, 2013, and the adjustment the district would have received under Minnesota Statutes 2012, 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; or

(3) the product of the referendum allowance limit the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 2, and the resident marginal cost pupil units the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.05, subdivision 6, plus the adjustment the district would have received under Minnesota Statutes 2012, 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; minus \$424 for a district receiving location equity revenue under section 126C.10, subdivision 2d, paragraph (a), minus \$212 for a district receiving location equity revenue under section 126C.10, subdivision 2d, paragraph (b), 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) 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 (+) (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, and the third 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~~ \$300.

(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 percent of the formula allowance~~ \$760, 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. A district's third tier referendum equalization revenue equals the district's third tier referendum equalization allowance times the district's adjusted pupil units for that year.

(g) A district's third tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 25 percent of the formula allowance, minus the sum of the district's first tier referendum equalization allowance and second tier referendum equalization allowance.

(h) Notwithstanding paragraph (g), the third 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 sum of the district's first tier referendum equalization allowance and second 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, and the third 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~~ \$880,000.

(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~~ \$510,000.

(d) A district's third tier referendum equalization levy equals the district's third tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$290,000.

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, or third 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 Minnesota Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have received under Minnesota Statutes 2012, 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. 9a. **Board-approved referendum allowance.** Notwithstanding subdivision 9, a school district may convert up to \$300 per adjusted pupil unit of referendum authority from voter approved to board approved by a board vote. A district with less than \$300 per adjusted pupil unit of referendum authority may authorize new referendum authority up to the difference between \$300 per adjusted pupil unit and the district's referendum authority. The board may authorize this levy for up to five years and may subsequently reauthorize that authority in increments of up to five years.

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. 6. **OPERATING REFERENDUM FREEZE, FISCAL YEAR 2015.**

(a) 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.

(b) Paragraph (a) shall not apply to a district if, prior to June 30, 2013, the board adopted a resolution to conduct a referendum in 2013.

(c) Paragraph (a) shall not apply to a district if the district did not authorize an operating referendum in fiscal year 2014.

(d) Paragraph (a) shall not apply to a district if the district is in statutory operating debt under Minnesota Statutes, section 123B.81, as of June 30, 2013, and has an approved plan with the Department of Education.

## ARTICLE 4

### PROPERTY TAXES

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 is:

- (1) listed as inventory and held by a licensed or limited dealer;
- (2) unoccupied and not available for rent;
- (3) connected or not connected to utilities when located in a manufactured home park; and
- (4) connected or not 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. Minnesota Statutes 2012, section 270.41, subdivision 3, is amended to read:

Subd. 3. **Licenses; refusal or revocation Assessor sanctions; refusal to license.** (a) The board may (i) refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee, or (ii) censure, warn, or fine any licensed assessor, or any 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, for any of the following causes or acts:

- (1) failure to complete required training;
- (2) inefficiency or neglect of duty;
- (3) failure to comply with the Code of Conduct and Ethics for Licensed Minnesota Assessors adopted by the board pursuant to Laws 2005, First Special Session chapter 3, article 1, section 38;
- (4) conviction of a crime involving moral turpitude; or
- (5) failure to faithfully and fully perform his or her duties through malfeasance, misfeasance, or nonfeasance; or
- ~~(5)~~ (6) any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license or the imposition of a sanction provided under this subdivision.

(b) When appropriate for the level of infraction, a written warning must be given to assessors who have no prior identified infractions. The warning must identify the infraction and, as appropriate, detail future expectations of performance and behavior. Fines must not exceed \$1,000 for the first occurrence and must not exceed \$3,000 for each occurrence thereafter, and suspensions must not exceed one year for each occurrence, depending in each case upon the severity of the infraction and the level of negligence or intent. An action by the board to impose a sanction is subject to review in a contested case hearing under chapter 14.

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

Sec. 9. Minnesota Statutes 2012, section 270.41, is amended by adding a subdivision to read:

**Subd. 3a. Report on disciplinary actions.** Each odd-numbered year, the board must publish a report detailing the number and types of disciplinary actions recommended by the commissioner of revenue under section 273.0645, subdivision 2, and the disposition of those recommendations by the board. The report must be presented to the house of representatives and senate committees with jurisdiction over property taxes by February 1 of each odd-numbered year.

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

Sec. 10. Minnesota Statutes 2012, section 270.45, is amended to read:

**270.45 DISPOSITION OF FEES AND FINES.**

All fees and fines so established and collected shall be paid to the commissioner of management and budget for deposit in the general fund. The expenses of carrying out the provisions of sections 270.41 to 270.50 shall be paid from appropriations made to the board.

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

Sec. 11. **[270C.9901] ASSESSOR ACCREDITATION.**

Every individual who 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 Minnesota assessor from the State Board of Assessors by July 1, 2019, or within four years of that person having become licensed as a certified Minnesota assessor, whichever is later.



**EFFECTIVE DATE.** This section is effective beginning January 1, 2014.

Sec. 12. Minnesota Statutes 2012, section 272.02, subdivision 39, is amended to read:

Subd. 39. **Economic development; public purpose.** The holding of property by a political subdivision of the state for later resale for economic development purposes shall be considered a public purpose in accordance with subdivision 8 for a period not to exceed nine years, except that:

(1) for property located in a city of ~~5,000~~ 20,000 population or under that is located outside of the metropolitan area as defined in section 473.121, subdivision 2, the period must not exceed 15 years; and

(2) for any property that was acquired on or after January 1, 2000, and on or before December 31, 2010, and is located in a city, the period must not exceed 15 years.

The holding of property by a political subdivision of the state for later resale (1) which is purchased or held for housing purposes, or (2) which meets the conditions described in section 469.174, subdivision 10, shall be considered a public purpose in accordance with subdivision 8.

The governing body of the political subdivision which acquires property which is subject to this subdivision shall after the purchase of the property certify to the city or county assessor whether the property is held for economic development purposes or housing purposes, or whether it meets the conditions of section 469.174, subdivision 10. If the property is acquired for economic development purposes and buildings or other improvements are constructed after acquisition of the property, and if more than one-half of the floor space of the buildings or improvements which is available for lease to or use by a private individual, corporation, or other entity is leased to or otherwise used by a private individual, corporation, or other entity the provisions of this subdivision shall not apply to the property. This subdivision shall not create an exemption from section 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

**EFFECTIVE DATE.** This section is effective for assessment year 2013 and thereafter and for taxes payable in 2014 and thereafter.

Sec. 13. 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 is for the current assessment 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, agriculture, 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. 14. 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. 15. Minnesota Statutes 2012, section 273.061, subdivision 2, is amended to read:

Subd. 2. **Term; vacancy.** (a) The terms of county assessors appointed under this section shall be four years. A new term shall begin on January 1 of every fourth year after 1973. When any vacancy in the office occurs, the board of county commissioners, within 90 days thereafter, shall fill the same by appointment for the remainder of the term, following the procedure prescribed in subdivision 1. The term of the county assessor may be terminated by the board of county commissioners at any time, on charges of malfeasance, misfeasance, or nonfeasance by the commissioner of revenue. If the board of county commissioners does not intend to reappoint a county assessor who has been certified by the state Board of Assessors, the board shall present written notice to the county assessor not later than 90 days prior to the termination of the assessor's term, that it does not intend to reappoint the assessor. If written notice is not timely made, the county assessor will automatically be reappointed by the board of county commissioners.

~~The commissioner of revenue may recommend to the state Board of Assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.50.~~

(b) In the event of a vacancy in the office of county assessor, through death, resignation or other reasons, the deputy (or chief deputy, if more than one) shall perform the functions of the office. If

there is no deputy, the county auditor shall designate a person to perform the duties of the office until an appointment is made as provided in clause (a). Such person shall perform the duties of the office for a period not exceeding 90 days during which the county board must appoint a county assessor. Such 90-day period may, however, be extended by written approval of the commissioner of revenue.

(c) In the case of the first appointment under paragraph (a) of a county assessor who is accredited but who does not have senior accreditation, an approval of the appointment by the commissioner shall be provisional, provided that a county assessor appointed to a provisional term under this paragraph must reapply to the commissioner at the end of the provisional term. A provisional term may not exceed two years. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

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

Sec. 16. Minnesota Statutes 2012, section 273.0645, is amended to read:

**273.0645 COMMISSIONER REVIEW OF LOCAL ASSESSMENT PRACTICES.**

**Subdivision 1. Local assessment practices.** The commissioner of revenue must review the assessment practices in a taxing jurisdiction if requested in writing by a qualifying number of property owners in that taxing jurisdiction. The request must be signed by the greater of:

- (1) ten percent of the registered voters who voted in the last general election; or
- (2) five property owners.

The request must identify the city, town, or county and describe why a review is sought for that taxing jurisdiction. The commissioner must conduct the review in a reasonable amount of time and report the findings to the county board of the affected county, to the affected city council or town board, if the review is for a specific city or town, and to the property owner designated in the request as the person to receive the report on behalf of all the property owners who signed the request. The commissioner must also provide the report electronically to all property owners who signed the request and provided an e-mail address in order to receive the report electronically.

**Subd. 2. Nonfeasance, misfeasance, and malfeasance.** County assessors may file a written complaint with the commissioner of revenue detailing allegations of nonfeasance, misfeasance, or malfeasance by a local assessor. After receiving a complaint from a county assessor, the commissioner must complete an investigation and recommend an appropriate action to the State Board of Assessors. The commissioner is not required to have a written complaint from a county assessor in order to conduct an investigation and recommend an action to the board. Active investigative data relating to the investigation of complaints against an assessor by the commissioner of revenue are subject to section 13.39.

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

Sec. 17. 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) to easements in a county that has adopted, by referendum, a program to protect farmland and natural areas since 1999.

**EFFECTIVE DATE.** This section is effective for assessment year 2013 and thereafter, and for taxes payable in 2014 and thereafter.

Sec. 18. 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.

(f) The first tier of market value of class 4d property has a class rate of 0.75 percent. The remaining value of class 4d property has a class rate of 0.25 percent. For the purposes of this paragraph, the "first tier of market value of class 4d property" means the market value of each housing unit up to the first tier limit. For the purposes of this paragraph, all class 4d property value must be assigned to individual housing units. The first tier limit is \$100,000 for assessment year 2014. For subsequent years, the limit is adjusted each year by the average statewide change in estimated market value of property classified as class 4a and 4d under this section for the previous assessment year, excluding valuation change due to new construction, rounded to the nearest \$1,000, provided, however, that the limit may never be less than \$100,000. Beginning with assessment year



2015, the commissioner of revenue must certify the limit for each assessment year by November 1 of the previous year.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

Sec. 19. Minnesota Statutes 2012, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in ~~subdivision~~ subdivisions 3 or 4 to 5, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month accrues and is charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$100, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent accrues and on the first day of December following, an additional penalty of two percent accrues and is charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month accrues and is charged on all such unpaid taxes. If one-half of such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty attaches to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$100, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 20. Minnesota Statutes 2012, section 279.01, is amended by adding a subdivision to read:

Subd. 5. **Federal active service exception.** In the case of a homestead property owned by an individual who is on federal active service, as defined in section 190.05, subdivision 5c, as a member of the National Guard or a reserve component, a four-month grace period is granted for complying with the due dates imposed by subdivision 1. During this period, no late fees or penalties shall accrue against the property. The due date for property taxes owed under this chapter for an individual covered by this subdivision shall be September 15 for taxes due on May 15, and February 15 of the following year for taxes due on October 15. A taxpayer making a payment under this subdivision must accompany the payment with a signed copy of the taxpayer's orders or form DD214 showing the dates of active service which clearly indicate that the taxpayer was in active service as a member of the National Guard or a reserve component on the date the payment was due. This grace period applies to all homestead property owned by individuals on federal active service, as herein defined, for all of that property's due dates which fall on a day that is included in the taxpayer's federal active service.

Sec. 21. Minnesota Statutes 2012, section 279.02, is amended to read:

#### **279.02 DUTIES OF COUNTY AUDITOR AND TREASURER.**

Subdivision 1. **Delinquent property; rates.** On the first business day in January, of each year, the county treasurer shall return the tax lists on hand to the county auditor, who shall compare the same with the statements receipted for by the treasurer on file in the auditor's office and each tract or lot of real property against which the taxes, or any part thereof, remain unpaid, shall be deemed delinquent, and thereupon an additional penalty of two percent on the amount of the original tax remaining unpaid shall immediately accrue and thereafter be charged upon all such delinquent taxes; and any auditor who shall make out and deliver any statement of delinquent taxes without including therein the penalties imposed by law, and any treasurer who shall receive payment of such taxes without including in such payment all items as shown on the auditor's statement, shall be liable to the county for the amounts of any items omitted.

Subd. 2. **Federal active service exception.** Notwithstanding subdivision 1, a homestead property owned by an individual who is on federal active service, as defined in section 190.05, subdivision 5c, as a member of the National Guard or a reserve component, shall not be deemed delinquent under this section if the due dates imposed under section 279.01 fall on a day in which the individual was on federal active service.

Sec. 22. 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 ~~(f)~~ (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, that 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).

~~(f)~~ (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. 23. 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. 24. 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. 25. 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. 26. Minnesota Statutes 2012, section 287.05, is amended by adding a subdivision to read:

Subd. 10. **Hennepin and Ramsey Counties.** For properties located in Hennepin and Ramsey Counties, 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 deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 27. **[287.40] HENNEPIN AND RAMSEY COUNTIES.**

For properties located in Hennepin and Ramsey Counties, the county may impose an additional deed tax as defined in sections 383A.80 and 383B.80.

**EFFECTIVE DATE.** This section is effective for deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 28. 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~~ 2028.

**EFFECTIVE DATE.** This section is effective for all deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 29. 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~~ 2028.

**EFFECTIVE DATE.** This section is effective for all deeds and mortgages acknowledged on or after July 1, 2013.

Sec. 30. 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~~ 2028, requires enactment of a special law authorizing the establishment.

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

Sec. 31. 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~~ 2028, requires enactment of a special law authorizing the establishment of the area.

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

Sec. 32. Minnesota Statutes 2012, section 473F.08, subdivision 3a, is amended to read:

Subd. 3a. **Bloomington computation.** (a) Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable in 1988 through property taxes payable in 1999, 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 a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment 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. For property taxes payable from the year 2009 through ~~2018~~ 2014, the Hennepin County auditor shall adjust Bloomington's contribution to the areawide gross tax capacity upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide tax rate for taxes payable in the previous year.

(b) For property taxes payable from 2015 through 2018, the administrative auditor shall increase the areawide net tax capacity each year by an amount equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide tax rate for taxes payable in the previous year. The administrative auditor must notify the commissioner of revenue of the amount determined by multiplying the increase in the areawide net tax capacity by the areawide tax rate determined under subdivision 5. The commissioner of revenue must pay the amount determined each payable year to the administrative auditor in two installments on July 10 and November 10, for distribution and settlement as provided in subdivision 7a.

(c) A sum sufficient to meet the obligations under this subdivision is annually appropriated from the general fund to the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2015.

Sec. 33. 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. 34. 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 territory 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; LOCAL APPROVAL.** 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. 35. 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. 36. Laws 2009, chapter 88, article 2, section 46, subdivision 1, is amended to read:

**Subdivision 1. Agreement.** The city of Cloquet and Perch Lake Township, by resolution of each of their governing bodies, may establish the Cloquet Area Fire and Ambulance Taxing District for the purpose of providing fire and or ambulance services, or both, throughout the district. In this section, "municipality" means home rule charter and statutory cities, towns, and Indian tribes. The district may exercise all the powers relating to fire and ambulance services of the municipalities that receive fire and or ambulance services, or both, from the district. Upon application, any other municipality ~~that is contiguous to a municipality that is a member of the district~~ may join the district

with the agreement of the municipalities that comprise the district at the time of its application to join.

Sec. 37. Laws 2009, chapter 88, article 2, section 46, subdivision 3, is amended to read:

Subd. 3. **Tax.** The district board may impose a property tax on taxable property ~~in the district as provided in this subdivision.~~ This The board shall annually determine the total amount of the levy that is attributable to the cost of providing fire services and the cost of providing ambulance services within the primary service area. For those municipalities that only receive ambulance services, the costs for the provision of ambulance services shall be levied against taxable property within those municipalities at a rate necessary not to exceed 0.019 percent of the estimated market value. For those municipalities that receive both fire and ambulance services, the tax shall be imposed at a rate that does not exceed 0.2835 percent of taxable estimated market value for taxes payable in 2010. ~~The board shall annually determine the separate amounts of the levy that are attributable to the cost of providing fire services and the cost of providing ambulance services. Costs for the provision of ambulance services shall be levied against taxable property within the area of the district that receive the services. Costs for the provision of fire services shall be levied against taxable property within the area of the district that receive the services.~~

When a member municipality opts to receive fire service from the district or an additional municipality becomes a member of the district, the additional cost of providing ambulance and fire services to that municipality will community shall be determined by the board and added to the maximum levy amount.

Each county auditor of a county that contains a municipality subject to the tax under this section must collect the tax and pay it to the Fire and Ambulance Special Taxing District. The district may also impose other fees or charges as allowed by law for the provision of fire and ambulance services.

Sec. 38. Laws 2010, chapter 389, article 1, section 12, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for assessment years year 2010 and 2011, ~~for taxes payable in 2011 and 2012~~ thereafter.

**EFFECTIVE DATE.** This section is effective for assessment year 2012 and thereafter.

Sec. 39. **MINNEAPOLIS AND ST. PAUL ENTERTAINMENT FACILITIES COORDINATION STUDY; APPROPRIATION.**

Subdivision 1. **Statement of purpose.** The legislature finds that the national economic structure of professional sports financing, as directly or indirectly sanctioned by federal law, compels state and local governments in smaller metropolitan areas, such as Minneapolis and St. Paul, to help finance the construction and operation of venues for professional sports franchises as a condition of hosting these franchises. The burden and risk associated with providing this assistance justifies authorizing and directing the cities and any associated private entities to enter into arrangements that attempt to maximize the combined revenues of these facilities from direct users, including those unrelated to professional sports, such as, but not limited to, joint booking of concerts and other events, to minimize the cost and risk to general taxpayers. Any efforts to put in place such joint marketing, promotion, and scheduling arrangements by the cities or associated private entities, in the view of the legislature, is a petition for enactment of this or subsequent enabling legislation under the Noerr-Pennington doctrine or state action under the Parker antitrust doctrine. This legislation and



any resulting arrangements are intended to minimize the potential burden on general taxpayers of financing and operation of the arenas.

Subd. 2. **Study and report.** On or before February 1, 2014, the cities of Minneapolis and St. Paul, in consultation with representatives of the primary professional sports team tenant of each arena, shall study and report to the legislature on establishing a joint governing structure to be responsible for the joint administration, financing, and operations of the facilities and the possible effects of joint governance on the finances of each arena and each city. The commissioner of administration, in consultation with the two cities, shall contract with an independent consultant to conduct all or a portion of the study. The cities of Minneapolis and St. Paul together shall pay one-half of the cost of the consultant contract. The commissioner may accept funding from other public entities and private organizations to pay for the contract. The study must:

(1) examine the current finances of each arena including past and projected costs and revenues, projected capital improvements, and the current and projected impact of each arena on each city's general fund;

(2) determine the impact of joint governance on the future finances of each city;

(3) examine joint scheduling, marketing, and promotion of events at the arenas, either within a joint governance structure or as separate entities; and

(4) estimate the amount of funding, if any, that would be required to operate and maintain the arenas under a joint governing structure.

Subd. 3. **Appropriation.** Up to \$50,000 is appropriated to the commissioner of administration from the general fund for fiscal year 2014 to pay up to one-half of the costs of the consultant contract under subdivision 2.

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

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 BALLPARK 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 ballpark 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 ballpark.

**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 plan or construction manager at risk plan, 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), 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. EXTENSION OF PROPERTY TAX DUE DATE; COMMERCIAL SEASONAL RECREATIONAL PROPERTIES.**

Notwithstanding the provisions of Minnesota Statutes, section 279.01, subdivision 1, for taxes payable in 2013 only, the penalty on first-half property taxes does not accrue until June 15 on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 15 without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision.

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

**Sec. 45. REPORT ON CLASS 4D TIER STRUCTURE.**

The commissioners of revenue and housing finance shall report to the legislature by January 31, 2015, on the implementation of a second tier of market value for class 4d property under Minnesota Statutes, section 273.13, subdivision 25, paragraph (f). The report shall include the number of class

4d properties subject to the second tier of market value for taxes payable in 2015 and the tax impact of the application of the second tier of market value. The report shall also include an analysis of the characteristics of the properties to which the second tier of market value applies, such as location, building type, and number of units.

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

**Sec. 46. REPORT AND STUDY ON CERTAIN PROPERTY USED IN BUSINESS AND PRODUCTION; ASSESSMENT MORATORIUM.**

Subdivision 1. **Study and report.** (a) In order to facilitate a legislative review of property tax assessment procedures for facilities used in the production of biofuels, wine, beer, distilled beverages, and dairy products, and the development of standards and criteria for determining the taxable status of these facilities, the commissioner of revenue must conduct a study and report the findings of the study. The study must:

(1) include a detailed survey of counties identifying the components and tax status of biofuel facilities;

(2) identify the function of components in facilities of the affected industries;

(3) consider the taxability for certain components related to size, function, and use;

(4) develop recommendations for assessment guidelines and policies for facilities of the affected industries; and

(5) identify possible impacts to state and local taxes resulting from study recommendations.

(b) The commissioner shall request the involvement and participation of stakeholders, including the affected industries, the assessment community, and others identified by the commissioner.

(c) The commissioner shall report the findings to the chairs of the house of representatives and senate committees with jurisdiction over taxes, agriculture, and economic development as well as the commissioners of agriculture and employment and economic development by February 1, 2014.

Subd. 2. **Moratorium on changes in assessment practices.** (a) For the 2013 and 2014 assessments, assessors must continue to use assessment practices or policies in effect in that county on January 2, 2012, for determining the taxable status of property used in the production of biofuels, wine, beer, distilled beverages, or dairy products.

(b) An assessor must not change the taxable status of any existing property described in paragraph (a) from its status on January 2, 2012, unless the change is due to a change in the use of property, or to correct an error. For taxable properties, the assessor may change the estimated market value of the property and add value for any new construction that would have been taxable under practices and policies in place on January 2, 2012.

(c) This subdivision expires on December 31, 2014. Any changes to the taxable status of the properties in paragraph (a) resulting from the study will not be effective until the 2015 assessment.

**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. **LEVY LIMITS FOR TAXES LEVIED IN 2013.**

Subdivision 1. **Population.** "Population" means the population for the local governmental unit as established by the last federal census, by a census taken under section Minnesota Statutes, section 275.14, or by an estimate made by the metropolitan council or by the state demographer under Minnesota Statutes, section 4A.02, whichever is most recent as to the stated date of the count or estimate up to and including June 1 of the current levy year.

Subd. 2. **Local government unit.** "Local governmental unit" means a county with a population greater than 5,000, or a statutory or home rule charter city with a population greater than 2,500.

Subd. 3. **Levy limit base.** "Levy limit base" for a local governmental unit for levy year 2013 means the sum of its certified net tax capacity levy plus the total of aids and reimbursements that the local governmental unit is certified to receive under Minnesota Statutes, sections 477A.011 to 477A.014, minus any amounts that would qualify as a special levy under Minnesota Statutes, section 275.70, subdivision 5, clauses (1) to (4) and (7), for taxes levied in 2011 or 2012, whichever is greater. The levy limit base must be increased by three percent.

Subd. 4. **Property tax levy limit.** For taxes levied in 2013, the net tax capacity levy limit for a local governmental unit is equal to its levy limit base determined under subdivision 3 plus any additional levy authorized under Minnesota Statutes, section 275.73, which is levied against net tax capacity, reduced by the total amount of aids and reimbursements that the local governmental unit is certified to receive under Minnesota Statutes, sections 477A.011 to 477A.014. The property tax levy limit for any local government cannot be less than the greater of its certified net tax capacity levies for taxes levied in 2011 or 2012.

Subd. 5. **Limit on levies.** Notwithstanding any other provision of law or municipal charter to the contrary which authorize ad valorem taxes in excess of the limits established by this section,

the provisions of this section apply to local governmental units for all purposes other than those for which special levies under Minnesota Statutes, section 275.70, subdivision 5, clauses (1) to (5) and (7), and special assessments are made.

Subd. 6. **Levies in excess of levy limits.** If the levy made by a city or county exceeds the levy limit provided in this section, except when the excess levy is due to the rounding of the rate in accordance with Minnesota Statutes, section 275.28, the county auditor shall only extend the amount of taxes permitted under this section as provided for in Minnesota Statutes, section 275.16.

Subd. 7. **Calculation and notification.** The commissioner of revenue shall make all necessary calculations for determining levy limits for local governmental units and notify the affected governmental units of their levy limits directly by September 1, 2013. The local governmental units shall, upon request, provide the commissioner with any information needed to make the calculations. The local governmental unit shall report by September 30, in a manner prescribed by the commissioner, the maximum amount of taxes it plans to levy for each of the purposes listed under special levies and any additional levy authorized under Minnesota Statutes, section 275.73, along with any necessary documentation. The commissioner shall review the proposed special levies and make any adjustments needed. The commissioner's decision is final. The final allowed special levy amounts and any levy limit adjustments must be certified back to the local governments by December 10. In addition, the commissioner of revenue shall notify all county auditors on or before five working days after December 20 of the sum of the levy limit plus the total of allowed special levies for each local governmental unit located within their boundaries so that they may fix the levies as required in Minnesota Statutes, section 275.16. The local governmental units shall provide the commissioner of revenue with all information that the commissioner deems necessary to make the calculations provided for in this section.

Subd. 8. **Information necessary to calculate levy limit base.** A local governmental unit must provide the commissioner with the information required to calculate the amount under subdivision 3, by July 20, 2013. If the information is not received by the commissioner by that date, or is not deemed sufficient to make the calculation under that clause, the commissioner has the discretion to set the local governmental unit's levy limit for all purposes including those purposes for which special levies may be made, equal to the amount of the local governmental unit's certified levy for the prior year.

**EFFECTIVE DATE.** This section is effective for taxes levied in 2013, payable in 2014, only.

Sec. 49. **APPROPRIATION.**

\$2,000,000 in fiscal year 2014 only is appropriated from the general fund to the commissioner of revenue for a grant to the city of Moose Lake to reimburse for costs related to connection of state facilities to the sewer line.

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

## ARTICLE 5

### SPECIAL TAXES

Section 1. 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. 2. 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. 3. 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 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. 4. 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 for sales and purchases made after June 30, 2013.

Sec. 5. 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, 2013, and applied to sales and purchases made on or after that date.

Sec. 6. Minnesota Statutes 2012, section 297F.01, subdivision 3, is amended to read:

Subd. 3. **Cigarette.** "Cigarette" means any roll for smoking made wholly or in part of tobacco; that weighs 4.5 pounds or less per thousand:

(1) the wrapper or cover of which is made of paper or another substance or material except tobacco; or

(2) wrapped in any substance containing tobacco, however labeled or named, which, because of its appearance, size, the type of tobacco used in the filler, or its packaging, pricing, marketing, or labeling, is likely to be offered to or purchased by consumers as a cigarette, as defined in clause (1), unless it is wrapped in whole tobacco leaf and does not have a cellulose acetate or other cigarette-like filter.

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

Sec. 7. 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 January 1, 2014.

Sec. 8. 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. 9. 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. 10. 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~~ 141.5 mills on each such cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, ~~48~~ 283 mills on each such cigarette.

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

Sec. 11. 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 and rounding the result to the nearest mill. 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. For purposes of the calculations under this subdivision to be made in any year in which an increase

in the federal or state excise tax on cigarettes is implemented, the commissioner shall exclude from the calculated average price for the current year an amount equal to any increase in the state or federal excise tax rate.

(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, 2014.

Sec. 12. 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 95 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, 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. When more than one container is packaged together, each container is subject to tax.

**EFFECTIVE DATE.** This section is effective July 1, 2013, except the minimum tax under paragraph (b) is effective January 1, 2014.

Sec. 13. 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 95 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. 14. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

Subd. 4. **Use tax; tobacco products.** 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~~ 95 percent of the cost to the consumer of the tobacco products or the minimum tax under subdivision 3, paragraph (b), whichever is greater.

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

Sec. 15. 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 95 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. 16. 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.

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

Sec. 17. 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 combined tax rate under section 297A.62, multiplied by 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 packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

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

Sec. 18. 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. 19. Minnesota Statutes 2012, section 325D.32, subdivision 2, is amended to read:

Subd. 2. **Cigarettes.** "Cigarettes" means and includes any roll for smoking, made wholly or in part of tobacco, irrespective of size and shape and whether or not such tobacco is flavored, adulterated or mixed with any other ingredient, the wrapper or cover of which is made of paper or any other substance or material except whole tobacco leaf, and includes any cigarette as defined in section 297F.01, subdivision 3.

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

Sec. 20. 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. 21. Minnesota Statutes 2012, section 349.166, subdivision 1, is amended to read:

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 at one event in a calendar year does not exceed \$5,000.

(d) Except as provided in paragraph (b), the organization must maintain all required records of excluded gambling activity for 3-1/2 years.

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

Sec. 22. 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. 23. 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. 24. **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. 25. FLOOR STOCKS TAX.**

Subdivision 1. Cigarettes. (a) A floor stocks 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 rate of 80 mills on each cigarette plus the additional cigarette sales tax determined by an adjustment to the weighted average retail price which reflects the price including the increased tax.

(b) Each distributor, on or before July 11, 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. Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative, on or before July 11, 2013, shall file a return with the commissioner, 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. 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.

Subd. 2. Audit and enforcement. The tax imposed by this section is subject to the audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and collection provisions of Minnesota Statutes, chapters 270C and 297F. The commissioner of revenue may require a distributor to receive and maintain copies of floor stocks fee returns filed by all persons requesting a credit for returned cigarettes.

Subd. 3. Deposit of proceeds. (a) The commissioner of revenue shall deposit \$26,500,000 of the revenues from the tax under this section in the state treasury and credit them to the general reserve account established under Minnesota Statutes 297E.021, subdivision 4.

(b) The commissioner of revenue shall deposit any revenue remaining after the transfer under paragraph (a) to the general fund.

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

**Sec. 26. INTERIM SALES TAX RATE.**

Notwithstanding the provisions of Minnesota Statutes, section 297F.25, the commissioner shall adjust the weighted average retail price in section 297F.25, subdivision 1, on July 1, 2013, to reflect the price changes under this act. This weighted average shall be used to compute cigarette sales tax under Minnesota Statutes, section 297F.25, subdivision 1, until December 31, 2013, when the commissioner shall resume annual adjustments to the weighted average sales price. The commissioner's determination of the adjustment that takes effect on January 1, 2014, must be limited to the change in the weighted average retail price that occurs during calendar year 2013 but after July 15, 2013.

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

**Sec. 27. 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 February 15, 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. 28. **REPEALER.**

Minnesota Statutes 2012, sections 16A.725; and 256.9658, are repealed.

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

## ARTICLE 6

### INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

Section 1. 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) "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 for qualified small businesses certified after June 30, 2013.

Sec. 2. 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. 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, 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, 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 (i) not been in operation for more than ten years, or (ii) the business has not been in operation for more than 20 years if the business is engaged in the research, development, or production of medical devices or pharmaceuticals for which United States Food and Drug Administration approval is required for use in the treatment or diagnosis of a disease or condition;

(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;

(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) the business must not have issued securities that are traded on a public exchange;

(3) the business 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) the business must not have a liquidation event within 180 days after the date on which the qualified investment was made.

(f) The commissioner must maintain a list of 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.

**EFFECTIVE DATE.** This section is effective for qualified small businesses certified after June 30, 2013, except the amendments to paragraph (c), clause (7), are effective the day following final enactment.

Sec. 3. Minnesota Statutes 2012, section 116J.8737, subdivision 8, is amended to read:

Subd. 8. **Data privacy.** (a) Data contained in an application submitted to the commissioner under subdivision 2, 3, or 4 are nonpublic data, or private data on individuals, as defined in section 13.02, subdivision 9 or 12, except that the following data items are public:

(1) the name, mailing address, telephone number, e-mail address, contact person's name, and industry type of a qualified small business upon approval of the application and certification by the commissioner under subdivision 2;

(2) the name of a qualified investor upon approval of the application and certification by the commissioner under subdivision 3;

(3) the name of a qualified fund upon approval of the application and certification by the commissioner under subdivision 4;

(4) for credit certificates issued under subdivision 5, the amount of the credit certificate issued, amount of the qualifying investment, the name of the qualifying investor or qualifying fund that received the certificate, and the name of the qualifying small business in which the qualifying investment was made;

(5) for credits revoked under subdivision 7, paragraph (a), the amount revoked and the name of the qualified investor or qualified fund; and

(6) for credits revoked under subdivision 7, paragraphs (b) and (c), the amount revoked and the name of the qualified small business.

(b) The following data, including data classified as nonpublic or private, must be provided to the consultant for use in conducting the program evaluation under subdivision 10:

(1) the commissioner of employment and economic development shall provide data contained in an application for certification received from a qualified small business, qualified investor, or qualified fund, and any annual reporting information received on a qualified small business, qualified investor, or qualified fund; and

(2) the commissioner of revenue shall provide data contained in any applicable tax returns of a qualified small business, qualified investor, or qualified fund.

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

Sec. 4. **[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.

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) The written agreement between the eligible institution and the eligible employer must certify a credit amount to the employer, not to exceed \$2,000 per intern. The total dollar amount of credits that an eligible institution certifies to eligible employers in a calendar year may not exceed the amount of its allocation under subdivision 4.

(e) 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.

(f) 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 36. The total amount of credits allocated in a calendar year must not exceed \$2,000,000. The office shall determine relevant criteria to allocate the tax credits including the geographic distribution of credits to work locations outside the metropolitan area, and shall allocate credits to eligible institutions that meet the criteria on a first come, first served basis. 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. 5. 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. 6. Minnesota Statutes 2012, section 290.01, subdivision 19, as amended by Laws 2013, chapter 3, section 3, is amended to read:

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

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

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

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

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

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

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

The Internal Revenue Code of 1986, as amended through April 14, 2011, shall be in effect for taxable years beginning after December 31, 1996, and before January 1, 2012, and for taxable

years beginning after December 31, 2012. The Internal Revenue Code of 1986, as amended through January 3, 2013, is in effect for taxable years beginning after December 31, 2011, and before January 1, 2013.

The provisions of sections 315 and 331 of the American Taxpayer Relief Act of 2012, Public Law 112-240, extension of increased expensing limitations and treatment of certain real property as section 179 property and extension and modification of bonus depreciation, are effective at the same time they become effective for federal purposes.

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 7. 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)~~ (12), 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)~~ (12), 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)~~ (13), 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)~~ (13), 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) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 8. 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)~~ (8) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

~~(10)~~ (9) 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)~~ (10) 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)~~ (11) 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)~~ (12) 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) (13)~~ 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) (14)~~ to the extent deducted in computing federal taxable income, the amount of the deduction allowable under section 199 of the Internal Revenue Code;

~~(18)~~ 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) (15)~~ the amount of expenses disallowed under section 290.10, subdivision 2; and

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 9. 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)~~ (8), 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;~~

~~(H)~~ (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)~~ 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)~~ (14) 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)~~ (15) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(15)~~ (12), 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)~~ (12). The resulting delayed depreciation cannot be less than zero;

~~(18)~~ (16) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause ~~(16)~~ (13), an amount equal to one-fifth of the amount of the addition; and

~~(19)~~ (17) 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)~~ (16); and

(18) the amount of expenses not allowed for federal income tax purposes due to claiming the railroad track maintenance credit under section 45G(a) of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 10. 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, but not over \$250,000, 7.85 percent;

(4) On all over \$250,000, 9.85 percent.

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

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

(1) On the first ~~\$17,570~~ \$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, but not over \$150,000, 7.85 percent;

(4) On all over \$150,000, 9.85 percent.

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

(1) On the first ~~\$21,630~~ \$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, but not over \$200,000, 7.85 percent;

(4) On all over \$200,000, 9.85 percent.

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

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (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. 11. 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. 12. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision to read:

Subd. 36. **Greater Minnesota internship credit.** (a) A taxpayer who is an eligible employer 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 to the taxpayer by an eligible institution out of the institution's allocation of credits for the calendar year, as provided in section 136A.129.

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

(e) An amount equal to one percent of the total amount of the credits authorized under section 136A.129, subdivision 4, 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, for a transfer to the Office of Higher Education.

(f) For purposes of this subdivision, the terms "eligible employer" and "eligible institution" have the meanings given in section 136A.129.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2013.

Sec. 13. 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. 14. Minnesota Statutes 2012, section 290.068, subdivision 3, is amended to read:

Subd. 3. **Limitation; carryover.** (a)(1) The credit for a taxable year beginning before January 1, 2010, and after December 31, 2012, shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the sum of the tax imposed under section 290.06, subdivision

subdivisions 1 and 2c, for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter, on all of the entities required to be included on the combined report of the unitary business. If the amount of the credit allowed exceeds the liability for tax of the taxpayer, but is allowed as a result of the liability for tax of other members of the unitary group for the taxable year, the taxpayer must allocate the excess as a research credit to another member of the unitary group.

(2) In the case of a corporation which is a partner in a partnership, the credit allowed for the taxable year shall not exceed the lesser of the amount determined under clause (1) for the taxable year or an amount (separately computed with respect to the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation's interest in the trade or business or entity.

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a) including amounts allocated to other members of the unitary group, the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 15. Minnesota Statutes 2012, section 290.068, subdivision 6a, is amended to read:

Subd. 6a. **Credit to be refundable.** If the amount of credit allowed in this section for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, exceeds the taxpayer's tax liability under this chapter, the commissioner shall refund the excess amount. The credit allowed for qualified research expenses incurred in taxable years beginning after December 31, 2009, and before January 1, 2013, must be used before any research credit earned under subdivision 3.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 16. 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. 17. 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 \$40,000, 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 and the change in paragraph (a) applies to applications first received on or after the day following final enactment.

Sec. 18. 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. 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 297I.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.** This section is effective the day following final enactment.

Sec. 19. 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. 20. 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. 21. Minnesota Statutes 2012, section 290.091, subdivision 1, is amended to read:

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

(a) an amount equal to ~~6.4~~ 6.75 percent of alternative minimum taxable income after subtracting the exemption amount, over

(b) the regular tax for the taxable year.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 22. 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

(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~~ 6.75 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. 23. Minnesota Statutes 2012, section 290.091, subdivision 6, is amended to read:

Subd. 6. **Credit for prior years' liability.** (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

(1) the tentative minimum tax, over

(2) ~~6.4~~ 6.75 percent of the sum of

(i) adjusted gross income as defined in section 62 of the Internal Revenue Code,

(ii) interest income as defined in section 290.01, subdivision 19a, clause (1),

(iii) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

(iv) depletion as defined in section 57(a)(1), determined without regard to the last sentence of paragraph (1), of the Internal Revenue Code, less

(v) the deductions allowed in computing alternative minimum taxable income provided in subdivision 2, paragraph (a), clause (2) of the first series of clauses and clauses (1), (2), and (3) of the second series of clauses, and

(vi) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph

(e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 24. 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)~~ (12), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(17)~~ (15), 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), or (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 for taxable years beginning after December 31, 2012.

Sec. 25. 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:
less than	\$ 500,000	\$ 0
\$ 500,000 to	\$ 999,999	\$ 100
\$ 1,000,000 to	\$ 4,999,999	\$ 300

\$ 5,000,000	to	\$ 9,999,999	\$ 1,000
\$ 10,000,000	to	\$ 19,999,999	\$ 2,000
\$ 20,000,000	or more		\$ 5,000
<u>less than</u>		<u>\$ 930,000</u>	<u>\$ 0</u>
<u>\$ 930,000</u>	<u>to</u>	<u>\$ 1,869,999</u>	<u>\$ 190</u>
<u>\$ 1,870,000</u>	<u>to</u>	<u>\$ 9,339,999</u>	<u>\$ 560</u>
<u>\$ 9,340,000</u>	<u>to</u>	<u>\$ 18,679,999</u>	<u>\$ 1,870</u>
<u>\$ 18,680,000</u>	<u>to</u>	<u>\$ 37,359,999</u>	<u>\$ 3,740</u>
<u>\$ 37,360,000</u>	<u>or more</u>		<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:

<del>less than</del>	\$	<del>500,000</del>	the tax equals:	\$	<del>0</del>
\$ 500,000	to	\$ 999,999		\$	100
\$ 1,000,000	to	\$ 4,999,999		\$	300
\$ 5,000,000	to	\$ 9,999,999		\$	1,000
\$ 10,000,000	to	\$ 19,999,999		\$	2,000
\$ 20,000,000	or more			\$	5,000
<u>less than</u>	<u>\$</u>	<u>930,000</u>		<u>\$</u>	<u>0</u>
<u>\$ 930,000</u>	<u>to</u>	<u>\$ 1,869,999</u>		<u>\$</u>	<u>190</u>
<u>\$ 1,870,000</u>	<u>to</u>	<u>\$ 9,339,999</u>		<u>\$</u>	<u>560</u>
<u>\$ 9,340,000</u>	<u>to</u>	<u>\$ 18,679,999</u>		<u>\$</u>	<u>1,870</u>
<u>\$ 18,680,000</u>	<u>to</u>	<u>\$ 37,359,999</u>		<u>\$</u>	<u>3,740</u>
<u>\$ 37,360,000</u>	<u>or more</u>			<u>\$</u>	<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 word "2012" must be substituted for the word "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 the 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. 26. 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. 27. Minnesota Statutes 2012, section 290.10, subdivision 1, is amended to read:

Subdivision 1. **Expenses, interest, and taxes.** ~~Except as provided in section 290.17, subdivision 4, paragraph (i)~~; In computing the net income of a taxpayer no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this subdivision.

Sec. 28. 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~~ does not 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; except that the income and apportionment factors of a foreign entity, other than an entity treated as a C corporation for federal income tax purposes, 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 included on a combined report 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 entity, other than an entity treated as a C corporation for federal income tax purposes, 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. Except as otherwise provided by paragraph (f), 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. 29. 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. 30. 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. 31. 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)~~ (8). These deductions may be combined on one occupation tax return to arrive at the deduction from gross income for all production.

(b) The provisions of section 290.01, subdivisions 19c, clauses (6) and ~~(9)~~, and 19d, clauses (7) and ~~(11)~~ (10), are not used to determine taxable income.

Sec. 32. 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. 33. **ESTIMATED TAXES; EXCEPTIONS.**

No addition to tax, penalties, or interest may be made under Minnesota Statutes, section 289A.25, for any period before September 15, 2013, with respect to an underpayment of estimated tax, to the extent that the underpayment was created or increased by the increase in income tax rates under this article.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

Sec. 34. **REPEALER.**

Minnesota Statutes 2012, sections 290.01, subdivision 6b; 290.06, subdivision 22a; and 290.0921, subdivision 7, are repealed.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2012.

## ARTICLE 7

### ESTATE AND GIFT TAXES

Section 1. 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, 292, 295, 297A, 297B, and 297H, 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 for gifts made after December 31, 2012.

Sec. 2. Minnesota Statutes 2012, section 270B.03, subdivision 1, is amended to read:

Subdivision 1. **Who may inspect.** Returns and return information must, on request, be made open to inspection by or disclosure to the data subject. The request must be made in writing or in

accordance with written procedures of the chief disclosure officer of the department that have been approved by the commissioner to establish the identification of the person making the request as the data subject. For purposes of this chapter, the following are the data subject:

- (1) in the case of an individual return, that individual;
- (2) in the case of an income tax return filed jointly, either of the individuals with respect to whom the return is filed;
- (3) in the case of a return filed by a business entity, an officer of a corporation, a shareholder owning more than one percent of the stock, or any shareholder of an S corporation; a general partner in a partnership; the owner of a sole proprietorship; a member or manager of a limited liability company; a participant in a joint venture; the individual who signed the return on behalf of the business entity; or an employee who is responsible for handling the tax matters of the business entity, such as the tax manager, bookkeeper, or managing agent;
- (4) in the case of an estate return:
  - (i) the personal representative or trustee of the estate; and
  - (ii) any beneficiary of the estate as shown on the federal estate tax return;
- (5) in the case of a trust return:
  - (i) the trustee or trustees, jointly or separately; and
  - (ii) any beneficiary of the trust as shown in the trust instrument;
- (6) if liability has been assessed to a transferee under section 270C.58, subdivision 1, the transferee is the data subject with regard to the returns and return information relating to the assessed liability;
- (7) in the case of an Indian tribal government or an Indian tribal government-owned entity,
  - (i) the chair of the tribal government, or
  - (ii) any person authorized by the tribal government; ~~and~~
- (8) in the case of a successor as defined in section 270C.57, subdivision 1, paragraph (b), the successor is the data subject and information may be disclosed as provided by section 270C.57, subdivision 4; and
- (9) in the case of a gift return, the donor.

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

Sec. 3. Minnesota Statutes 2012, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **Return required.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

- (1) a federal estate tax return is required to be filed; or
- (2) the sum of the federal gross estate and federal adjusted taxable gifts made within three years of the date of the decedent's death exceeds \$1,000,000.

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

**EFFECTIVE DATE.** This section is effective for estates of decedents dying after December 31, 2012.

Sec. 4. Minnesota Statutes 2012, section 291.005, subdivision 1, is amended to read:

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

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

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~April 14, 2011~~ January 3, 2013, but without regard to the provisions of sections 501 and 901 of Public Law 107-16, as amended by Public Law 111-312, and section 301(c) of Public Law 111-312 section 2011, paragraph (f), of the Internal Revenue Code.

(4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, plus

(i) the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code;

(ii) the amount of taxable gifts, as defined in section 292.16, and made by the decedent within three years of the decedent's date of death; less

~~(ii)~~ (iii)(A) the value of qualified small business property under section 291.03, subdivision 9, and the value of qualified farm property under section 291.03, subdivision 10, or (B) \$4,000,000, whichever is less.

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

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

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

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

(9) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located; ~~with respect to~~

(ii) tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death or for a gift of tangible personal property within three years of death, the state or country in which it was normally kept or located when the gift was executed; and with respect to

(iii) intangible personal property, the state or country in which the decedent was domiciled at death or for a gift of intangible personal property within three years of death, the state or country in which the decedent was domiciled when the gift was executed.

For a nonresident decedent with an ownership interest in a pass-through entity with assets that include real or tangible personal property, situs of the real or tangible personal property is determined as if the pass-through entity does not exist and the real or tangible personal property is personally owned by the decedent. If the pass-through entity is owned by a person or persons in addition to the decedent, ownership of the property is attributed to the decedent in proportion to the decedent's capital ownership share of the pass-through entity.

(10) "Pass-through entity" includes the following:

(i) an entity electing S corporation status under section 1362 of the Internal Revenue Code;

(ii) an entity taxed as a partnership under subchapter K of the Internal Revenue Code;

(iii) a single-member limited liability company or similar entity, regardless of whether it is taxed as an association or is disregarded for federal income tax purposes under Code of Federal Regulations, title 26, section 301.7701-3; or

(iv) a trust to the extent the property is includible in the decedent's federal gross estate.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2012.

Sec. 5. Minnesota Statutes 2012, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **Tax amount.** (a) The tax imposed shall be an amount equal to the proportion of the maximum credit for state death taxes computed under section 2011 of the Internal Revenue Code, but using Minnesota adjusted taxable estate instead of federal adjusted taxable estate, as the Minnesota gross estate bears to the value of the federal gross estate. The tax is reduced by:

(1) the gift tax paid by the decedent under section 292.17 on gifts included in the Minnesota adjusted taxable estate and not subtracted as qualified farm or small business property; and

(2) any credit allowed under subdivision 1c.

(b) The tax determined under this subdivision must not be greater than the sum of the following amounts multiplied by a fraction, the numerator of which is the Minnesota gross estate and the denominator of which is the federal gross estate:

(1) the rates and brackets under section 2001(c) of the Internal Revenue Code multiplied by the sum of:

(i) the taxable estate, as defined under section 2051 of the Internal Revenue Code; plus

(ii) adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue Code; less

(iii) the lesser of (A) the sum of the value of qualified small business property under subdivision 9, and the value of qualified farm property under subdivision 10, or (B) \$4,000,000; less

(2) the amount of tax allowed under section 2001(b)(2) of the Internal Revenue Code; and less

(3) the federal credit allowed under section 2010 of the Internal Revenue Code.

(c) For purposes of this subdivision, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2000.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2012.

Sec. 6. Minnesota Statutes 2012, section 291.03, is amended by adding a subdivision to read:

Subd. 1c. **Nonresident decedent tax credit.** (a) The estate of a nonresident decedent that is subject to tax under this chapter on the value of Minnesota situs property held in a pass-through entity is allowed a credit against the tax due under this section equal to the lesser of:

(1) the amount of estate or inheritance tax paid to another state that is attributable to the Minnesota situs property held in the pass-through entity; or

(2) the amount of tax paid under this section attributable to the Minnesota situs property held in the pass-through entity.

(b) The amount of tax attributable to the Minnesota situs property held in the pass-through entity must be determined by the increase in the estate or inheritance tax that results from including the market value of the property in the estate or treating the value as a taxable inheritance to the recipient of the property.

**EFFECTIVE DATE.** This section is effective for decedents dying after December 31, 2012.

Sec. 7. 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. 8. 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) 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) 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. 9. 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 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 property is classified as class 2a property under section 273.13, subdivision 23, and is classified as agricultural homestead, agricultural relative homestead, or special agricultural homestead under section 273.124.

(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. 10. 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.

Sec. 11. **[292.16] DEFINITIONS.**

(a) For purposes of this chapter, the following definitions apply.

(b) The definitions of terms defined in section 291.005 apply.

(c) "Resident" has the meaning given in section 290.01, subdivision 7, paragraph (a).

(d) "Taxable gifts" means:

(1) the transfers by gift which are included in taxable gifts for federal gift tax purposes under the following sections of the Internal Revenue Code:

(i) section 2503;

(ii) sections 2511 to 2514; and

(iii) sections 2516 to 2519; less

(2) the deductions allowed in sections 2522 to 2524 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

Sec. 12. **[292.17] GIFT TAX.**

Subdivision 1. **Imposition.** (a) A tax is imposed on the transfer of property by gift by any individual resident or nonresident in an amount equal to ten percent of the amount of the taxable gift.

(b) The donor is liable for payment of the tax. If the gift tax is not paid when due, the donee of any gift is personally liable for the tax to the extent of the value of the gift.

Subd. 2. **Lifetime credit.** A credit is allowed against the tax imposed under this section equal to \$100,000. This credit applies to the cumulative amount of taxable gifts made by the donor during the donor's lifetime.

Subd. 3. **Out-of-state gifts.** Taxable gifts exclude the transfer of:

(1) real property located outside of this state;

(2) tangible personal property that was normally kept at a location outside of the state on the date the gift was executed; and

(3) intangible personal property made by an individual who is not a resident at the time the gift was executed.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

Sec. 13. **[292.18] RETURNS.**

(a) Any individual who makes a taxable gift during the taxable year shall file a gift tax return in the form and manner prescribed by the commissioner.

(b) If the donor dies before filing the return, the executor of the donor's will or the administrator of the donor's estate shall file the return. If the donor becomes legally incompetent before filing the return, the guardian or conservator shall file the return.

(c) The return must include:

(1) each gift made during the calendar year which is to be included in computing the taxable gifts;

(2) the deductions claimed and allowable under section 292.16, paragraph (d), clause (2);

(3) a description of the gift, and the donee's name, address, and Social Security number;

(4) the fair market value of gifts not made in money; and

(5) any other information the commissioner requires to administer the gift tax.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

**Sec. 14. [292.19] FILING REQUIREMENTS.**

Gift tax returns must be filed by the April 15 following the close of the calendar year, except if a gift is made during the calendar year in which the donor dies, the return for the donor must be filed by the last date, including extensions, for filing the gift tax return for federal gift tax purposes for the donor.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

**Sec. 15. [292.20] APPRAISAL OF PROPERTY; DECLARATION BY DONOR.**

The commissioner may require the donor or the donee to show the property subject to the tax under section 292.17 to the commissioner upon demand and may employ a suitable person to appraise the property. The donor shall submit a declaration, in a form prescribed by the commissioner and including any certification required by the commissioner, that the property shown by the donor on the gift tax return includes all of the property transferred by gift for the calendar year and not deductible under section 292.16, paragraph (d), clause (2).

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

**Sec. 16. [292.21] ADMINISTRATIVE PROVISIONS.**

Subdivision 1. **Payment of tax; penalty for late payment.** The tax imposed under section 292.17 is due and payable to the commissioner by the April 15 following the close of the calendar year during which the gift was made. The return required under section 292.19 must be included with the payment. If a taxable gift is made during the calendar year in which the donor dies, the due date is the last date, including extensions, for filing the gift tax return for federal gift tax purposes for the donor. If any person fails to pay the tax due within the time specified under this section, a penalty applies equal to ten percent of the amount due and unpaid or \$100, whichever is greater. The unpaid tax and penalty bear interest at the rate under section 270C.40 from the due date of the return.

Subd. 2. **Extensions.** The commissioner may, for good cause, extend the time for filing a gift tax return, if a written request is filed with a tentative return accompanied by a payment of the tax, which is estimated in the tentative return, on or before the last day for filing the return. Any person

to whom an extension is granted must pay, in addition to the tax, interest at the rate under section 270C.40 from the date on which the tax would have been due without the extension.

Subd. 3. **Changes in federal gift tax.** If the amount of a taxpayer's taxable gifts for federal gift tax purposes, as reported on the taxpayer's federal gift tax return for any calendar year, is changed or corrected by the Internal Revenue Service or other officer of the United States or other competent authority, the taxpayer shall report the change or correction in federal taxable gifts within 180 days after the final determination of the change or correction, and concede the accuracy of the determination or provide a letter detailing how the federal determination is incorrect or does not change the Minnesota gift tax. Any taxpayer filing an amended federal gift tax return shall also file within 180 days an amended return under this chapter and shall include any information the commissioner requires. The time for filing the report or amended return may be extended by the commissioner upon due cause shown. Notwithstanding any limitation of time in this chapter, if, upon examination, the commissioner finds that the taxpayer is liable for the payment of an additional tax, the commissioner shall, within a reasonable time from the receipt of the report or amended return, notify the taxpayer of the amount of additional tax, together with interest computed at the rate under section 270C.40 from the date when the original tax was due and payable. Within 30 days of the mailing of the notice, the taxpayer shall pay the commissioner the amount of the additional tax and interest. If, upon examination of the report or amended return and related information, the commissioner finds that the taxpayer has overpaid the tax due the state, the commissioner shall refund the overpayment to the taxpayer.

Subd. 4. **Application of federal rules.** In administering the tax under this chapter, the commissioner shall apply the provisions of sections 2701 to 2704 of the Internal Revenue Code. The words "secretary or his delegate," as used in those sections of the Internal Revenue Code, mean the commissioner.

**EFFECTIVE DATE.** This section is effective for taxable gifts made after June 30, 2013.

## ARTICLE 8

### SALES AND USE TAXES; LOCAL SALES 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 time 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 a sales tax exemption, as provided in section 297A.68, subdivision 49, for purchases made during the period the business was certified as a qualified business 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 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 the taxable services listed in paragraph (g), 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

the transfer for a consideration of prewritten computer software whether delivered electronically, by load and leave, or otherwise.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp, including furnishing the guest of the facility with access to telecommunication services, and the granting of any similar license to use real property in a specific facility, other than the renting or leasing of it for a continuous period of 30 days or more under an enforceable written agreement that may not be terminated without prior notice 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 furnishing for a consideration of specified digital products or other digital products or 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 the furnishing for consideration of the following services:

(1) repairing and maintaining electronic and precision equipment, which service can be deducted as a business expense under the Internal Revenue Code. This includes, but is not limited to, repair or maintenance of electronic devices, computers and computer peripherals, monitors, computer terminals, storage devices, and CD-ROM drives; other office equipment such as photocopying machines, printers, and facsimile machines; televisions, stereos, sound systems, video or digital recorders and players; two-way radios and other communications equipment; radar and sonar equipment, scientific instruments, microscopes, and medical equipment;

(2) repairing and maintaining commercial and industrial machinery and equipment. For purposes of this subdivision, the following items are not commercial or industrial machinery and equipment:

(i) motor vehicles; (ii) furniture and fixtures; (iii) ships; (iv) railroad stock; and (v) aircraft; and

(3) warehousing or storage services for tangible personal property, excluding:

(i) agricultural products;

(ii) refrigerated storage;

(iii) electronic data; and

(iv) self-storage services and storage of motor vehicles, recreational vehicles, and boats, not eligible to be deducted as a business expense under the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013, except that paragraph (m), clause (3), is effective for sales and purchases made after March 31, 2014.

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 this clause, 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 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 a cooperative electric association or public utility as a 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.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 5. 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. 6. 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. 7. 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. 8. 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. 9. 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. 10. 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. 11. 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. 12. 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. 13. 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; and
- (2) online video or electronic games.

**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. 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. 15. 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. 16. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision to read:

**Subd. 58. Self-storage service.** "Self-storage service" means a storage service that provides secure areas, such as rooms, units, compartments or containers, whether accessible from outside or from within a building, that are designated for the use of a purchaser, where the purchaser retains the care custody and control of their property, including self-storage units, mini-storage units, and

areas by any other name to which the purchaser retains either unlimited free access or free access within reasonable business hours or upon reasonable notice to the service provider to add or remove property, but does not mean the rental of an entire building, such as a warehouse. Self-storage service does not include general warehousing and storage services where the warehouse typically handles, stores, and retrieves a purchaser's property using the warehouse's staff and equipment, and does not allow the purchaser free access to the storage space and does not include bailments.

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

Sec. 17. 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~~ 9.2 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. 18. 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 in accordance with the terms and conditions of federal remote seller law, 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;~~

(b) 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 the day after final enactment.

Sec. 19. Minnesota Statutes 2012, section 297A.66, is amended by adding a subdivision to read:

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

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

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

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

(e) This subdivision does not apply to chapter 290 and does not expand or contract the jurisdiction to tax a trade or business under chapter 290.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 20. 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 reseller 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. 21. 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 has not received authorization to pay the tax directly to the commissioner may use an exemption certificate indicating multiple points of use if:

(1) the purchaser knows at the time of its purchase of a digital good, computer software delivered electronically, or a service that the good or service will be concurrently available for use in more than one taxing jurisdiction; and

(2) the purchaser delivers to the seller the exemption certificate indicating multiple points of use at the time of purchase.

(b) Upon receipt of the fully completed exemption certificate indicating multiple points of use, 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. The provisions of section 297A.665 apply to this paragraph.

(c) The purchaser delivering the exemption certificate indicating multiple points of use may use any reasonable but consistent and uniform method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The purchaser shall provide the exemption certificate indicating multiple points of use to the seller at the time of purchase.

(e) A purchaser that has received authorization to pay the tax directly to the commissioner is not required to deliver to the seller an exemption certificate indicating multiple points of use. A purchaser that has received authorization to pay the tax directly to the commissioner shall follow the provisions of paragraph (c) in apportioning the tax due on a digital good, computer software delivered electronically, or a service that will be concurrently available for use in more than one taxing jurisdiction.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 22. 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) 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) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

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

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

Prosthetic device does not include corrective eyeglasses.

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

- (i) is used to remove waste products that build up in the blood when the kidneys are not able to do so on their own; and
- (ii) can withstand repeated use, including multiple use by a single patient, notwithstanding the provisions of clause (2).

(8) 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.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 23. 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 for sales and purchases made after June 30, 2013.

Sec. 24. Minnesota Statutes 2012, section 297A.67, subdivision 13, is amended to read:

Subd. 13. **Textbooks.** Textbooks, including digital books, that are prescribed for use in conjunction with a course of study in a school, college, university, and private career school to students who are regularly enrolled at such institutions are exempt. For purposes of this subdivision

(1) a "school" is as defined in section 120A.22, subdivision 4; and (2) "private career school" means a school licensed under section 141.25.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2013.

Sec. 25. 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



(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. 26. Minnesota Statutes 2012, section 297A.68, subdivision 5, is amended to read:

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

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

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

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

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);

(4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;

(5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;

(6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property;

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

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

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

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

(d) For purposes of this subdivision:

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

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

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

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

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

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

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

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

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

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

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

**EFFECTIVE DATE.** This section is effective for sales and purchases made after August 31, 2014.

Sec. 27. 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, or a qualified refurbished 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, or a qualified refurbished 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, or a qualified refurbished 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~~ \$30,000,000 within a ~~24~~ 48-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, computer software, 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, a "qualified refurbished data center" means an existing facility that qualifies as a data center under paragraph (c), clauses (2) and (3), but that is comprised of one or more buildings that consist in the aggregate of at least 25,000 square feet, and that are located on a single parcel or 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 within a 24-month period.

~~(d)~~ (e) 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)~~ (f) 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)~~ (g) The purpose of this exemption is to create jobs in the construction and data center industries.

~~(g)~~ (h) 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. 28. 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) The tax on purchases imposed under this subdivision must be imposed and collected as if the rate under section 297A.62 applied, and then refunded in the manner provided in section 297A.75. No more than \$7,000,000 may be refunded in a fiscal year for all purchases under this subdivision. Refunds must be allocated on a first come, first served basis. If more than \$7,000,000 of eligible claims are made in a fiscal year, claims by qualified businesses carryover to the next fiscal year, and the commissioner must first allocate refunds to qualified businesses eligible for a refund in the preceding fiscal year. 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, 2014.

Sec. 29. 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 December 31, 2013.

Sec. 30. 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. 31. 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. 32. 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 (e) ~~(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 (e) ~~(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 that qualifies under section 256B.76, subdivision 4, paragraph (b) and, in the previous calendar year, had no more than 15 percent of its patients covered by private dental insurance.

(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. Notwithstanding limitations on claims for refunds under Minnesota Statutes, section 297A.40, claims may be filed with the commissioner until June 30, 2014.

Sec. 33. Minnesota Statutes 2012, section 297A.70, is amended by adding a subdivision to read:

**Subd. 9a. Established religious orders.** (a) 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.

(b) For purposes of this subdivision, "established religious order" means an organization directly or indirectly under the control or supervision of a church or convention or association of churches, where members of the organization:

- (1) normally live together as part of a community;
- (2) make long-term commitments to live under a strict set of moral and spiritual rules; and
- (3) work or engage full time in a combination of prayer, religious study, church reform or renewal, or other religious, educational, or charitable goals of the organization.

(c) 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 organization share campus space and common facilities.

**EFFECTIVE DATE.** This section is effective retroactively for sales and purchases made after June 30, 2012.

Sec. 34. 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. 35. 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. 36. 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. 37. 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 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. 38. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

Subd. 46. **Research and development facility.** 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 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. 39. 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 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. 40. 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; and

(iv) an industrial measurement manufacturing and controls facility exempt under section 297A.71, subdivision 47;

~~(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); and

(17) 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 August 31, 2014. The changes in clauses (13), (16), and (17), are effective the day following final enactment.

Sec. 41. 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), and (16), 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 (17), 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. 42. 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 ~~(4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14)~~, clauses (3) to (15), or ~~(16)~~ (17), 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 the day following final enactment.

Sec. 43. 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. 44. 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. 45. 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~~ 2042, 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. 46. 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~~ three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more only upon the approval of the city governing body of a total financial package for the project.

Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from 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~~ three percent tax imposed under subdivision 1a shall be used to pay for (1) design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related infrastructure, including but not limited to, 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~~ \$50,000,000, to pay for capital and administrative costs for the design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex, and related infrastructure, including but not limited to, 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.** ~~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. The city may, by ordinance, repeal the tax provided that:~~

(1) the revenues raised before the repeal are sufficient to meet all bond or other obligations backed by revenues of the tax; and

(2) the repeal date meets the requirements of section 297A.99, subdivision 12.

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

Sec. 47. 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. 48. 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 by voters of the city no later than November 7, 2017, at either a general election or at a special election held on a first Tuesday after a first Monday in November.

**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. 49. 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. 50. Laws 2010, chapter 389, article 5, section 6, subdivision 6, is amended to read:

Subd. 6. **Use of food and beverages tax.** The revenues derived from the tax imposed under subdivision 5 must be used by the city of Marshall to pay the costs of collecting and administering the food and beverages tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, including the payment of debt service on bonds issued under subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including the payment of debt service on bonds issued under subdivision 2. Authorized expenses for each organization include, but are not limited to, acquiring property; predesign; design; and paying construction, furnishing, and equipment costs related to these facilities and paying debt service on bonds or other obligations issued by the city.

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

Sec. 51. **CITY OF MARSHALL; VALIDATION OF PRIOR ACT.**

(a) Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Marshall may approve Laws 2010, chapter 389, article 5, section 6, as amended by Laws 2011, First Special Session chapter 7, article 4, section 9, and file its approval with the secretary of state by June 15, 2013. If approved as authorized under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 6, 2012, and otherwise in accordance with Laws 2010, chapter 389, article 5, section 6, as amended by Laws 2011, First Special Session chapter 7, article 4, section 9, are validated.

(b) Notwithstanding the time limit on the imposition of tax under Laws 2010, chapter 389, article 5, section 6, subdivision 1, as amended by Laws 2011, First Special Session chapter 7, article 4, section 9, and subject to local approval under paragraph (a), the city of Marshall may impose the tax on or before July 1, 2013.

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

Sec. 52. **CITY OF PROCTOR; VALIDATION OF PRIOR ACT.**

Notwithstanding the time limits in Minnesota Statutes, section 645.021, the city of Proctor may approve, by resolution, Laws 2008, chapter 366, article 7, section 13, and Laws 2010, chapter 389, article 5, sections 1 and 2, and file its approval with the secretary of state by January 1, 2014. If approved under this paragraph, actions undertaken by the city pursuant to the approval of the voters on November 2, 2010, and otherwise in accordance with those laws are validated.

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

Sec. 53. **REPEALER.**

(a) Minnesota Statutes 2012, sections 297A.61, subdivision 27; and 297A.68, subdivision 35, are repealed.

(b) Laws 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389, article 5, section 4, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective for sales and purchases made after June 30, 2013. Paragraph (b) is effective the day following final enactment.

## ARTICLE 9

### ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 2012, section 469.071, subdivision 5, is amended to read:

Subd. 5. **Exception; parking facilities.** Notwithstanding section 469.068, the Bloomington port authority need not require competitive bidding with respect to a structured parking facility or other public improvements constructed in conjunction with, and directly above or below, or adjacent and integrally related to, a development and financed with the proceeds of tax increment or revenue bonds, or other funds of the port authority and the city of Bloomington.

**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. 2. Minnesota Statutes 2012, section 469.169, is amended by adding a subdivision to read:

Subd. 19. **Additional border city allocation; 2013.** (a) In addition to the tax reductions authorized in subdivisions 12 to 18, the commissioner shall allocate \$750,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall allocate this amount among cities on a per capita basis. Allocations made under this subdivision may be used for tax reductions under section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary to retain a business within or attract a business to the zone. The city alternatively may elect to use any portion of the allocation under this paragraph for tax reductions under section 469.1732 or 469.1734.

(b) The commissioner shall allocate \$750,000 for tax reductions under section 469.1732 or 469.1734 to cities with border city enterprise zones located on the western border of the state. The commissioner shall allocate this amount among the cities on a per capita basis. The city alternatively

may elect to use any portion of the allocation provided in this paragraph for tax reductions under section 469.171.

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

Sec. 3. 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, without the authority providing assistance under the provisions of this paragraph;~~

~~(2) construction of the project begins no later than July 1, 2012;~~

~~(3) the request for certification of the district is made no later than June 30, 2012; 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 for districts for which the request for certification was made after June 30, 2012.

Sec. 4. Minnesota Statutes 2012, section 469.176, subdivision 4g, is amended to read:

Subd. 4g. **General government use prohibited.** (a) Tax increments may not be used to circumvent existing levy limit law.

(b) No tax increment from any district may be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government. This provision does not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure.

~~(c)(1) Tax increments may not be used to pay for the cost of public improvements, equipment, or other items, if:~~

~~(i) the improvements, equipment, or other items are located outside of the area of the tax increment financing district from which the increments were collected; and~~

~~(ii) the improvements, equipment, or items that (A) primarily serve a decorative or aesthetic purpose, or (B) serve a functional purpose, but their cost is increased by more than 100 percent as a result of the selection of materials, design, or type as compared with more commonly used materials, designs, or types for similar improvements, equipment, or items.~~

~~(2) The provisions of this paragraph do not apply to expenditures related to the rehabilitation of historic structures that are:~~

~~(i) individually listed on the National Register of Historic Places; or~~

~~(ii) a contributing element to a historic district listed on the National Register of Historic Places.~~

**EFFECTIVE DATE.** This section is effective the day following final enactment for all tax increment financing districts, regardless of when the request for certification was made, but applies only to amounts spent after final enactment.

Sec. 5. 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. 6. 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. 7. Minnesota Statutes 2012, section 469.177, is amended by adding a subdivision to read:

Subd. 1d. **Original net tax capacity adjustment; homestead market value exclusion.** (a) Upon approval by the municipality, by resolution, the authority may elect to reduce the original net tax capacity of a qualified district by the amount of the tax capacity attributable to the market value exclusion under section 273.13, subdivision 35, for taxes payable in the year preceding the election. The amount of the reduction may not reduce the original net tax capacity below zero.

(b) For purposes of this subdivision, a qualified district means a tax increment financing district that satisfies the following conditions:

(1) for taxes payable in 2011, the authority received a homestead market value credit reimbursement under section 273.1384 for the district of \$10,000 or more;

(2) for taxes payable in 2013, the reduction in captured tax capacity resulting from the market value exclusion for the district was equal to or greater than 1.75 percent of the district's captured tax capacity; and

(3) either (i) the authority is permitted to expend increments on activities under the provisions of section 469.1763, subdivision 3, or an equivalent provision of special law on July 1, 2013, or (ii) the district's tax increments received for taxes payable in 2012 exceeded the amount of debt



service payments due during calendar year 2012 on bonds issued under section 469.178 to which the district's increments are pledged.

The calculation of the amount under clause (2) must reflect any adjustments to original net tax capacity made under subdivision 1, paragraphs (d) and (e), for the homestead market value exclusion.

(c) The authority must notify the county auditor of its election under this section no later than July 1, 2014. Notifications made by July 1, 2013, are effective beginning for taxes payable in 2014, and notifications made after July 1, 2013, are effective beginning for taxes payable in 2015.

**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.

Sec. 8. Minnesota Statutes 2012, section 469.177, is amended by adding a subdivision to read:

Subd. 1e. **Adjustments; qualifying districts.** (a) For any tax increment financing district that satisfies the requirements of paragraph (b), the original net tax capacity must be reduced by the full amount of the original net tax capacity or \$20,000, whichever is less.

(b) A tax increment financing district qualifies under this subdivision if it satisfies the following conditions:

(1) the district was certified after January 1, 2011, and before January 1, 2012;

(2) for assessment year 2012, at least 75 percent of the tax capacity of the district is class 4d property; and

(3) for assessment year 2012, the average estimated market value is over \$115,000 per housing unit for the portion of the property that is class 4d.

(c) An authority or a property owner within a tax increment financing district must notify the county assessor of a district that qualifies under this subdivision by July 1, 2013.

(d) This subdivision expires on December 31, 2021.

**EFFECTIVE DATE.** This section is effective beginning for taxes payable in 2014.

Sec. 9. Minnesota Statutes 2012, section 469.177, subdivision 9, is amended to read:

Subd. 9. **Distributions of excess taxes on captured net tax capacity.** (a) If the amount of tax paid on captured net tax capacity exceeds the amount of tax increment, the county auditor shall distribute the excess, except increment attributable to the general education levy, to the municipality, county, and school district as follows: each governmental unit's share of the excess equals

(1) the total amount of the excess for the tax increment financing district, multiplied by

(2) a fraction, the numerator of which is the current local tax rate of the governmental unit less the governmental unit's local tax rate for the year the original local tax rate for the district was certified (in no case may this amount be less than zero) and the denominator of which is the sum of the numerators for the municipality, county, and school district.

If the entire increase in the local tax rate is attributable to a taxing district, other than the municipality, county, or school district, then the excess must be distributed to the municipality, county, and school district in proportion to their respective local tax rates.

(b) The amounts distributed shall be deducted in computing the levy limits of the taxing district for the succeeding taxable year.

(c) In the case of distributions to a school district, the county auditor shall report amounts distributed to the commissioner of education in the same manner as provided for excess increments under section 469.176, subdivision 2, and the distribution shall be deducted from the school district's state aid payments and levy limitation according to section 127A.49, subdivision 3.

(d) The amount of taxes attributable to imposing the general education levy under section 126C.13 must be returned to the school district within which the tax increment financing district is located.

**EFFECTIVE DATE.** This section is effective for districts for which the request for certification is made after April 15, 2013.

Sec. 10. Minnesota Statutes 2012, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. **Mall of America.** (a) When computing the net tax capacity under section 473F.05, the Hennepin County auditor shall exclude the captured tax capacity of Tax Increment Financing Districts No. 1-C and No. 1-G in the city of Bloomington.

(b) Notwithstanding the provisions of subdivision 2, paragraph (a), the commercial-industrial contribution percentage for the city of Bloomington is the contribution net tax capacity divided by the total net tax capacity of commercial-industrial property in the city, excluding any commercial-industrial property that is captured tax capacity of Tax Increment Financing Districts No. 1-C and No. 1-G.

(c) The property taxes to be paid on commercial-industrial tax capacity that is included in the captured tax capacity of Tax Increment Financing Districts No. 1-C and No. 1-G in the city of Bloomington must be determined as described in subdivision 6, except that the portion of the tax that is based on the areawide tax rate is to be treated as tax increment under section 469.176.

(d) The provisions of this subdivision take effect only if the clerk of the city of Bloomington certifies to the Hennepin County auditor that the city has entered into a binding written agreement with the Metropolitan Council to repair and restore, or to replace, the old Cedar Avenue bridge for use by bicycle commuters and recreational users.

(e) This subdivision expires on the earliest of the following dates:

(1) when the tax increment financing districts have been decertified in 2024 or 2035, as provided by section 22, subdivision 2 or 4; or

(2) on January 1, 2014, if the city clerk fails to make the certification provided in paragraph (d) or if the city fails to file its local approval of section 23 with the secretary of state by December 31, 2013.

**EFFECTIVE DATE.** This section is effective beginning for property taxes payable in 2014.

Sec. 11. 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. 12. 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 Housing and Redevelopment Authority for the city of Oakdale 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).

(c) The city may elect, in the tax increment financing plan, to collect increment from a redevelopment district created under the provisions of this section for an additional ten years beyond the limit in Minnesota Statutes, section 469.176, subdivision 1b.

**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, except that the provisions of paragraph (c) are effective only upon compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County and Independent School District No. 622.

Sec. 13. 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~~ 2040, 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, section 645.021, subdivision 3, except that the amendments to subdivision 1 are effective only upon compliance with Minnesota Statutes, section 469.1782, subdivision 2, by Ramsey County and Independent School District No. 622.

**Sec. 14. ST. CLOUD; TAX INCREMENT FINANCING.**

The request for certification of Tax Increment Financing 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. 15. 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) Increments 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 in Minnesota Statutes, section 469.176, subdivision 2, paragraph (c), clause (4).

**EFFECTIVE DATE.** This section is effective upon compliance by the governing bodies 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. 16. CITY OF ELY; TAX INCREMENT FINANCING.**

Subdivision 1. **Extension of district.** Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, 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 increments 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 bodies 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. 17. 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 Street and Smith Avenue 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, 2023.

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. 18. **CITY OF APPLE VALLEY; TAX INCREMENT FINANCING DISTRICT.**

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

(b) "City" means the city of Apple Valley.

(c) "Project area" means the following parcels: parcel numbers 01-03500-25-010, 01-03500-03-011, 01-03500-02-010, 01-03500-52-011, 01-03500-78-011, 01-03500-77-014, 01-03500-75-010, 01-03400-05-050,

(d) "Soil deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies that occurred over 70 percent of the acreage in the district require 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 Minnesota Statutes, section 160.01, and local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1, other than clauses (8) to (10), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soil condition district, or soil deficiency district established by the city or a development authority of the city in the project area. The city, or a development authority acting on its behalf, may establish one or more soils deficiency districts within the project area.

(b) Prior to or upon the adoption of the first tax increment plan subject to the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 70 percent of the acreage of the project area, 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 commercial buildings or infrastructure;

(2) soils or terrain that requires substantial filling in order to permit the development of commercial 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 Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) to (5), a parcel is characterized by the relevant condition if at least 60 percent of the area of the parcel contains the relevant condition.

For the purposes of paragraph (b), clause (6), a parcel is characterized by substandard buildings if substandard buildings occupy at least 30 percent of the area of the parcel.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for any district, and the period under Minnesota Statutes, section 469.1763, subdivision 4, is extended to 11 years.

(e) Notwithstanding any provision to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 80 percent of the total revenue derived from tax increments paid by properties in any district, measured over the life of the district, may be expended on activities outside the district but within the project area.

(f) For a soil deficiency district:

(1) increments may be collected through 20 years after the receipt by the authority of the first increment from the district; and

(2) except as otherwise provided in this subdivision, increments may be used only to:

(i) acquire parcels on which the improvements described in item (ii) will occur;

(ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the additional cost of installing public improvements directly caused by the deficiencies; and

(iii) pay for the administrative expenses of the authority allocable to the district.

(g) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires December 31, 2022.

**EFFECTIVE DATE.** This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3.

#### **Sec. 19. 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. 20. **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 taxable parcels located within one or more of the following areas of the city, as described in the resolution:

(1) the area bounded by Nicollet Avenue on the west, 16th Street East on the south, First Avenue South on the east, and 14th Street East on the north;

(2) the area bounded by Spruce Place on the west, 14th Street West on the south, LaSalle Avenue on the east, and Grant Street West on the north;

(3) the area bounded by Nicollet Avenue or Mall on the west, Fifth Street South on the south, Marquette Avenue on the east, and Fourth Street South on the north;

(4) the area bounded by First Avenue North on the west, Washington Avenue on the south, Hennepin Avenue on the east, and Second Street North on the north; and

(5) the area bounded by Fifth Street North East on the west, Central Avenue North East on the southeast, Sixth Street North East on the east, Hennepin Avenue East on the south, and First Avenue North East on the north.

(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 5 as equaling the amount of

tax increment that would be computed by applying the provisions of Minnesota Statutes, section 469.177, subdivisions 1, 2, and 3, to determine captured tax capacity and multiplying by the current tax rate, excluding the state general tax rate. 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. 21. 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.

**Sec. 22. 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.

Subd. 2. **Authority to extend duration limit; computation of increment.** (a) Notwithstanding Minnesota Statutes, section 469.176, or Laws 1996, chapter 464, article 1, section 8, or any other law to the contrary, the city of Bloomington and its port authority may extend the duration limits of Tax Increment Financing Districts No. 1-C and No. 1-G through December 31, 2034.

(b) Effective for property taxes payable in 2017 through 2034, the captured tax capacity of Tax Increment Financing District No. 1-C must be included in computing the tax rates of each local taxing district and the tax increment equals only the amount of tax computed under Minnesota Statutes, section 473F.08, subdivision 3c, paragraph (c).

(c) Effective for property taxes payable in 2019 through 2034, the captured tax capacity of Tax Increment Financing District No. 1-G must be included in computing the tax rates of each local taxing district and the tax increment for the district equals only the amount of tax computed under Minnesota Statutes, section 473F.08, subdivision 3c, paragraph (c).

Subd. 3. **Treatment of increment.** Increments received under the provisions of subdivision 2, paragraph (b) or (c), and Minnesota Statutes, section 473F.08, subdivision 3c, are deemed to be tax increments of Tax Increment Financing District No. 1-G, notwithstanding any law to the contrary, and without regard to whether they are attributable to captured tax capacity of Tax Increment Financing District No. 1-C.

Subd. 4. **Condition.** The authority under this section expires and Tax Increment Financing Districts No. 1-C and No. 1-G must be decertified for taxes payable in 2024 and thereafter, if the total estimated market value of improvements for parcels located in Tax Increment Financing District No. 1-G, as modified, do not exceed \$100,000,000 by taxes payable in 2023.

**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, but only if the city enters into a binding written agreement with the Metropolitan Council to repair and restore, or to replace, the old Cedar Avenue bridge for use by bicycle commuters and recreational users. This section is effective without approval of the county and school district under Minnesota Statutes, section 469.1782, subdivision 2. The legislature finds that the county and school district are not "affected local government units" within the meaning of Minnesota Statutes, section 469.1782, because the provision allowing extended collection of increment by the tax increment financing districts does not affect their tax bases and tax rates dissimilarly to other counties and school districts in the metropolitan area.

Sec. 23. **CITY OF BLOOMINGTON; OLD CEDAR AVENUE BRIDGE.**

(a) Notwithstanding any law to the contrary, the city of Bloomington shall transfer from the tax increment financing accounts for its Tax Increment Financing District No. 1-C and Tax Increment Financing District No. 1-G an amount equal to the tax increment for each district that is computed under the provisions of Minnesota Statutes, section 473F.08, subdivision 3c, for taxes payable in 2014 to an account or fund established for the repair, restoration, or replacement of the Old Cedar Avenue bridge for use by bicycle commuters and recreational users. The city is authorized to and must use the transferred funds to complete the repair, renovation, or replacement of the bridge.

(b) No signs, plaques, or markers acknowledging or crediting donations for, sponsorships of, or naming rights may be posted on or in the vicinity of the Old Cedar Avenue bridge.

**EFFECTIVE DATE.** This section is effective upon compliance by the city of Bloomington with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

**ARTICLE 10****DESTINATION MEDICAL CENTER**

Section 1. Minnesota Statutes 2012, section 13.792, is amended to read:

**13.792 PRIVATE DONOR GIFT DATA.**

The following data maintained by the Minnesota Zoological Garden, the University of Minnesota, the Minnesota State Colleges and Universities, the Regional Parks Foundation of the Twin Cities, State Services for the Blind, the Destination Medical Center Corporation established pursuant to section 469.41, and any related entity subject to chapter 13 are classified as private or nonpublic:

(1) research information about prospects and donors gathered to aid in determining appropriateness of solicitation and level of gift request;

(2) specific data in prospect lists that would identify prospects to be solicited, dollar amounts to be requested, and name of solicitor;

(3) portions of solicitation letters and proposals that identify the prospect being solicited and the dollar amount being requested;

(4) letters, pledge cards, and other responses received from donors regarding prospective gifts in response to solicitations;

(5) portions of thank-you letters and other gift acknowledgment communications that would identify the name of the donor and the specific amount of the gift, pledge, or pledge payment;

(6) donor financial or estate planning information, or portions of memoranda, letters, or other documents commenting on any donor's financial circumstances; and

(7) data detailing dates of gifts, payment schedule of gifts, form of gifts, and specific gift amounts made by donors.

Names of donors and gift ranges are public data.

Sec. 2. Minnesota Statutes 2012, section 297A.71, is amended by adding a subdivision to read:

**Subd. 48. 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 469.43, and financed with public funds, are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2015, and before July 1, 2049.

**Sec. 3. [469.40] DEFINITIONS.**

**Subdivision 1. Application.** For the purposes of sections 469.40 to 469.47, the terms defined in this section have the meanings given them.

**Subd. 2. City.** "City" means the city of Rochester.

**Subd. 3. County.** "County" means Olmsted County.

Subd. 4. **Destination Medical Center Corporation, corporation, DMCC.** "Destination Medical Center Corporation," "corporation," or "DMCC" means the nonprofit corporation created by the city as provided in section 469.41, and organized under chapter 317A.

Subd. 5. **Destination Medical Center Development District.** "Destination medical center development district" or "development district" means a geographic area in the city identified in the DMCC development plan in which public infrastructure projects are implemented.

Subd. 6. **Development plan.** "Development plan" means the plan adopted by the DMCC under section 469.43.

Subd. 7. **Financial interest.** "Financial interest" means a person's direct or indirect ownership or investment interest or compensation arrangement, whether through business, investment, or family, including spouse, children and stepchildren, and other relatives living with the person, as follows:

(1) ownership or investment interest in the development, acquisition, or construction of a project in the development district;

(2) compensation arrangement with respect to the development, acquisition, or construction of a project in the development district; or

(3) potential ownership or investment interest in, or compensation arrangement with respect to, the development, acquisition, or construction of a project in the development district.

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. **Nonprofit economic development agency, agency.** "Nonprofit economic development agency" or "agency" means the nonprofit agency required under section 469.43 to provide experience and expertise to the DMCC for purposes of developing and marketing the destination medical center.

Subd. 10. **Project.** "Project" means a project to implement the development plan, whether public or private.

Subd. 11. **Public infrastructure project.** (a) "Public infrastructure project" means a project financed in part or in whole with public money in order to support the medical business entity's development plans, as identified in the DMCC development plan. A public infrastructure project may:

(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, and site improvements to support the destination medical center development district;

(8) prepare land for private development and to sell or lease land;

(9) costs of providing relocation benefits to occupants of acquired properties; and

(10) construct and equip all or a portion of one or more suitable structures on land owned by the city for sale or lease to private development; provided, however, that the portion of any structure directly financed by the city as a public infrastructure project 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.

Subd. 12. **Year.** "Year" means a calendar year, except where otherwise provided.

Sec. 4. **[469.41] DESTINATION MEDICAL CENTER CORPORATION ESTABLISHED.**

Subdivision 1. **DMCC created.** The city must establish a destination medical center corporation as a nonprofit corporation under chapter 317A to provide the city with expertise in preparing and implementing the development plan to establish the city as a destination medical center. Except as provided in sections 469.40 to 469.47, the nonprofit corporation is not subject to laws governing the city.

Subd. 2. **Membership; quorum.** (a) The corporation's governing board consists of eight members appointed, as follows:

(1) the mayor of the city, or the mayor's designee, subject to approval by the city council;

(2) the city council president, or the city council president's designee, subject to approval by the city council;

(3) the chair or member of the county board, appointed by the county board;

(4) a representative of the medical business entity appointed by and serving at the pleasure of the medical business entity; and

(5) four members appointed by the governor, subject to confirmation by the senate.

(b) Appointing authorities must make their respective appointments as soon as practicable after the effective date of this section, but no later than 60 days after enactment of this section.

(c) A quorum of the board is six members.

Subd. 3. **Terms.** (a) A member first appointed after the effective date of this section under subdivision 2, paragraph (a), clauses (1), (2), and (3), serves for a term coterminous with the term of the elected office, but may be reappointed.

(b) Two members first appointed after the effective date of this section under subdivision 2, paragraph (a), clause (5), serve from the date of appointment until the first Tuesday after the first Monday in January 2017, and two members first appointed after the effective date of this section under subdivision 2, paragraph (a), clause (5), serve from the date of appointment until the first Tuesday after the first Monday in January 2020. Thereafter, members appointed by the governor serve six-year terms.

Subd. 4. **Vacancies.** A vacancy occurs as provided in section 351.02 or upon a member's removal under subdivision 7. A vacancy on the board must be filled by the appointing authority for the balance of the term in the same manner as a regular appointment.

Subd. 5. **Chair.** The board must elect a chair from among the governor's appointees. The governor must convene the first meeting within 30 days of completion of all appointments to the board.

Subd. 6. **Pay.** Members must be compensated as provided in section 15.0575, subdivision 3. For the purposes of this subdivision, the member representing the medical business entity shall be treated as if an employee of a political subdivision. All money paid for compensation or reimbursement must be paid out of the corporation's budget.

Subd. 7. **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 must be immediately reinstated. If a board member is removed, a record of the proceedings, together with the charges and findings, must be filed with the office of the appointing authority.

Subd. 8. **Open meeting law; data practices.** Meetings of the corporation and any committee or subcommittee of the corporation are subject to the open meeting law in chapter 13D. The corporation is a government entity for purposes of chapter 13.

Subd. 9. **Conflicts of interest.** Except for the member appointed by the medical business entity, a member must not be a director, officer, or employee of the medical business entity. A member must not participate in or vote on a decision of the corporation relating to any project authorized by or under consideration by the corporation in which the member has either a direct or indirect financial interest. No member may serve as a lobbyist, as defined under section 10A.01, subdivision 21.

Subd. 10. **Public official.** A member of the corporation is a public official, as defined in section 10A.01, subdivision 35.

Subd. 11. **Powers.** The corporation may exercise any other powers that are granted by its articles of incorporation and bylaws to the extent that those powers are not inconsistent with the provisions of sections 469.40 to 469.47.



Subd. 12. **Contract for services.** (a) The corporation may contract for the services of the nonprofit economic development agency, financial advisors, other consultants, agents, public accountants, legal counsel, and other persons needed to perform its duties and exercise its powers. The corporation may contract with the city or county to provide administrative, clerical, and accounting services to the corporation.

(b) The corporation must contract with the nonprofit agency for the services enumerated in section 469.43, subdivision 6, paragraph (a). The requirement to contract with the nonprofit agency does not limit the corporation's authority to contract with other providers for the services.

Subd. 13. **DMCC approval of projects.** A project must be approved by the corporation before it is proposed to the city. The corporation must review the project proposed for consistency with the adopted development plan.

Subd. 14. **Dissolution.** The city must provide for the terms for dissolution of the corporation in the articles of incorporation.

Sec. 5. **[469.42] OFFICERS; DUTIES; ORGANIZATIONAL MATTERS.**

Subdivision 1. **Bylaws, rules, seal.** The corporation may adopt bylaws and rules of procedure and may adopt an official seal.

Subd. 2. **Officers.** The corporation must annually elect a treasurer. The chair must 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 corporation. The corporation must establish and maintain a Web site.

Subd. 4. **Treasurer's duties.** The treasurer:

- (1) must receive and is responsible for corporation money;
- (2) is responsible for the acts of the assistant treasurer;
- (3) must disburse corporation money by check or electronic procedures;
- (4) must keep an account of the source of all receipts, and of the nature, purpose, and authority of all disbursements; and
- (5) must file the corporation's detailed financial statement with its secretary at least once a year at times set by the authority.

Subd. 5. **Secretary.** The secretary must 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.

Sec. 6. **[469.43] DEVELOPMENT PLAN.**

Subdivision 1. **Development plan; adoption by DMCC; notice; findings.** (a) The corporation, working with the city and the nonprofit economic development agency, must prepare and adopt a development plan. The corporation must hold a public hearing before adopting a development plan. At least 60 days before the hearing, the corporation must make copies of the proposed plan available

to the public at the corporation and city offices during normal business hours, on the corporation's and city's Web site, and as otherwise determined appropriate by the corporation. At least ten days before the hearing, the corporation must publish notice of the hearing in the official newspaper of the city. The development plan may not be adopted, unless the corporation 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, including the criteria and process for evaluating and underwriting development proposals;

(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; and

(5) the city has approved the plan.

(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 must be done as provided for under section 116J.013, if enacted by the 2013 legislature.

Subd. 2. **Development plan approval by city.** Section 15.99 does not apply to review and approval of the development plan. The city shall act on the development plan within 60 days following its submission by the corporation. The city may incorporate the development plan into the city's comprehensive plan.

Subd. 3. **Subject to city requirements.** All projects are subject to the planning, zoning, sanitary, and building laws; ordinances; regulations; and land use plans that apply to the city.

Subd. 4. **Modification of development plan.** The corporation may modify the development plan at any time. The corporation must update the development plan not less than every five years. A modification or update under this subdivision must be adopted by the corporation upon the notice and after the public hearing and findings required for the original adoption of the development plan, including approval by the city.

Subd. 5. **Medical center development districts; creation; notice; findings.** As part of the development plan, the corporation may create and define the boundaries of medical center development districts and subdistricts at any place or places within the city. Projects may be undertaken within defined medical center development districts consistent with the development plan.

Subd. 6. **Nonprofit economic development agency.** (a) The medical business entity must establish a nonprofit economic development agency organized under chapter 317A to provide experience and expertise in developing and marketing the destination medical center. The corporation must engage the agency to assist the corporation in preparing the development plan. The governing board of the agency must be comprised of members of the medical community, city, and county. The agency must collaborate with city, county, and other community representatives. The nonprofit agency must provide services to assist the corporation and city in implementing the goals, objectives, and strategies in the development plan including, but not limited to:

(1) facilitating private investment through development of a comprehensive marketing program to global interests;

(2) developing and updating the criteria for evaluating and underwriting development proposals;

(3) drafting and 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;

(4) providing transactional services in connection with approved projects;

(5) developing patient, visitor, and community outreach programs for a destination medical center development district;

(6) working with the corporation to acquire and facilitate the sale, lease, or other transactions involving land and real property;

(7) seeking financial support for the corporation, the city, and a project;

(8) partnering with other development agencies and organizations, the city, and the county in joint efforts to promote economic development and establish a destination medical center;

(9) supporting and administering the planning and development activities required to implement the development plan;

(10) preparing and supporting the marketing and promotion of the medical center development district;

(11) preparing and implementing a program for community and public relations in support of the medical center development district;

(12) assisting the corporation or city and others in applications for federal grants, tax credits, and other sources of funding to aid both private and public development; and

(13) making other general advisory recommendations to the corporation and the city, as requested.

(b) The nonprofit economic development agency must disclose to the city and to the corporation the existence, nature, and all material facts regarding any financial interest its employees or contractors have in any public infrastructure project submitted to the city for approval and any financial interest its employees or contractors have in the destination medical center development. "Contractors" includes affiliates of the contractors or members or shareholders with an ownership interest of more than 20 percent in the contractor.

Subd. 7. **Audit of nonprofit economic development agency contract.** Any contract for services between the corporation and the nonprofit economic development agency paid, in whole or in part, with public money provides the corporation, the city, and the state auditor the right to audit the books and records of the agency 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 corporation and the agency paid, in whole or in part, with public money must require the corporation to maintain for the life of the corporation accurate and complete books and records directly relating to the contract.

Subd. 8. **Report.** By February 15 of each year, the corporation and city must jointly submit a report to the chairs and ranking minority members of the legislative committees and divisions 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 corporation and city must also submit the report as provided in section 3.195. The report must include:

(1) the 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 469.47, and required local contributions of projects completed in the previous two years by the corporation, city, county, and the medical business entity;

(4) estimated costs and financing sources for projects to be started in the next two years by the corporation, city, county, and the medical business entity; and

(5) debt service schedules for all outstanding obligations of the city for debt issued for projects identified in the plan.

**Sec. 7. [469.44] CITY POWERS, DUTIES; AUTHORITY TO ISSUE BONDS.**

Subdivision 1. **Port authority powers.** The city may exercise the powers of a port authority under sections 469.048 to 469.068 for the purposes of implementing the destination medical center development plan.

Subd. 2. **Support to the corporation.** The city must provide financial and administrative support, and office and other space, to the corporation. The city may appropriate city funds to the corporation for its work.

Subd. 3. **City to issue debt.** The city may issue general obligation bonds, revenue bonds, or other obligations, as it determines appropriate, to finance public infrastructure projects, as provided by chapter 475. Notwithstanding section 475.53, obligations issued under this section are not subject to the limits on net debt, regardless of their source of security or payment. Notwithstanding section 475.58 or any other law or charter provision to the contrary, issuance of obligations under the provisions of this section are not subject to approval of the electors. The city may pledge any of its revenues, including property taxes, the taxes authorized by sections 469.45 and 469.46, and the state aid under section 469.47, as security for and to pay the obligations. The city must not issue obligations that are only payable from or secured by state aid under section 469.47.

Subd. 4. **Local government tax base not reduced.** Nothing in sections 469.40 to 469.47 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 general local sales tax.

Subd. 5. **Project implementation before plan adoption.** The city may exercise the powers under subdivision 3 with respect to any public infrastructure project commenced within the area that will be in the destination medical center development district after the effective date of this section but before the development plan is adopted subject to approval by the corporation. Actions taken under this authority must be approved by the corporation to be credited against the local contribution required under section 469.47, subdivision 4.

Subd. 6. **American made steel.** The city must require that a public infrastructure project use American steel products to the extent practicable. In determining whether it is practicable, the city may consider the exceptions to the requirement in Public Law 111-5, section 1605.

Subd. 7. **City contracts; construction requirements.** For all public infrastructure projects, the city must make every effort to hire and cause the construction manager and any subcontractors to employ women and members of minority communities. Goals for construction contracts must be established in the manner required under the city's minority and women-owned business enterprises utilization plan.

Subd. 8. **Conduit bond issuance.** (a) Upon the request of the corporation or the nonprofit agency, the city or its economic development authority shall issue revenue bonds or other similar obligations for a qualifying project. Revenue bonds or other obligations as used in this subdivision means bonds or other obligations issued under sections 469.152 to 469.165 or under chapter 462C, the interest on which is tax exempt. The city or its development authority shall use its best efforts to issue the bonds or other obligations as promptly and efficiently as possible following the request and the provision of the information and completion of the actions by the corporation or the nonprofit agency that are necessary for the issuance. Upon request of the corporation or nonprofit agency, the city or its economic development authority shall adopt methods and procedures that preserve the confidentiality of private donors or other private participants in the qualifying project, including structures and methods that do not require disclosing information on the donors or participants to the city or its economic development authority, and shall segregate in separate accounts all funds related to a qualifying project from other city and authority funds.

(b) For purposes of this section, a "qualifying project" means a project, as that term is defined in section 469.153, or a project that would qualify for financing under chapter 462C, that:

(1) the corporation finds is consistent with and will further the goals of the development plan;

(2) is located in a medical development district; and

(3) has a commitment of private funding sources such as donations of money or in-kind contributions, other than revenues generated by the project, equal to at least ten percent of the total capital cost of the project.

Subd. 9. **Public bidding exemption.** (a) Notwithstanding section 469.068 or any other law to the contrary, the city need not require competitive bidding with respect to a parking facility or other public improvements constructed in conjunction with, and directly above or below, or adjacent and integrally related to, a private development financed or developed under the development plan.

(b) For purposes of this section, "city" includes the development authority established by the city.

#### Sec. 8. [469.45] 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 or rates, determined by the city, any of the following taxes:

(1) a tax on the gross receipts from the furnishing for consideration of lodging and related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the city may choose to impose a differential tax based on the number of rooms in the facility;

(2) a tax on the gross receipts of food and beverages sold primarily for consumption on the premises by restaurants and places of refreshment that occur in the city of Rochester; the city may elect to impose the tax in a defined district of the city; and

(3) a tax on the admission receipts to entertainment and recreational facilities, as defined by ordinance, in the city of Rochester.

(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 only to meet its share of obligations for public infrastructure projects contained in the development plan and approved by the corporation, including any associated financing costs. Any tax imposed under paragraph (a) expires at the earlier of December 31, 2049, 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 public infrastructure projects contained in the development plan and approved by the corporation, 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 13 or to impose an additional rate of up to one quarter of one percent tax on sales and use under section 11. The proceeds of any extended or additional taxes imposed under this subdivision, less refunds and costs of collection, must be used by the city only to meet its share of

obligations for public infrastructure projects contained in the development plan and approved by the corporation, including all financing costs. Revenues collected in any year to meet the obligations must be used for payment of obligations or expenses for public infrastructure projects approved by the corporation.

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, including all financing costs, the special rules under this subdivision apply. Taxes abated for public infrastructure projects must be used only for obligations or other infrastructure projects approved by the corporation.

(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 one or more redevelopment tax increment financing districts within the area of the destination medical center development district to fund public infrastructure projects, the requirements, definitions, limitations, or restrictions in the following statutes do not apply: sections 469.174, subdivisions 10 and 25, clause (2); 469.176, subdivisions 4j, 4l, and 5; and 469.1763, subdivisions 2, 3, and 4. The provisions of this subdivision expire effective for tax increments expended after December 31, 2049. After that date, the provisions of section 469.1763, subdivision 4, apply to any remaining unspent or unobligated increments.

#### Sec. 9. **[469.46] 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 transit 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 must 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, must 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 any taxes imposed under paragraph (a), less refunds and costs of collection, must be first used by the county to meet its local matching contributions under section 469.47, subdivision 6, for financing transit infrastructure related to the public infrastructure projects contained in the development plan and approved by the corporation, including any 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, airports, and transportation improvements.

(d) Any taxes imposed under paragraph (a) expire December 31, 2049, or at an earlier time if approved by resolution of the county board of commissioners. The taxes must 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 financing costs under the development plan.

Sec. 10. **[469.47] 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:

(1) for expenditures by a medical business entity, construction of buildings in the city for which the building permit was issued after June 30, 2013; and

(2) for any other expenditures, construction of privately owned buildings and other improvements that are undertaken pursuant to or as part of the development plan and are located within a medical center development district.

(d) "Expenditures" means expenditures made by a medical business entity or by an individual or private entity 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 excludes 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" means the total certified expenditures since June 30, 2013, through the end of the preceding year, minus \$200,000,000. For subsequent years, "qualified expenditures" means the certified expenditures for the preceding year.



(f) "Transit costs" means the portions of a public infrastructure project that are for public transit intended primarily to serve the district, such as transit stations, equipment, rights-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 by the medical business entity in the preceding year. For expenditures made by an individual or entity other than the medical business entity, the corporation shall compile the information on the expenditures and may certify the amount to the commissioner. 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 must determine the amount of the expenditures for the preceding year.

Subd. 3. **General state infrastructure aid.** (a) General state infrastructure aid may not be paid out under this section until total expenditures exceed \$200,000,000.

(b) The amount of the general state infrastructure aid for a fiscal year equals the sum of qualified expenditures, multiplied by 2.75 percent. The maximum amount of state aid payable in any year is limited to no more than \$30,000,000. 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. If the commissioner determines that the city has made the required matching local contribution under subdivision 4, the commissioner must pay to the city the amount of general state infrastructure aid for the year by September 1.

(c) The city must use general state infrastructure aid it receives under this subdivision for improvements and other capital costs related to the public infrastructure projects approved by the corporation, other than transit costs. The city must maintain appropriate records to document the use of the funds under this requirement.

(d) The commissioner, in consultation with the commissioner of management and budget, and representatives of the city and the corporation, must establish a total limit on the amount of state aid payable under this subdivision that will be adequate to finance, in combination with the local contribution, \$455,000,000 of general public infrastructure projects.

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 approved by the corporation, including financing costs, using funds other than state aid received under this section. The \$128,000,000 required local matching contribution is reduced by one half of the amounts the city pays for operating and administrative costs of the corporation up to a maximum amount agreed to by the board and the city. The agreement must provide for the manner, timing, and amounts of the city contributions, including the city's commitment for each year. Notwithstanding any law to the contrary, the agreement may provide that the city contributions for public infrastructure project principal costs may be made over a 20-year period at a rate not greater than \$1 from the city for each \$2.55 from the state. The local match contribution may be provided by the city from any source identified in section 469.45 and any other local tax proceeds or other funds from the city and may include providing funds to assist developers undertaking projects in accordance with the development plan or by the city directly

undertaking public infrastructure projects in accordance with the development plan, provided the projects have been approved by the corporation. City contributions that are in excess of this ratio carry forward and are credited towards subsequent years. 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 into arrangements with the county to pay for or otherwise meet the local matching contribution requirement. Any public infrastructure project within the area that will be in the destination medical center development district whose implementation is started or funded by the city after the effective date of this section but before the development plan is adopted, as provided by section 469.46, subdivision 5, will be included for the purposes of determining the amount the city has contributed as required by this section and the agreement with the commissioner, subject to approval by the corporation.

Subd. 5. **State transit aid.** (a) The city qualifies for state transit aid under this section if the county contributes the required local matching contribution under subdivision 6 or the city or county has agreed to make an equivalent contribution out of other funds for the year.

(b) If the city qualifies for aid under paragraph (a), the commissioner must pay the city the state transit aid in the amount calculated under this paragraph. 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 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, must establish a total limit on the amount of state aid payable under this subdivision that will be adequate to finance, in combination with the local contribution, \$116,000,000 of transit costs.

(d) The city must use state transit aid it receives under this subdivision for transit costs. The city must maintain appropriate records to document the use of the funds under this requirement.

Subd. 6. **Transit aid; local matching contribution.** (a) The required local matching contribution for state transit aid equals the lesser of:

- (1) 40 percent of the state transit aid under subdivision 5; or
- (2) the amount that would be raised by a 0.15 percent sales tax imposed by the county in the preceding year.

The county may impose the sales tax or the wheelage tax under section 469.46 to meet this obligation.

(b) If the county elects not to impose any of the taxes authorized under section 469.46, 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 must estimate the required amount and certify it to the commissioner, city, and county.

Subd. 7. **Prevailing wage requirement.** During the construction, installation, remodelling, and repairs of any public infrastructure project funded by state aid or a local matching contribution under this section, laborers and mechanics at the site must be paid the prevailing wage rate as defined in section 177.42, subdivision 6, and the project is subject to the requirements of sections 177.30 and 177.41 to 177.44.

Subd. 8. **Termination.** No aid may be paid under this section after fiscal year 2049.

Subd. 9. **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. 11. 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. 12. 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 for economic development projects that these communities would fund through their economic development authority or housing and redevelopment authority. 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 financing costs, related to public infrastructure projects in the development plan adopted under Minnesota Statutes, section 469.43.~~

(f) Revenues from the tax under subdivision 1, paragraph (b), must be used to fund obligations, including financing costs, related to the public infrastructure projects contained in the development plan approved by the DMCC and adopted by the city under Minnesota Statutes, section 469.43.

Sec. 13. 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 beyond the date, up to December 31, 2049, 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 469.43, including all financing costs; otherwise the taxes terminate when the city council determines that sufficient funds have been received from the taxes to finance ~~\$11,500,000~~ of 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 2049, 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 469.43, including all financing costs.

#### **Sec. 14. ROCHESTER SALES TAX SHARING.**

The city council may, after holding a public hearing and passing a resolution, use \$5,000,000 of the \$10,000,000 allocated to an economic development fund in 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, paragraph (c), clause (9), for grants to any or all of the cities of Byron, Chatfield, Dodge Center, Dover, Elgin, Eyota, Hayfield, Kasson, Mantorville, Oronoco, Pine Island, Plainview, Spring Valley, St. Charles, Stewartville, West Concord, and Zumbrota for economic development projects that these communities would fund through their economic development authority or housing and redevelopment authority. The public hearing may be part of a regular city council meeting. If the council does not pass the resolution by September 1, 2013, the \$5,000,000 may not be used for grants to the other cities but shall instead be used to fund public infrastructure projects contained in the development plan under Minnesota Statutes, section 469.42.

#### **Sec. 15. OLMSTED INTERREGIONAL PASSENGER RAIL STUDY.**

The study by the Olmsted County Regional Rail authority, in conjunction with the Minnesota Department of Transportation, on interregional passenger rail, and funded under Laws 2009, chapter 93, article 1, section 11, subdivision 5, must include analysis of the feasibility of a high-speed rail connection between Rochester and the Mall of America via Minnesota State Highway 77 with connections to the Minneapolis-St. Paul International Airport and the Union Depot in St. Paul; and, to the extent feasible, take into account available data, forecasts, available

transportation demand modeling information, and transportation impacts of major economic initiatives and proposals including, but not limited to, expansion of the Mayo Clinic.

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

Sec. 16. **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 11**

### **MINERALS TAXES**

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 two and one-half 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 equal to the amount of the distribution to be used for the same purpose ~~of at least 50 percent of the distribution based on 14.7 cents per ton~~ beginning with distributions in ~~2002~~ 2014. 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 2014 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~~ \$2.56 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 qualifying under paragraph (c) must receive additional taconite aid each year equal to 22.5 percent of the amount obtained by subtracting:

(i) 1.8 percent of the district's net tax capacity for 2011, from:

(ii) the district's weighted average daily membership for fiscal year 2012 multiplied by the sum of:

(A) \$415, plus

(B) the district's referendum revenue allowance for fiscal year 2013.

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~~ 11 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. Minnesota Statutes 2012, section 298.28, subdivision 9c, is amended to read:

Subd. 9c. **Temporary Distribution; city of Eveleth.** 0.20 cent per taxable ton must be paid to the city of Eveleth for distribution in ~~2007 through 2011 only~~ 2013 and thereafter, to be used for the support of the Hockey Hall of Fame, provided that it continues to operate in that city, and provided that the city of Eveleth certifies to the St. Louis County auditor that it has received donations for the support of the Hockey Hall of Fame from ~~professional hockey organizations or other donors in an amount at least equal to the amount of the distribution under this subdivision.~~ If the Hockey Hall of Fame ceases to operate in the city of Eveleth prior to receipt of the distribution in ~~either any year,~~ and the governing body of the city determines that it is unlikely to resume operation there within a six-month period, the distribution under this subdivision shall be made to the Iron Range Resources and Rehabilitation Board. ~~If the amount of the distribution authorized under this subdivision exceeds the total amount of donations for the support of the Hockey Hall of Fame during the 12-month period ending 30 days before the date of the distribution, the amount by which 0.20 cent per ton exceeds the donations shall be distributed to the Iron Range Resources and Rehabilitation Board.~~

Sec. 8. Minnesota Statutes 2012, section 298.28, subdivision 10, is amended to read:

Subd. 10. **Increase.** (a) Except as provided in paragraph (b), beginning with distributions in 2000, the amount determined under subdivision 9 shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Beginning with distributions in ~~2003~~ 2015, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(b) For distributions in 2005 and subsequent years, an amount equal to the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for taxes paid in 2005, except for the amount of revenue increases provided in subdivision 4, paragraph (d), is distributed to the grant and loan fund established in section 298.2961, subdivision 4.

**EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

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.

**Sec. 10. 2013 DISTRIBUTION ONLY.**

For the 2013 distribution, a special fund is established to receive 38.7 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 cents per ton to the city of Tower for the Tower Marina;

(5) 2.4 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 public works infrastructure;

(13) 1.8 cents per ton to the Crane Lake Water and Sanitary District for sanitary sewer extension;

(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;

(18) 1.8 cents per ton to the city of Eveleth to be used for Jones Street reconstruction and the city auditorium;

(19) 0.5 cents for the city of Keewatin for an electrical substation and water line replacements;

(20) 3.3 cents for the city of Virginia for Fourth Street North infrastructure and Franklin Park improvement; and

(21) 0.5 cents per ton to the city of Grand Rapids for an economic development project.

**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. This section supersedes article 5, section 46, of 2013 H.F. No. 729, if enacted in the 2013 regular session of the legislature.

**Sec. 11. 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 shall issue revenue bonds in a principal amount of \$38,000,000 plus an amount sufficient to pay costs of issuance in one or more series, and thereafter may issue bonds to refund those bonds. The proceeds of the bonds must be used to pay costs of issuance and to make grants to school districts located in the taconite tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance area defined in Minnesota Statutes, section 273.1341, to be used by the school districts to pay for 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.

## ARTICLE 12

### 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 216C.436, subdivision 7, is amended to read:

Subd. 7. **Repayment.** An implementing entity that finances an energy improvement under this section must:

(1) secure payment with a lien against the ~~benefited~~ qualifying real property; and

(2) collect repayments as a special assessment as provided for in section 429.101 or by charter, provided that special assessments may be made payable in up to 20 equal annual installments.

If the implementing entity is an authority, the local government that authorized the authority to act as implementing entity shall impose and collect special assessments necessary to pay debt service on bonds issued by the implementing entity under subdivision 8, and shall transfer all collections of the assessments upon receipt to the authority.

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

Sec. 4. Minnesota Statutes 2012, section 373.01, subdivision 3, is amended to read:

Subd. 3. **Capital notes.** (a) A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than ten years and shall be issued on terms and in a manner the board determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(b) For purposes of this subdivision, "capital equipment" means:

- (1) public safety, ambulance, road construction or maintenance, and medical equipment; and
- (2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

Sec. 5. 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. 6. 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. 7. 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.

(d) The community development agency (1) shall send a copy of each petition for the establishment of a housing improvement area to the city in which the proposed housing

improvement area is located, and (2) may not hold the public hearing required in section 428A.13, subdivision 2, fewer than 30 days after the date on which the related application was sent pursuant to clause (1). The community development agency may not establish a housing improvement area if the applicable city council opposes the establishment by resolution adopted within 30 days after the petition required to be sent pursuant to clause (1).

Sec. 8. 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, together with application development services and training related to the use of the computer hardware and software.

(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 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. 9. 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, together with application development services and training related to the use of the computer hardware or software.

(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 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. 10. Minnesota Statutes 2012, section 473.39, is amended by adding a subdivision to read:

Subd. 1s. **Obligations.** After July 1, 2013, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$35,800,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. This section is not effective if the legislature authorizes and enacts issuance authority of at least \$35,800,000 in 2013 H.F. No. 1444. If the legislature authorizes and enacts issuance authority of less than \$35,800,000 in 2013 H.F. No. 1444, this section prevails, regardless of order of enactment.

Sec. 11. 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. 12. 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. 13. 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. 14. 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. 15. 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. 16. 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. 17. Minnesota Statutes 2012, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction or bituminous overlays, if the following conditions are met:

(1) the streets are reconstructed or overlaid under a street reconstruction or overlay plan that describes the street reconstruction or overlay to be financed, the estimated costs, and any planned reconstruction or overlay 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 and bituminous overlays 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 and bituminous overlays does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 18. 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. 19. 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. 20. 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, pursuant to a grant agreement as provided by Minnesota Statutes, section 16A.695, subdivision 9. Notwithstanding Minnesota Statutes, section 16A.695, subdivision 6, to satisfy the match requirements of the grant agreement, the district may use a lease-purchase agreement. Notwithstanding Minnesota Statutes, section 465.71, the lease-purchase agreement must provide that the title to the lease-purchased property must 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.

**Sec. 21. 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 offices, hearing rooms, and parking facilities for legislative and other functions. The facility must be located on the block bounded by Sherburne Avenue on the north, Park Street on the west, University Avenue on the south, and North Capitol Boulevard on the east. The legislative office facility must provide office accommodations for all senators and senate staff who do not have offices in the Capitol building and on-site parking facilities for all members and staff and disabled visitors to senate offices. A parking structure may also be built on the state-owned land located in the block bounded by Sherburne Avenue on the north, Park Street on the east, University Avenue on the south, and Rice Street on the west. 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. A selection committee created under this section must contain no more than seven members, including at least three representatives designated by the senate Committee on Rules and Administration and three representatives designated by the speaker of the house.

(c) Notwithstanding any provision to the contrary in Minnesota Statutes, sections 16C.32 and 16C.33, if the commissioner of administration elects to use a design-build delivery method to design, construct, and equip one or more facilities and associated infrastructure to provide audio and video broadcast services for the Capitol building, State Office Building, and a new legislative office building, if applicable, the commissioner shall create a selection committee to act as the board under Minnesota Statutes, sections 16C.32 and 16C.33, to design, build, and equip the facilities. The selected design-builder may self-perform trade work or name an audio and video subcontractor as a member of the design-builder's team. If an audio and video subcontractor is named as a member of the design-builder's team, the design-builder is not required to competitively bid the trade work. Notwithstanding Minnesota Statutes, section 16C.33, subdivision 5, paragraph (b), after obtaining and evaluating qualifications from each design-builder, in accordance with the weighted criteria and subcriteria and procedures provided in the request for qualifications, the selection committee shall select a short list of up to five proposals. If the commissioner does not receive any proposals, the commissioner may either:

- (1) solicit new proposals;
- (2) revise the request for qualifications and thereafter solicit new proposals using the revised request for qualifications; or
- (3) request selection of a primary designer under Minnesota Statutes, section 16B.33, 16C.08, or 16C.095, and proceed with competitive bidding pursuant to Minnesota Statutes, sections 16C.25 to 16C.29.

(d) 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.

(e) The commissioner of administration must not prepare final plans and specifications for any construction authorized under this section 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.

(f) \$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.

(g) 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.

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

**Sec. 22. APPROPRIATION; RELOCATION EXPENSES.**

\$1,860,000 is appropriated from the general fund to the commissioner of administration for rent loss and relocation expenses related to the Capitol renovation project for fiscal year 2014. Notwithstanding Minnesota Statutes, section 16A.642, this appropriation is available until June 30, 2015. The base for this appropriation is \$1,380,000 in fiscal year 2016, \$960,000 in fiscal year 2017, and \$0 after that.

## ARTICLE 13

### MISCELLANEOUS PROVISIONS

Section 1. Minnesota Statutes 2012, section 16A.727, is amended to read:

**16A.727 BACKUP REVENUES; FOOTBALL STADIUM FUNDING.**

(a) If the commissioner of management and budget determines that the amount of revenues under section 297E.021, subdivision 2, for the next fiscal year, plus \$20,000,000, will be less than the amounts specified in section 297E.021, subdivision 3, ~~paragraph (a)~~, clause (1), items (i) to (iii), for that fiscal year, the commissioner may implement the revenue options authorized in Laws 2012, chapter 299, article 6; provided that this section does not constitute a pledge of tax revenues as security for the payment of principal and interest on appropriation bonds issued under section 16A.695. If the commissioner determines to exercise the authority under this section for a fiscal year, the commissioner must implement the revenue options, as necessary, in the following order:

(1) a sports-themed lottery game under section 349A.20; and

(2) a tax on suites as provided under section 473J.14.

(b) Revenue raised under the authority granted by this section must be deposited in the general fund.

(c) If the commissioner determines to implement one or more of the revenue options authorized by this section, each subsequent year the commissioner must determine if the revenue is needed and will be imposed and collected for the next fiscal year. If the commissioner determines that one or

more revenue options implemented for a fiscal year are not needed for a subsequent fiscal year, the commissioner must terminate them in the reverse order they were required to be implemented by paragraph (a) with the last option implemented terminated first and so forth.

(d) Before implementing a revenue source authorized under this section, the commissioner must report the intent to do so to the Legislative Commission on Planning and Fiscal Policy. The commissioner must inform the commission of determinations to continue or discontinue each revenue source for a subsequent fiscal year.

(e) The provisions of this section no longer apply after the Minnesota Sports Facilities Authority certifies to the commissioner that it has determined that the revenues of the general fund under section 297A.994, the increased revenues under chapter 297E, and other available resources of the authority provide adequate financial security for the state and the authority.

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

**Sec. 2. [116V.03] APPROPRIATION.**

\$1,000,000 in fiscal year 2014 and each year thereafter is appropriated from the general fund to the commissioner of revenue for transfer to the agricultural project utilization account in the special revenue fund for the Agricultural Utilization Research Institute established under section 116V.01.

Sec. 3. 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. 4. 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. 5. 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. 6. 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. 7. 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. 8. Minnesota Statutes 2012, section 271.06, subdivision 2a, as added by Laws 2013, chapter 36, section 1, is amended 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 mail 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, within the time prescribed by subdivision 2, 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 mail 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.

Sec. 9. Minnesota Statutes 2012, section 297E.021, subdivision 3, is amended to read:

Subd. 3. **Available revenues.** For purposes of this section, "available revenues" equals the amount determined under subdivision 2, plus up to \$20,000,000 each fiscal year from the taxes imposed under section 290.06, subdivision 1:

(1) reduced by the following amounts paid for the fiscal year under:

(i) the appropriation to principal and interest on appropriation bonds under section 16A.965, subdivision 8;

(ii) the appropriation from the general fund to make operating expense payments under section 473J.13, subdivision 2, paragraph (b);



(iii) the appropriation for contributions to the capital reserve fund under section 473J.13, subdivision 4, paragraph (c);

(iv) the appropriations under Laws 2012, chapter 299, article 4, for administration and any successor appropriation;

(v) the reduction in revenues resulting from the sales tax exemptions under section 297A.71, subdivision 43;

(vi) reimbursements authorized by section 473J.15, subdivision 2, paragraph (d);

(vii) the compulsive gambling appropriations under section 297E.02, subdivision 3, paragraph (c), and any successor appropriation; and

(viii) the appropriation for the city of St. Paul under section 16A.726, paragraph (c); and

(2) increased by the revenue deposited in the general fund under section 297A.994, subdivision 4, clauses (1) to (3), for the fiscal year.

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

Sec. 10. 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 telecommunications service does not preclude that service from being considered a prepaid wireless telecommunications service under this chapter.

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

Sec. 11. 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. 12. 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. 13. 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 the most recent forecast of revenues and expenditures for the 911 emergency telecommunications service account, including a separate projection of E911 fees from prepaid wireless customers and projections of year-end fund balances.~~ 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 the day following final enactment.

Sec. 14. 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. 15. Minnesota Statutes 2012, section 403.11, is amended by adding a subdivision to read:

Subd. 3d. **Eligible telecommunications carrier; requirement.** No wireless communications provider may provide telecommunications services under a designation of eligible telecommunications carrier, as provided under Minnesota Rule 7811.1400, until and unless the commissioner of public safety certifies to the chair of the public utilities commission that the wireless telecommunications provider is not in arrears in amounts owed to the 911 emergency telecommunications service account in the special revenue fund.

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

Sec. 16. 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 information under section 13.37 and may only be used for purposes of administering this chapter.

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

**Sec. 17. [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 January 1, 2014.

**Sec. 18. [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 7.

(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 7.

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.

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 as provided in section 403.162.

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. 19. **[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. **Department of Revenue provisions.** The audit, assessment, appeal, collection, refund, penalty, interest, enforcement, and administrative provisions of chapters 270C and 289A that are applicable to the taxes imposed by 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. 20. [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 paragraph (a), section 403.08, subdivision 11, applies to sellers and providers.

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

**Sec. 21. [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. 22. PURPOSE STATEMENTS; TAX EXPENDITURES.**

Subdivision 1. **Authority.** This section is intended to fulfill the requirement under Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax expenditure provide a purpose for the tax expenditure and a standard or goal against which its effectiveness may be measured.

Subd. 2. **Federal conformity.** The provisions of article 6 conforming Minnesota individual income tax to changes in federal law related to bonus depreciation and section 179 expensing are intended to simplify compliance with and administration of the individual income tax.

Subd. 3. **Sales tax exemption for certain aircraft parts and labor.** The provisions of article 5 exempting parts and labor for certain aircraft, is intended to encourage the growth of the aviation services industry in the state.

Subd. 4. **Railroad track maintenance subtraction.** The provisions of article 6 allowing an individual income and corporate franchise tax subtraction for the amount allowed under the federal credit for railroad maintenance expenses, are intended to increase the combined federal and state tax incentives available to Class II and Class III railroads for maintaining and upgrading track in Minnesota. The standard against which effectiveness is to be measured is the additional miles of track maintained or upgraded following allowance of the state tax subtraction in addition to the existing federal tax credit.

Subd. 5. **Historic structure rehabilitation credit.** The provisions of article 6 extending the sunset date of the historic structure rehabilitation credit and modifying the effective date of the credit, are intended to encourage the preservation of historic structures in Minnesota and to create and retain jobs related to rehabilitation of historic structures in the state. The standard against which the effectiveness of the extension of the credit and modification of the effective date is to be measured is the number of jobs created through the rehabilitation of historic structures and the number of historic structures rehabilitated and placed in service.

Subd. 6. **Greater Minnesota internship credit.** The provisions of article 6 providing a tax credit to employers of qualified interns, are intended to encourage Minnesota businesses to employ and provide valuable education and work experience to Minnesota students and foster long-term relationships between students and greater Minnesota employers. The standard against which the effectiveness of the extension of the credit is the number of students who participated in the program who were subsequently employed full time by the employer.

Subd. 7. **Sales tax exemption for greater Minnesota business expansion.** The provisions of article 8 are intended to induce existing businesses in greater Minnesota to increase investment and expand employment in greater Minnesota.

Subd. 8. **Expansion of sales tax exemption on durable medical products and prosthetics.** The provisions of article 8 expanding the definition of items included in repair and replacement parts of durable medical equipment and prosthetics and exempting Medicare and medicaid purchases is intended to simplify sales tax administration in this area and provide relief for sellers who cannot collect the tax under these programs.

Subd. 9. **Sales tax exemption for established religious orders.** The provisions of article 8 exempting certain sales between a religious order and an affiliated institute of higher education, is intended to retain an existing sales tax exemption that exists between St. John's Abbey and St. John's University after a governing restructure between the two entities.

Subd. 10. **Sales tax exemption for certain dental providers.** The provisions of article 8 exempting certain purchases by qualifying critical access dental providers, is intended to assist critical access dental providers in defraying the overall cost of the services they provide to underserved communities.

Subd. 11. **Sales tax exemption for nursing homes and boarding care homes.** The provisions of article 8 exempting certain nursing homes and boarding care homes is intended to clarify that an existing exemption for these facilities is not affected by a recent property tax case related to defining nonprofit organizations engaged in charitable activities.

Subd. 12. **Construction sales tax exemptions.** The provisions of article 8 exempting from sales tax construction materials for various entities, are intended to increase jobs and reduce tax pyramiding by reducing the tax on inputs used to provide taxable goods and services.

Subd. 13. **Sales tax exemption on certain public infrastructure.** The provisions of article 10 exempting construction materials used in public infrastructure projects related to the destination medical center plan is intended to reduce city costs for those projects.

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

Sec. 23. **APPROPRIATIONS.**

(a) \$950,000 is appropriated from the general fund to the commissioner of revenue in fiscal year 2014 for administering this act. This appropriation does not cancel but is available until June 30, 2015. \$300,000 of this amount is added to the annual base budget.

(b) \$25,000 in fiscal year 2014 and \$25,000 in fiscal year 2015 are appropriated from the general fund to the commissioner of employment and economic development for administering the provisions of article 10.

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

Sec. 24. **REPEALER.**

Minnesota Statutes 2012, sections 290.171; 290.173; and 290.174, are repealed.

## ARTICLE 14

### 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 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 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~~ town or unorganized territory 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~~ 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.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. 107. 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. 108. 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. 109. 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. 110. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall recodify Minnesota Statutes, section 127A.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. 111. **REPEALER.**

Minnesota Statutes 2012, sections 276A.01, subdivision 11; 473F.02, subdivision 13; and 477A.011, subdivision 21, are repealed.

Sec. 112. **EFFECTIVE DATE.**

Unless otherwise specifically provided, this article 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 15

### 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 290.9705, 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 16

### 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 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. 4. 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. 5. 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. 6. 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. 7. 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<sub>;</sub> 3<sub>;</sub> 4<sub>;</sub> ~~6~~<sub>;</sub> 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. 8. Minnesota Statutes 2012, section 2971.05, 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. 9. 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. 10. 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. 11. **REPEALER.**

Minnesota Statutes 2012, section 289A.60, subdivision 31, is repealed.

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

## ARTICLE 17

### DEPARTMENT POLICY AND TECHNICAL: MINERALS TAXES; PROPERTY TAX

Section 1. 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. 2. 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. 3. 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. 4. 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. 5. 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. 6. 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. 7. 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. 8. 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. 9. 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. 10. 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. 11. 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 commissioner shall make a final determination of the matter and shall notify the company promptly of the determination. The conference is not a contested case hearing.

~~(b)~~ (e) In addition to the opportunity for a conference under paragraph (a), the commissioner shall also provide the railroad and utility companies the opportunity to discuss any questions or concerns relating to the values established by the commissioner through certification or notice in a less formal manner. This does not change or modify the deadline for requesting a conference under paragraph (a), the deadline in section 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for appealing property taxes in court.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

Sec. 12. Minnesota Statutes 2012, section 273.39, is amended to read:

**273.39 RURAL AREA.**

As used in sections 273.39 to 273.41, the term "rural area" shall be deemed to mean any area of the state not included within the boundaries of any ~~incorporated~~ statutory city or home rule charter city, and such term shall be deemed to include both farm and nonfarm population thereof.

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

Sec. 13. Minnesota Statutes 2012, section 279.06, subdivision 1, is amended to read:

Subdivision 1. **List and notice.** Within five days after the filing of such list, the court administrator shall return a copy thereof to the county auditor, with a notice prepared and signed by the court administrator, and attached thereto, which may be substantially in the following form:

State of Minnesota     )  
  ) ss.  
County of ..... )

District Court  
..... Judicial District.

The state of Minnesota, to all persons, companies, or corporations who have or claim any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of land described in the list hereto attached:

The list of taxes and penalties on real property for the county of ..... remaining delinquent on the first Monday in January, ....., has been filed in the office of the court administrator of the district court of said county, of which that hereto attached is a copy. Therefore, you, and each of you, are hereby required to file in the office of said court administrator, on or before the 20th day after the publication of this notice and list, your answer, in writing, setting forth any objection or defense you may have to the taxes, or any part thereof, upon any parcel of land described in the list, in, to, or on which you have or claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will be entered against such parcel of land for the taxes on such list appearing against it, and for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to the state of Minnesota on the second Monday in May, ....., ~~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);~~
- ~~(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

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.
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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. 14. 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. 15. 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. 16. 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. 17. 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. 18. **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 18

### DEPARTMENT POLICY AND TECHNICAL: MISCELLANEOUS PROVISIONS

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 7, is amended to read:

Subd. 7. **Aviation gasoline.** "Aviation gasoline" means any gasoline that is capable of use for the purpose of producing or generating power for propelling internal combustion engine aircraft, that meets the specifications in ASTM specification ~~Ð910-07a~~ D910-11, and that either:

(1) is invoiced and billed by a producer, manufacturer, refiner, or blender to a distributor or dealer, by a distributor to a dealer or consumer, or by a dealer to consumer, as "aviation gasoline"; or

(2) whether or not invoiced and billed as provided in clause (1), is received, sold, stored, or withdrawn from storage by any person, to be used for the purpose of producing or generating power for propelling internal combustion engine aircraft.



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

Sec. 8. Minnesota Statutes 2012, section 296A.01, subdivision 8, is amended to read:

Subd. 8. **Aviation turbine fuel and jet fuel.** "Aviation turbine fuel" and "jet fuel" mean blends of hydrocarbons derived from crude petroleum, natural gasoline, and synthetic hydrocarbons, intended for use in aviation turbine engines, and that meet the specifications in ASTM specification ~~D1655-08a~~ D1655-12.

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

Sec. 9. Minnesota Statutes 2012, section 296A.01, is amended by adding a subdivision to read:

Subd. 8b. **Biobutanol.** "Biobutanol" means isobutyl alcohol produced by fermenting agriculturally generated organic material that is to be blended with gasoline and meets either:

(1) the initial ASTM Standard Specification for Butanol for Blending with Gasoline for use as an Automotive Spark-Ignition Engine Fuel once it has been released by ASTM for general distribution;  
or

(2) in the absence of an ASTM Standard Specification, the following list of requirements:

(i) visually free of sediment and suspended matter;

(ii) clear and bright at the ambient temperature of 21 degrees Celsius or the ambient temperature whichever is higher;

(iii) free of any adulterant or contaminant that can render it unacceptable for its commonly used applications;

(iv) contains not less than 96 volume percent isobutyl alcohol;

(v) contains not more than 0.4 volume percent methanol;

(vi) contains not more than 1.0 volume percent water as determined by ASTM standard test method E203 or E1064;

(vii) acidity (as acetic acid) of not more than 0.007 mass percent as determined by ASTM standard test method D1613;

(viii) solvent washed gum content of not more than 5.0 milligrams per 100 milliliters as determined by ASTM standard test method D381;

(ix) sulfur content of not more than 30 parts per million as determined by ASTM standard test method D2622 or D5453; and

(x) contains not more than 4 parts per million total inorganic sulfate.

Sec. 10. Minnesota Statutes 2012, section 296A.01, subdivision 14, is amended to read:

Subd. 14. **Diesel fuel oil.** "Diesel fuel oil" means a petroleum distillate or blend of petroleum distillate and residual fuels that is intended for use as a motor fuel in internal combustion diesel engines and that meets ASTM specification ~~D975-07b~~ D975-11b.

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

Sec. 11. 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. 12. Minnesota Statutes 2012, section 296A.01, subdivision 20, is amended to read:

Subd. 20. **Ethanol, denatured.** "Ethanol, denatured" means ethanol that is to be blended with gasoline, has been agriculturally derived, and complies with ASTM specification ~~D4806-08~~ D4806-11a. This includes the requirement that ethanol may be denatured only as specified in Code of Federal Regulations, title 27, parts 20 and 21.

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

Sec. 13. Minnesota Statutes 2012, section 296A.01, subdivision 23, is amended to read:

Subd. 23. **Gasoline.** (a) "Gasoline" means:

(1) all products commonly or commercially known or sold as gasoline regardless of their classification or uses, except casinghead gasoline, absorption gasoline, condensation gasoline, drip gasoline, or natural gasoline that under the requirements of section 239.761, subdivision 3, must not be blended with gasoline that has been sold, transferred, or otherwise removed from a refinery or terminal; and

(2) any liquid prepared, advertised, offered for sale or sold for use as, or commonly and commercially used as, a fuel in spark-ignition, internal combustion engines, and that when tested by the Weights and Measures Division meets the specifications in ASTM specification ~~D4814-08b~~ D4814-11b.

(b) Gasoline that is not blended with ethanol must not be contaminated with water or other impurities and must comply with both ASTM specification ~~D4814-08b~~ D4814-11b and the volatility requirements in Code of Federal Regulations, title 40, part 80.

(c) After gasoline is sold, transferred, or otherwise removed from a refinery or terminal, a person responsible for the product:

(1) may blend the gasoline with agriculturally derived ethanol, as provided in subdivision 24;

(2) must not blend the gasoline with any oxygenate other than denatured, agriculturally derived ethanol;

(3) must not blend the gasoline with other petroleum products that are not gasoline or denatured, agriculturally derived ethanol;

(4) must not blend the gasoline with products commonly and commercially known as casinghead gasoline, absorption gasoline, condensation gasoline, drip gasoline, or natural gasoline; and

(5) may blend the gasoline with a detergent additive, an antiknock additive, or an additive designed to replace tetra-ethyl lead, that is registered by the EPA.

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

Sec. 14. Minnesota Statutes 2012, section 296A.01, subdivision 24, is amended to read:

Subd. 24. **Gasoline blended with nonethanol oxygenate.** "Gasoline blended with nonethanol oxygenate" means gasoline blended with ETBE, MTBE, or other alcohol or ether, except denatured ethanol, that is approved as an oxygenate by the EPA, and that complies with ASTM specification ~~D4814-08b~~ D4814-11b. Oxygenates, other than denatured ethanol, must not be blended into gasoline after the gasoline has been sold, transferred, or otherwise removed from a refinery or terminal.

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

Sec. 15. Minnesota Statutes 2012, section 296A.01, subdivision 26, is amended to read:

Subd. 26. **Heating fuel oil.** "Heating fuel oil" means a petroleum distillate, blend of petroleum distillates and residuals, or petroleum residual heating fuel that meets the specifications in ASTM specification ~~D396-08b~~ D396-12.

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

Sec. 16. 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. 17. 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. 18. 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. 19. 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. 20. 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. 21. 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. 22. 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. 23. 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. 24. 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. 25. 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. 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. 26. 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, alcohol, special, local, and other taxes and tax-related provisions modifying the property tax refund; changing property tax aids and credits; modifying the Sustainable Forest Incentive Act; modifying education aids and levies; providing additional pension funding; modifying definitions and distributions for property taxes; providing for property tax exemptions; modifying the payment in lieu of tax provisions; modifying education aids and levies; modifying tobacco tax provisions; making changes to additions and subtractions from federal taxable income; providing for federal conformity; changing income tax rates for individuals, estates, and trusts; providing income tax credits; modifying estate tax provisions; providing for a state gift tax; expanding the sales tax base; modifying the duty to collect and remit sales taxes for certain sellers; imposing the sales tax on digital products and selected services; modifying the definition of sale and purchase; modifying provisions for the rental motor vehicle tax rate; providing for multiple points of use certificates; modifying sales tax exemptions; authorizing local sales taxes; authorizing economic development powers; modifying tax increment financing rules; providing authority, organization, powers, duties, and requiring a prevailing wage 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 legislative office facilities; 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 13.792; 16A.46; 16A.727; 38.18; 40A.15, subdivision 2; 69.011, subdivision 1; 69.021, subdivisions 7, 8; 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, 8; 117.025, subdivision 7; 118A.04, subdivision 3; 118A.05, subdivision 5; 123A.455, subdivision 1; 126C.10, subdivision 1, by adding a subdivision;

126C.13, subdivision 4; 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; 216C.436, subdivision 7; 237.52, subdivision 3, by adding a subdivision; 270.077; 270.41, subdivisions 3, 5, by adding a subdivision; 270.45; 270B.01, subdivision 8; 270B.03, subdivision 1; 270B.12, subdivision 4; 270C.03, subdivision 1; 270C.34, subdivision 1; 270C.38, subdivision 1; 270C.42, subdivision 2; 270C.56, subdivision 1; 271.06, subdivision 2a, as added; 272.01, subdivision 2; 272.02, subdivisions 39, 97, by adding subdivisions; 272.03, subdivision 9, by adding subdivisions; 273.032; 273.061, subdivision 2; 273.0645; 273.11, subdivision 1; 273.114, subdivision 6; 273.117; 273.124, subdivisions 3a, 13; 273.13, subdivisions 21b, 23, 25; 273.1398, subdivisions 3, 4; 273.19, subdivision 1; 273.372, subdivision 4; 273.39; 275.011, subdivision 1; 275.077, subdivision 2; 275.71, subdivision 4; 276.04, subdivision 2; 276A.01, subdivisions 10, 12, 13, 15; 276A.06, subdivision 10; 279.01, subdivision 1, by adding a subdivision; 279.02; 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, subdivision 1, 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 19, as amended, 19b, 19c, 19d; 290.06, subdivisions 2c, 2d, by adding a subdivision; 290.0677, subdivision 2; 290.068, subdivisions 3, 6a; 290.0681, subdivisions 1, 3, 4, 5, 10; 290.091, subdivisions 1, 2, 6; 290.0921, subdivision 3; 290.0922, subdivision 1; 290.095, subdivision 2; 290.10, subdivision 1; 290.17, subdivision 4; 290.191, subdivision 5; 290.21, subdivision 4; 290.9705, subdivision 1; 290A.03, subdivision 3; 290A.04, subdivisions 2, 2a, 4; 290B.04, subdivision 2; 290C.02, subdivision 6; 290C.03; 290C.055; 290C.07; 291.005, subdivision 1; 291.03, subdivisions 1, 8, 9, 10, 11, by adding a subdivision; 296A.01, subdivisions 7, 8, 14, 19, 20, 23, 24, 26, by adding a subdivision; 296A.09, subdivision 2; 296A.17, subdivision 3; 296A.22, subdivisions 1, 3; 297A.61, subdivisions 3, 4, 10, 25, 38, 45, by adding subdivisions; 297A.64, subdivision 1; 297A.66, subdivision 3, by adding a subdivision; 297A.665; 297A.668, by adding a subdivision; 297A.67, subdivisions 7, 13, by adding a subdivision; 297A.68, subdivisions 2, 5, 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.82, subdivision 4, by adding a subdivision; 297A.99, subdivision 1; 297B.11; 297E.021, subdivision 3; 297E.14, subdivision 7; 297F.01, subdivisions 3, 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, 9c, 10; 325D.32, subdivision 2; 325F.781, subdivision 1; 349.166, subdivision 1; 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, subdivisions 1, 3; 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 subdivisions; 410.32; 412.221, subdivision 2; 412.301; 428A.02, subdivision 1; 428A.101; 428A.21; 430.102, subdivision 2; 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; 469.071,



subdivision 5; 469.107, subdivision 1; 469.169, by adding a subdivision; 469.176, subdivisions 4c, 4g, 6; 469.177, subdivisions 1a, 9, by adding subdivisions; 469.180, subdivision 2; 469.187; 469.206; 469.319, subdivision 4; 469.340, subdivision 4; 471.24; 471.571, subdivisions 1, 2; 471.73; 473.325, subdivision 2; 473.39, by adding a subdivision; 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, subdivisions 3a, 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, 34, 42, by adding subdivisions; 477A.0124, subdivision 2; 477A.013, subdivisions 1, 8, 9, by adding a subdivision; 477A.015; 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 2009, chapter 88, article 2, section 46, subdivisions 1, 3; Laws 2010, chapter 216, sections 11; 55; Laws 2010, chapter 389, article 1, section 12; article 5, section 6, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 116J; 116V; 124D; 136A; 270C; 287; 290A; 292; 403; 423A; 469; 477A; repealing Minnesota Statutes 2012, sections 16A.725; 97A.061; 256.9658; 272.69; 273.11, subdivisions 1a, 22; 276A.01, subdivision 11; 289A.60, subdivision 31; 290.01, subdivision 6b; 290.06, subdivision 22a; 290.0921, subdivision 7; 290.171; 290.173; 290.174; 297A.61, subdivision 27; 297A.68, subdivision 35; 473F.02, subdivision 13; 477A.011, subdivisions 2a, 19, 21, 29, 31, 32, 33, 36, 39, 40, 41; 477A.013, subdivisions 11, 12; 477A.0133; 477A.0134; Laws 1973, chapter 567, section 7, as amended; Laws 2009, chapter 88, article 4, section 23, as amended."

We request the adoption of this report and repassage of the bill.

House Conferees: Ann Lenczewski, Jim Davnie, Tom Anzelc, John Benson, Kim Norton

Senate Conferees: Rod Skoe, Ann H. Rest, Kari Dziedzic, Lyle Koenen, David H. Senjem

Senator Skoe moved the foregoing recommendations and Conference Committee report on H.F. No. 677 be now adopted, and that the bill be repassed as amended by the Conference Committee.

The roll was called, and there were yeas 37 and nays 29, as follows:

Those who voted in the affirmative were:

Bakk	Eaton	Koenen	Saxhaug	Stumpf
Carlson	Eken	Latz	Scalze	Tomassoni
Champion	Goodwin	Lourey	Schmit	Torres Ray
Clausen	Hawj	Marty	Senjem	Wiger
Cohen	Hayden	Metzen	Sheran	Wiklund
Dahle	Hoffman	Pappas	Sieben	
Dibble	Johnson	Reinert	Skoe	
Dziedzic	Kent	Rest	Sparks	

Those who voted in the negative were:

Anderson	Benson	Bonoff	Chamberlain	Dahms
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Fischbach	Housley	Miller	Osmek	Ruud
Franzen	Ingebrigtsen	Nelson	Pederson, J.	Thompson
Gazelka	Jensen	Newman	Petersen, B.	Weber
Hall	Kiffmeyer	Nienow	Pratt	Westrom
Hann	Limmer	Ortman	Rosen	

The motion prevailed. So the recommendations and Conference Committee report were adopted.

### CALL OF THE SENATE

Senator Skoe imposed a call of the Senate for the balance of the proceedings on H.F. No. 677. The Sergeant at Arms was instructed to bring in the absent members.

H.F. No. 677 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

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

Those who voted in the affirmative were:

Bakk	Eaton	Latz	Scalze	Tomassoni
Carlson	Eken	Lourey	Schmit	Torres Ray
Champion	Goodwin	Marty	Senjem	Wiger
Clausen	Hawj	Metzen	Sheran	Wiklund
Cohen	Hayden	Pappas	Sieben	
Dahle	Hoffman	Reinert	Skoe	
Dibble	Johnson	Rest	Sparks	
Dziedzic	Koenen	Saxhaug	Stumpf	

Those who voted in the negative were:

Anderson	Franzen	Jensen	Newman	Pratt
Benson	Gazelka	Kent	Nienow	Rosen
Bonoff	Hall	Kiffmeyer	Ortman	Ruud
Chamberlain	Hann	Limmer	Osmek	Thompson
Dahms	Housley	Miller	Pederson, J.	Weber
Fischbach	Ingebrigtsen	Nelson	Petersen, B.	Westrom

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

### MESSAGES FROM THE HOUSE - CONTINUED

Madam President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 1589, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 1589:** A bill for an act relating to the operation of state government finance; allowing the secretary of state authority to accept funds from local government units for election systems enhancements and to receive certain funds for the address confidentiality program; allowing the state auditor to charge a onetime user fee for a small city and town accounting system software; changing provisions for bid solicitations and proposals; changing certain provisions for service contracts and the solicitation process; requiring a determination of the IT cost for agency technology projects; expanding E-Government initiative and establishing the E-Government Advisory Council; changing certain audit provisions from the state auditor to the legislative auditor; repealing the

Minnesota Sunset Act; changing provisions for barbering and cosmetology; changing licensing provisions for accountants; changing a paid military leave provision; modifying provisions in the Veterans Service Office grant program; changing provision in the Minnesota GI Bill program; establishing a veterans home in Beltrami County; making Department of Revenue changes; making compensation council changes and requiring a compensation study; adjusting certain salary groups; establishing administrative penalties; establishing fees; appropriating money; amending Minnesota Statutes 2012, sections 3.099, subdivision 1; 3.855, subdivision 3; 13.591, subdivision 3; 15A.0815, subdivisions 1, 2, 3, 5; 15A.082, subdivision 2; 16A.82; 16C.02, subdivision 13; 16C.06, subdivision 2; 16C.09; 16C.10, subdivision 6; 16C.145; 16C.33, subdivision 3; 16C.34, subdivision 1; 16E.07, by adding a subdivision; 32C.04; 43A.17, subdivisions 1, 3; 65B.84, subdivision 1; 154.001, by adding a subdivision; 154.003; 154.02; 154.05; 154.06; 154.065, subdivision 2; 154.07, subdivision 1; 154.08; 154.09; 154.10, subdivision 1; 154.11, subdivision 1; 154.12; 154.14; 154.15, subdivision 2; 154.26; 155A.23, subdivision 3; 155A.25, subdivisions 1a, 4; 155A.27, subdivisions 4, 7, 10; 155A.29, subdivision 2; 155A.30, subdivision 1, by adding subdivisions; 192.26; 197.608, subdivisions 1, 3, 4, 5, 6; 197.791, subdivisions 4, 5; 254A.035, subdivision 2; 254A.04; 256B.093, subdivision 1; 260.835, subdivision 2; 270C.69, subdivision 1; 289A.20, subdivisions 2, 4; 289A.26, subdivision 2a; 295.55, subdivision 4; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.30, by adding a subdivision; 297I.35, subdivision 2; 326A.04, subdivisions 2, 3, 5, 7; 326A.10; 469.3201; 473.843, subdivision 3; Laws 2012, chapter 278, article 1, section 5; article 2, sections 27; 34; proposing coding for new law in Minnesota Statutes, chapters 4; 5; 5B; 6; 16E; 154; 155A; 198; 297I; repealing Minnesota Statutes 2012, sections 3D.01; 3D.02; 3D.03; 3D.04; 3D.045; 3D.05; 3D.06; 3D.065; 3D.07; 3D.08; 3D.09; 3D.10; 3D.11; 3D.12; 3D.13; 3D.14; 3D.15; 3D.16; 3D.17; 3D.18; 3D.19; 3D.20; 3D.21, subdivisions 2, 3, 4, 5, 6, 7, 8; 43A.17, subdivision 4; 155A.25, subdivision 1; 168A.40, subdivisions 3, 4; 197.608, subdivision 2a; 270C.145; 326A.03, subdivisions 2, 5, 8; Laws 2012, chapter 278, article 1, section 6; Minnesota Rules, parts 1105.0600; 1105.2550; 1105.2700.

Senate File No. 1589 is herewith returned to the Senate.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 20, 2013

### MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 5.1, Senator Bakk, with the concurrence of the chief author, moved that S.F. No. 1664 be withdrawn from the Committee on Rules and Administration, given a second reading, and placed on General Orders. The motion prevailed.

**S.F. No. 1664:** A bill for an act relating to legislative enactments; correcting miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 2012, section 15.985.

S.F. No. 1664 was read the second time.

### SUSPENSION OF RULES

Senator Bakk moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 1664 and that the rules of the Senate be

so far suspended as to give S.F. No. 1664, now on General Orders, its third reading and place it on its final passage. The motion prevailed.

Senator Latz moved to amend S.F. No. 1664 as follows:

Page 4, after line 14, insert:

"Sec. .... [CORR13-01A] 2013 H.F. No. 729, article 1, section 3, subdivision 3, if enacted, is amended to read:

Subd. 3. <b>Workforce Development</b>	16,386,000	14,881,000
Appropriations by Fund		
General	2,776,000	1,789,000
Workforce Development	13,610,000	13,092,000

(a) \$1,039,000 each year from the general fund and \$2,244,000 each year from the workforce development fund are for the adult workforce development competitive grant program. Of this amount, up to five percent is for administration and monitoring of the adult workforce development competitive grant program. All grant awards shall be for two consecutive years. Grants shall be awarded in the first year.

(b) \$3,500,000 each year is from the workforce development fund for the Minnesota youth program under Minnesota Statutes, sections 116L.56 and 116L.561.

(c) \$1,000,000 each year is from the workforce development fund and \$250,000 each year is from the general fund for the youthbuild program under Minnesota Statutes, sections 116L.361 to 116L.366. Of this appropriation and notwithstanding any law to the contrary, \$250,000 each year is for the Little Earth youthbuild program and is available until expended. The appropriation from the general fund and the appropriation to Little Earth youthbuild program are onetime.

(d) \$200,000 each year is from the workforce development fund for a grant to Minnesota Diversified Industries, Inc., to provide progressive development and employment opportunities for people with disabilities.

(e) \$2,848,000 each year is from the workforce development fund for the youth workforce development competitive grant program. Of this amount, up to five percent is for administration and monitoring of the youth workforce development competitive grant program. All grant awards shall be for two consecutive years. Grants shall be awarded in the first year.

(f) \$1,500,000 each year is from the workforce development fund for a grant to FastTRAC - Minnesota Adult Careers Pathways Program for low-skilled, low-income adults. Up to ten percent of this appropriation may be used to provide leadership, oversight, and technical assistance services ~~for low-skilled, low-income adults~~.

(g) \$987,000 in fiscal year 2014 is a onetime appropriation from the general fund for the pilot customized training program for manufacturing industries under article 3. Of this amount:

(1) \$240,000 is for the commissioner for coordination, oversight, and reporting responsibilities related to the customized training program;

(2) \$187,000 is for a grant to Alexandria Technical College for the customized training center;

(3) \$380,000 is for a grant to Century College for the purposes of this paragraph;

(4) \$90,000 is for Hennepin Technical College for the purposes of this paragraph; and

(5) \$90,000 is for Central Lakes College for the purposes of this paragraph.

(h) \$425,000 the first year and \$425,000 the second year are from the workforce development fund for a grant to the Minnesota High Tech Association to support SciTechsperience, a program that supports science, technology, engineering, and math (STEM) internship opportunities for two-

and four-year college and university students in their field of study. The internship opportunities must match students with paid internships within STEM disciplines at small, for-profit companies located in the seven-county metropolitan area, with fewer than 150 total employees, or at small or medium, for-profit companies located outside of the seven-county metropolitan area, with fewer than 250 total employees. At least 100 students must be matched in the first year and at least 125 students must be matched in the second year. Selected hiring companies shall receive from the grant 50 percent of the wages paid to the intern, capped at \$2,500 per intern. The program must work toward increasing the participation among women or other underserved populations. This is a onetime appropriation and is available until expended.

(i) \$500,000 each year is from the workforce development fund for the Opportunities Industrialization Center programs. This appropriation shall be divided equally among the eligible centers.

(j) \$450,000 the first year is from the workforce development fund for the foreign-trained health care professionals grant program modeled after the pilot program conducted under Laws 2006, chapter 282, article 11, section 2, subdivision 12, to encourage state licensure of foreign-trained health care professionals, including: physicians, with preference given to primary care physicians who commit to practicing for at least five years after licensure in underserved areas of the state; nurses; dentists; pharmacists; mental health professionals; and other allied health care professionals. The commissioner must collaborate with health-related licensing boards and Minnesota workforce centers to award grants to foreign-trained health care professionals sufficient to cover the actual costs of taking a course to prepare health care professionals for required licensing

examinations and the fee for the state licensing examinations. When awarding grants, the commissioner must consider the following factors:

(1) whether the recipient's training involves a medical specialty that is in high demand in one or more communities in the state;

(2) whether the recipient commits to practicing in a designated rural area or an underserved urban community, as defined in Minnesota Statutes, section 144.1501;

(3) whether the recipient's language skills provide an opportunity for needed health care access for underserved Minnesotans; and

(4) any additional criteria established by the commissioner. This is a onetime appropriation and is available until expended.

(k) \$68,000 the first year from the workforce development fund is for a grant to Olmsted County for employment supports and independent living services to county residents diagnosed with high-functioning autism, Asperger's syndrome, nonverbal learning disorders, and pervasive development disorder, not otherwise specified, and for education, outreach, and support services to area employers to encourage the hiring and promotion of workers with high-functioning autism, Asperger's syndrome, nonverbal learning disorders, and pervasive development disorder, not otherwise specified. This is a onetime appropriation and is available until expended.

(l) \$750,000 each year is from the workforce development fund for a grant to the Minnesota Alliance of Boys and Girls Clubs to administer a statewide project of youth jobs skills development. This project, which may have career guidance components, including health and life skills, is to encourage, train, and assist youth in job-seeking skills, workplace orientation, and job-site knowledge through coaching.

This grant requires a 25 percent match from nonstate resources.

(m) \$500,000 the first year and \$500,000 the second year are appropriated from the general fund for the publication, dissemination, and use of labor market information under Minnesota Statutes, section 116J.4011, and for pilot programs in the workforce service areas specified in this act, to combine career and higher education advising.

(n) \$125,000 each year is from the workforce development fund for a grant to Big Brothers, Big Sisters of the Greater Twin Cities for workforce readiness, employment exploration, and skills development for youth ages 12 to 21. The grant must serve youth in the Twin Cities, Central Minnesota and Southern Minnesota Big Brothers, Big Sisters chapters.

Sec. .... [CORR13-01B] 2013 H.F. No. 729, article 1, section 3, if enacted, is amended by adding a subdivision to read:

**Subd. 8. Competitive Grant Limitations**

An organization that receives a direct appropriation under this section is not eligible to participate in competitive grant programs under this section during the fiscal years in which the direct appropriations are received.

Sec. .... [CORR13-01C] 2013 H.F. No. 729, article 6, section 8, subdivision 3, if enacted, is amended to read:

Subd. 3. **Content of the notice.** The notice must contain the following verbatim language:

**"IMPORTANT INFORMATION ABOUT CONTRACTS FOR DEED**

**Know What You Are Getting Into**

(1) A contract for deed is a complex legal agreement. You are NOT a tenant. Mortgage foreclosure laws don't apply.

(2) You should know ALL of your obligations and rights before you sign a purchase agreement or contract for deed.

(3) You (seller must circle one):

- (a) DO DO NOT have to pay homeowner's insurance.
- (b) DO DO NOT have to pay property taxes.



(c) DO DO NOT have to make and pay for some or all of the repairs or maintenance, as described in the contract for deed.

(4) After some time, you may need to make a large lump sum payment (called a "balloon payment"). Know when it is due and how much it will be. You'll probably need to get a new mortgage, another financial arrangement, or pay for the balance in cash at that time.

(5) If you miss just a single payment or can't make the balloon payment, the seller can cancel your contract. You will likely lose all the money you have already paid. You will likely lose your ability to purchase the home. The seller can begin an eviction action against you in just a few months.

(6) Within four months of signing the contract for deed, you must "record" it in the office of the county recorder or registrar of titles in the county in which the property is located. If you do not do so, you could face a fine.

### **Key Things Highly Recommended Before You Sign**

(1) Get advice from a lawyer or the Minnesota Home Ownership Center at 1-866-462-6466 or go to [www.hocmn.org](http://www.hocmn.org). To find a lawyer through the Minnesota State Bar Association, go to [www.mnfindalawyer.com](http://www.mnfindalawyer.com).

(2) Get an independent, professional appraisal of the property to learn what it is worth.

(3) Get an independent, professional inspection of the property.

(4) Buy title insurance or ask a real estate lawyer for a "title opinion."

(5) Check with the city or county to find out if there are inspection reports or unpaid utility bills.

(6) Check with a title company or the county where the property is located to find out if there is a mortgage or other lien on the property and if the property taxes have been paid.

(7) Ensure that your interest rate does not exceed the maximum allowed by law by calling the Department of Commerce at ~~651-297-7053~~ to get a recorded message for the current month's maximum rate.

### **If You Are Entering into a Purchase Agreement**

(1) If you haven't already signed the contract for deed, you can cancel the purchase agreement (and get all your money back) if you do so within five business days after getting this notice.

(2) To cancel the purchase agreement, you must follow the provisions of Minnesota Statutes, section 559.217, subdivision 4. Ask a lawyer for help."

Sec. .... [CORR13-02] 2013 S.F. No. 671, article 1, section 12, subdivision 3, if enacted, is amended to read:

<b>Subd. 3. Criminal Apprehension</b>	47,588,000	47,197,000
Appropriations by Fund		
General	42,315,000	42,924,000
Special Revenue	3,000,000	2,000,000

State Government		
Special Revenue	7,000	7,000
Trunk Highway	2,266,000	2,266,000

**(a) DWI Lab Analysis; Trunk Highway Fund**

Notwithstanding Minnesota Statutes, section 161.20, subdivision 3, \$1,941,000 each year is from the trunk highway fund for laboratory analysis related to driving-while-impaired cases.

**(b) Criminal History System**

\$50,000 the first year and \$580,000 the second year from the general fund and, notwithstanding Minnesota Statutes, section 299A.705, subdivision 4, \$3,000,000 the first year and \$2,000,000 the second year from the vehicle services account in the special revenue fund are to replace the state criminal history system. This is a onetime appropriation and is available until expended. Of this amount, \$2,980,000 the first year and \$2,580,000 the second year are for a onetime transfer to the Office of Enterprise Technology for start-up costs. Service level agreements must document all project-related transfers under this paragraph. Ongoing operating and support costs for this system shall be identified and incorporated into future service level agreements.

The commissioner is authorized to use funds appropriated under this paragraph for the purposes specified in paragraph (c).

**(c) Criminal Reporting System**

\$1,360,000 the first year and \$1,360,000 the second year from the general fund are to replace the state's crime reporting system. This is a onetime appropriation and is available until expended. Of these amounts, \$1,360,000 the first year and \$1,360,000 the second year are for a onetime transfer to the Office of Enterprise Technology for start-up costs. Service level agreements

must document all project-related transfers under this paragraph. Ongoing operating and support costs for this system shall be identified and incorporated into future service level agreements.

The commissioner is authorized to use funds appropriated under this paragraph for the purposes specified in paragraph (b).

**(d) Forensic Laboratory**

\$125,000 the first year and \$125,000 the second year from the general fund and, notwithstanding Minnesota Statutes, section 161.20, subdivision 3, \$125,000 the first year and \$125,000 the second year from the trunk highway fund are to replace forensic laboratory equipment at the Bureau of Criminal Apprehension.

\$200,000 the first year and \$200,000 the second year from the general fund and, notwithstanding Minnesota Statutes, section 161.20, subdivision 3, \$200,000 the first year and \$200,000 the second year from the trunk highway fund are to improve forensic laboratory staffing at the Bureau of Criminal Apprehension.

**(e) Livescan Fingerprinting**

\$310,000 the first year and \$389,000 the second year from the general fund are to maintain Livescan fingerprinting machines. This is a onetime appropriation.

**(f) General Fund Base**

~~The Bureau of Criminal Apprehension's general fund base is reduced by \$1,720,000 in fiscal year 2014 and \$2,329,000 in fiscal year 2015 to reflect onetime appropriations.~~

**(g) (f) Report**

If the vehicle services special revenue account accrues an unallocated balance in excess of 50 percent of the previous fiscal year's expenditures, the commissioner of public

safety shall submit a report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over transportation and public safety policy and finance. The report must contain specific policy and legislative recommendations for reducing the fund balance and avoiding future excessive fund balances. The report is due within three months of the fund balance exceeding the threshold established in this paragraph.

Sec. ... [CORR13-03A ] Minnesota Statutes 2012, section 124D.4531, subdivision 1, as amended by 2013 H.F. No. 630, article 1, section 14, if enacted, is amended to read:

Subdivision 1. **Career and technical revenue.** (a) A district with a career and technical program approved under this section for the fiscal year in which the levy is certified is eligible for career and technical revenue equal to 35 percent of approved expenditures in the fiscal year in which the levy is certified for the following:

(1) salaries paid to essential, licensed personnel providing direct instructional services to students in that fiscal year, including extended contracts, for services rendered in the district's approved career and technical education programs, excluding salaries reimbursed by another school district under clause (2);

(2) amounts paid to another Minnesota school district for salaries of essential, licensed personnel providing direct instructional services to students in that fiscal year for services rendered in the district's approved career and technical education programs;

(3) contracted services provided by a public or private agency other than a Minnesota school district or cooperative center under subdivision 7;

(4) necessary travel between instructional sites by licensed career and technical education personnel;

(5) necessary travel by licensed career and technical education personnel for vocational student organization activities held within the state for instructional purposes;

(6) curriculum development activities that are part of a five-year plan for improvement based on program assessment;

(7) necessary travel by licensed career and technical education personnel for noncollegiate credit-bearing professional development; and

(8) specialized vocational instructional supplies.

(b) Up to ten percent of a district's career and technical revenue may be spent on equipment purchases. Districts using the career and technical revenue for equipment purchases must report to the department on the improved learning opportunities for students that result from the investment in equipment.

(c) The district must recognize the full amount of this levy as revenue for the fiscal year in which it is certified.

(d) The amount of the revenue calculated under this subdivision may not exceed \$17,850,000 for taxes payable in 2012, \$15,520,000 for taxes payable in 2013, and \$20,657,000 for taxes payable in 2014.

(e) If the estimated revenue exceeds the amount in paragraph (d), the commissioner must reduce the percentage in paragraph (a), ~~clause (2)~~, until the estimated revenue no longer exceeds the limit in paragraph (d).

Sec. ... [CORR13-03B ] 2013 H.F. No. 630, article 1, section 58, subdivision 2, if enacted, is amended to read:

Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

	<del>6,051,766,000</del>		
\$	<u>6,051,675,000</u>	.....	2014
	<del>6,370,640,000</del>		
\$	<u>6,311,493,000</u>	.....	2015

The 2014 appropriation includes \$781,842,000 for 2013 and ~~\$5,269,924,000~~ \$5,269,833,000 for 2014.

The 2015 appropriation includes ~~\$823,040,000~~ \$829,511,000 for 2014 and ~~\$5,547,600,000~~ \$5,481,982,000 for 2015.

Sec. ... [CORR13-03C ] Minnesota Statutes 2012, section 120B.36, subdivision 1, as amended by 2013 H.F. No. 630, article 2, section 16, if enacted, is amended to read:

Subdivision 1. **School performance reports.** (a) The commissioner shall report student academic performance under section 120B.35, subdivision 2; the percentages of students showing low, medium, and high growth under section 120B.35, subdivision 3, paragraph (b); school safety and student engagement and connection under section 120B.35, subdivision 3, paragraph (d); rigorous coursework under section 120B.35, subdivision 3, paragraph (c); the percentage of students under section 120B.35, subdivision 3, paragraph (b), clause (2), whose progress and performance levels are meeting career and college readiness benchmarks under sections 120B.30, subdivision 1, and 120B.35, subdivision 3, paragraph (e); longitudinal data on the progress of eligible districts in reducing disparities in students' academic achievement and realizing racial and economic integration under section 124D.861; two separate student-to-teacher ratios that clearly indicate the definition of teacher consistent with sections 122A.06 and 122A.15 for purposes of determining these ratios; staff characteristics excluding salaries; student enrollment demographics; district mobility; and extracurricular activities. The report also must indicate a school's adequate yearly progress status under applicable federal law, and must not set any designations applicable to high- and low-performing schools due solely to adequate yearly progress status.

(b) The commissioner shall develop, annually update, and post on the department Web site school performance reports.

(c) The commissioner must make available performance reports by the beginning of each school year.

(d) A school or district may appeal its adequate yearly progress status in writing to the commissioner within 30 days of receiving the notice of its status. The commissioner's decision to uphold or deny an appeal is final.

(e) School performance data are nonpublic data under section 13.02, subdivision 9, until the commissioner publicly releases the data. The commissioner shall annually post school performance reports to the department's public Web site no later than September 1, except that in years when the reports reflect new performance standards, the commissioner shall post the school performance reports no later than October 1.

Sec. ... [CORR13-03D ] 2013 H.F. No. 630, article 2, section 18, subdivision 2, if enacted, is amended to read:

Subd. 2. **Membership.** The Career Pathways Advisory Task Force shall have ~~15~~ 21 members appointed by July 15, 2013, as follows:

(1) one member appointed by the Minnesota Association of Career and Technical Administrators;

(2) one member appointed by the Minnesota Association for Career and Technical Education;

(3) one member appointed by the University of Minnesota who is a faculty member working to develop career and technical educators in Minnesota;

(4) one member appointed by the Minnesota State Colleges and Universities who is a faculty member working to develop career and technical educators in Minnesota;

(5) one member appointed by the National Research Center for Career and Technical Education;

(6) one member appointed by the Minnesota Department of Education;

(7) one member appointed by the Minnesota Board of Teaching;

(8) one member appointed by the Minnesota Association of Colleges for Teacher Education;

(9) one member appointed by the Minnesota State Colleges and Universities from faculty for foundational skills and general education;

(10) one member representing licensed career and technical education teachers appointed by Education Minnesota;

(11) one member appointed by the commissioner of the Minnesota Department of Employment and Economic Development;

(12) one member appointed by the Minnesota Chamber of Commerce;

(13) one member appointed by the Minnesota Business Partnership;

(14) one member appointed by the Minnesota Secondary School Principals Association;

(15) one member appointed by the Minnesota Association of School Administrators;

(16) one member appointed by the Minnesota School Counselors Association;

(17) one member appointed by the Minnesota Association of Charter Schools; and

(18) four members appointed by the commissioner of education who have expertise in any of the areas with which the task force has been charged in subdivision 1.

Sec. ... [CORR13-03E ] 2013 H.F. No. 630, article 3, section 37, subdivision 20, if enacted, is amended to read:

Subd. 20. **Alternative compensation.** For alternative teacher compensation aid under Minnesota Statutes, section 122A.415, subdivision 4:

	<del>60,340,000</del>		
\$	<u>59,223,000</u>	.....	2015

The 2015 appropriation includes \$0 for 2014 and ~~\$59,711,000~~ \$59,223,000 for 2015.

Sec. ... [CORR13-03F ] Minnesota Statutes 2012, section 124D.10, subdivision 4, as amended by 2013 H.F. No. 630, article 4, section 1, if enacted, is amended to read:

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, members of the board of directors, 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 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 annual training throughout the member's term on the board. All new board members shall attend initial training on the board's role and responsibilities, employment policies and practices, and financial management. A new 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 automatically 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 providing instruction under contract between the charter school and a cooperative; (ii) at least one parent or legal guardian of a student enrolled in the charter school who is not an employee of the charter school; and (iii) at least one interested community member who resides in Minnesota and is not employed by the charter school and does not have a child enrolled in the school. The board may include a majority of teachers described in this paragraph or parents or community members, or it may have no clear majority. The chief financial officer and the chief administrator may only serve as ex-officio nonvoting board members. No charter school employees shall serve on the board other than teachers under item (i). 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 structure, consistent with chapter 317A. A board may change its governance structure only:

(1) by a majority vote of the board of directors and a majority vote of the licensed teachers employed by the school as teachers, 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 structure must conform with the composition of the board 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 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.

Sec. ... [CORR13-03G ] Minnesota Statutes 2012, section 125A.76, subdivision 1, as amended by 2013 H.F. No. 630, article 5, section 17, if enacted, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79, the definitions in this subdivision apply.

(b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the purposes of computing basic revenue pursuant to this section, each child with a disability shall be counted as prescribed in section 126C.05, subdivision 1.

(c) "Essential personnel" means teachers, cultural liaisons, related services, and support services staff providing services to students. Essential personnel may also include special education paraprofessionals or clericals providing support to teachers and students by preparing paperwork

and making arrangements related to special education compliance requirements, including parent meetings and individualized education programs. Essential personnel does not include administrators and supervisors.

(d) "Average daily membership" has the meaning given it in section 126C.05.

(e) "Program growth factor" means 1.046 for fiscal years 2012 through 2015, 1.0 for fiscal year 2016, 1.046 for fiscal year 2017, and the product of 1.046 and the program growth factor for the previous year for fiscal year 2018 and later.

(f) "Nonfederal special education expenditure" means all direct expenditures that are necessary and essential to meet the district's obligation to provide special instruction and services to children with a disability according to sections 124D.454, 125A.03 to 125A.24, 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the department under section 125A.75, subdivision 4, excluding expenditures:

- (1) reimbursed with federal funds;
- (2) reimbursed with other state aids under this chapter;
- (3) for general education costs of serving students with a disability;
- (4) for facilities;
- (5) for pupil transportation; and
- (6) for postemployment benefits.

(g) "Old formula special education expenditures" means expenditures eligible for revenue under Minnesota Statutes 2012, section 125A.76, subdivision 2.

For the Minnesota State Academy for the Deaf and the Minnesota State Academy for the Blind, expenditures are limited to the salary and fringe benefits of one-to-one instructional and behavior management aides assigned to a child attending the academy, if the aides are required by the child's individualized education program.

(h) "Cross subsidy reduction aid percentage" means 1.0 percent for fiscal year 2014 and ~~4.48~~ 2.27 percent for fiscal year 2015.

(i) "Cross subsidy reduction aid limit" means \$20 for fiscal year 2014 and \$48 for fiscal year 2015.

(j) "Special education aid increase limit" means \$80 for fiscal year 2016, \$100 for fiscal year 2017, and, for fiscal year 2018 and later, the sum of the special education aid increase limit for the previous fiscal year and \$40.

Sec. ... [CORR13-03H ] Minnesota Statutes 2012, section 125A.76, subdivision 2c, as added by 2013 H.F. No. 630, article 5, section 20, if enacted, is amended to read:

**Subd. 2c. Special education aid.** (a) For fiscal year 2014 and fiscal year 2015, a district's special education aid equals the sum of the district's special education initial aid under subdivision ~~2a~~ 5, the district's cross subsidy reduction aid under subdivision 2b, and the district's excess cost aid under section 125A.79, subdivision ~~5~~ 7.

(b) For fiscal year 2016 and later, a district's special education aid equals the sum of the district's special education initial aid under subdivision 2a and the district's excess cost aid under section 125A.79, subdivision 5.

(c) Notwithstanding paragraph (b), for fiscal year 2016, the special education aid for a school district must not exceed the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, and the product of the district's average daily membership served and the special education aid increase limit.

(d) Notwithstanding paragraph (b), for fiscal year 2017 and later, the special education aid for a school district must not exceed the sum of: (i) the product of the district's average daily membership served and the special education aid increase limit and (ii) the product of the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's average daily membership served for the current fiscal year to the district's average daily membership served for fiscal year 2016, and the program growth factor.

(e) Notwithstanding paragraph (b), for fiscal year 2016 and later the special education aid for a school district, not including a charter school, must not be less than the lesser of (1) the district's nonfederal special education expenditures for that fiscal year or (2) the product of the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's adjusted daily membership for the current fiscal year to the district's average daily membership for fiscal year 2016, and the program growth factor.

Sec. ... [CORR13-03I ] 2013 H.F. No. 630, article 5, section 31, subdivision 2, if enacted, is amended to read:

Subd. 2. **Special education; regular.** For special education aid under Minnesota Statutes, section 125A.75:

\$ 997,725,000 ..... 2014

\$ 1,108,211,000 ..... 2015

The 2014 appropriation includes \$118,232,000 for 2013 and ~~\$802,884,000~~ \$879,493,000 for 2014.

The 2015 appropriation includes \$169,929,000 for 2014 and \$938,282,000 for 2015.

Sec. .... [CORR13-04] 2013 H.F. No. 1233, article 12, if enacted, is amended by adding a section 110 to read:

**Sec. 110. ELIMINATING HEALTH DISPARITIES GRANTS; ORGANIZATIONS WITH LIMITED FISCAL CAPACITY.**

For grants awarded from the general fund under Minnesota Statutes, section 145.928, during the fiscal years ending June 30, 2013, and June 30, 2014, the commissioner of health may provide

working capital advanced to grantees determined during the application process to have limited financial capacity, in accordance with Office of Grants Management policies.

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

Sec. .... [CORR13-05A] 2013 H.F. No. 677, article 3, section 1, the effective date, if enacted, is amended to read:

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later. Subdivision 5 is effective for taxes payable in 2014 ~~only~~ and thereafter.

Sec. .... [CORR13-05B] Minnesota Statutes 2012, section 477A.12, subdivision 1, as amended by 2013 H.F. No. 677, article 2, section 28, if enacted, is amended to read:

Subdivision 1. **Types of land; payments.** 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) \$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~~ transportation wetland 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;

(5) \$1.50, multiplied by the number of acres of county-administered other natural resources land in the county;

(6) \$5.133, multiplied by the total number of acres of land utilization project land in the county;

(7) \$1.50, multiplied by the number of acres of commissioner-administered other natural resources land in the county; and

(8) without regard to acreage, \$300,000 for local assessments under section 84A.55, subdivision 9.

Sec. .... [CORR13-05C] 2013 H.F. No. 677, article 4, section 48, subdivision 5, if enacted, is amended to read:

Subd. 5. **Limit on levies.** Notwithstanding any other provision of law or municipal charter to the contrary which authorize ad valorem taxes in excess of the limits established by this section, the provisions of this section apply to local governmental units for all purposes other than those for which special levies under Minnesota Statutes, section 275.70, subdivision 5, clauses (1) to (5) ~~and~~, (7), (9), and (16), and special assessments are made.

Sec. .... [CORR13-05D] 2013 H.F. No. 677, article 5, section 27, subdivision 1, if enacted, is amended to read:

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~~ 2015, 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.

Sec. .... [CORR13-05E] 2013 H.F. No. 677, article 3, if enacted, is amended by adding a section to read:

Sec. 7. **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>33,290,000</u>	.....	<u>2014</u>
\$	<u>55,601,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$0 for fiscal year 2013 and \$33,290,000 for fiscal year 2014.

The 2015 appropriation includes \$0 for fiscal year 2014 and \$55,601,000 for fiscal year 2015.

Sec. .... [CORR13-06] Minnesota Statutes 2012, section 62A.65, subdivision 3a, as added by 2013 H.F. No. 779, article 1, section 27, if enacted, is amended to read:

Subd. 3a. **Disclosure.** (a) In connection with the offering for sale of a health plan in the individual market, a health carrier shall make a reasonable disclosure, as part of its solicitation and sales materials, of all of the following:

(1) the provisions of the coverage concerning the health carrier's right to change premium rates and the factors that may affect changes in premium rates; and

(2) a listing of and descriptive information, including benefits and premiums, about all individual health plans actively marketed by the health carrier and the availability of the individual health plans for which the individual is qualified.

(b) Paragraph (a), clause (†) (2), may be satisfied by referring individuals to the Health and Human Services Web portal, as defined under the Affordable Care Act.

Sec. .... [CORR13-07] 2013 H.F. No. 630, article 4, section 1, the effective date, if enacted, is amended to read:

**EFFECTIVE DATE.** This section is effective July 1, 2013, except subdivision 3, paragraph (b), clause (5), is effective July 1, 2014, and subdivision 6 is effective August 1, 2013.

Sec. .... [CORR13-08] Minnesota Statutes 2012, section 120B.024, subdivision 2, as amended by 2013 H.F. No. 630, article 2, section 5, if enacted, is amended to read:

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 or career and technical education credit may fulfill ~~the elective science credit requirement under 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 or the elective science credit required under subdivision 1, clause

(4), if ~~(1)~~ the credit meets the state chemistry, or physics, or district biology academic standards or a combination of these academic standards as approved by the district ~~and (2) the~~. A student satisfies must satisfy either all of the chemistry academic standards, or all of the physics academic standards, ~~or all of the applicable elective science standards~~ prior to graduation. An agriculture science or career and technical education credit may not fulfill the required biology credit under subdivision 1, clause (4).

(c) A career and technical education credit may fulfill a mathematics or arts credit requirement under subdivision 1, clause (2) or (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.

Sec. .... [CORR13-09A] 2013 H.F. No. 1233, article 14, section 2, subdivision 4, if enacted, is amended to read:

#### Subd. 4. **Central Office**

The amounts that may be spent from this appropriation for each purpose are as follows:

##### **(a) Operations**

	Appropriations by Fund	
General	101,979,000	96,858,000
State Government		
Special Revenue	3,974,000	4,385,000
Health Care Access	13,177,000	13,004,000
Federal TANF	100,000	100,000

**DHS Receipt Center Accounting.** The commissioner is authorized to transfer appropriations to, and account for DHS receipt center operations in, the special revenue fund.

**Administrative Recovery; Set-Aside.** The commissioner may invoice local entities through the SWIFT accounting system as an alternative means to recover the actual cost of administering the following provisions:

(1) Minnesota Statutes, section 125A.744, subdivision 3;

(2) Minnesota Statutes, section 245.495, paragraph (b);

(3) Minnesota Statutes, section 256B.0625, subdivision 20, paragraph (k);

(4) Minnesota Statutes, section 256B.0924, subdivision 6, paragraph (g);

(5) Minnesota Statutes, section 256B.0945, subdivision 4, paragraph (d); and

(6) Minnesota Statutes, section 256F.10, subdivision 6, paragraph (b).

**Systems Modernization.** The following amounts are appropriated for transfer to the state systems account authorized in Minnesota Statutes, section 256.014:

(1) \$1,825,000 in fiscal year 2014 and \$2,502,000 in fiscal year 2015 is for the state share of Medicaid-allocated costs of the health insurance exchange information technology and operational structure. The funding base is \$3,222,000 in fiscal year 2016 and \$3,037,000 in fiscal year 2017 but shall not be included in the base thereafter; and

(2) \$9,344,000 in fiscal year 2014 and \$3,660,000 in fiscal year 2015 are for the modernization and streamlining of agency eligibility and child support systems. The funding base is \$5,921,000 in fiscal year 2016 and \$1,792,000 in fiscal year 2017 but shall not be included in the base thereafter.

The unexpended balance of the \$9,344,000 appropriation in fiscal year 2014 and the \$3,660,000 appropriation in fiscal year 2015 must be transferred from the Department of Human Services state systems account to the Office of Enterprise Technology when the Office of Enterprise Technology has negotiated a federally approved internal service fund rates and billing process with sufficient internal accounting controls to properly maximize federal reimbursement to Minnesota for human services system modernization projects, but not later than June 30, 2015.

If contingent funding is fully or partially disbursed under article 15, section 3, and



transferred to the state systems account, the unexpended balance of that appropriation must be transferred to the Office of Enterprise Technology in accordance with this clause. Contingent funding must not exceed \$11,598,000 for the biennium.

**Base Adjustment.** The general fund base is increased by \$2,868,000 in fiscal year 2016 and decreased by \$1,206,000 in fiscal year 2017. The health access fund base is decreased by \$551,000 in fiscal years 2016 and 2017. The state government special revenue fund base is increased by \$4,000 in fiscal year 2016 and decreased by \$236,000 in fiscal year 2017.

**(b) Children and Families**

	Appropriations by Fund	
General	8,023,000	8,015,000
Federal TANF	2,282,000	2,282,000

**Financial Institution Data Match and Payment of Fees.** The commissioner is authorized to allocate up to \$310,000 each year in fiscal years 2014 and 2015 from the PRISM special revenue account to make payments to financial institutions in exchange for performing data matches between account information held by financial institutions and the public authority's database of child support obligors as authorized by Minnesota Statutes, section 13B.06, subdivision 7.

**Base Adjustment.** The general fund base is decreased by \$300,000 in fiscal years 2016 and 2017. The TANF fund base is increased by \$300,000 in fiscal years 2016 and 2017.

**(c) Health Care**

	Appropriations by Fund	
General	14,028,000	13,826,000
Health Care Access	28,442,000	31,137,000

**Base Adjustment.** The general fund base is decreased by \$86,000 in fiscal year 2016 and by \$86,000 in fiscal year 2017. The health care access fund base is increased by \$6,954,000 in fiscal year 2016 and by \$5,489,000 in fiscal year 2017.

**(d) Continuing Care**

Appropriations by Fund		
General	20,993,000	22,359,000
State Government		
Special Revenue	125,000	125,000

**Base Adjustment.** The general fund base is increased by \$1,690,000 in fiscal year 2016 and by \$798,000 in fiscal year 2017.

**(e) Chemical and Mental Health**

Appropriations by Fund		
General	4,639,000	4,490,000
Lottery Prize Fund	157,000	157,000

Of the general fund appropriation, \$68,000 in fiscal year 2014 and \$59,000 in fiscal year 2015 are for compulsive gambling treatment under Minnesota Statutes, section 297E.02, subdivision 3, paragraph (c).

Sec. .... [CORR13-09B] 2013 H.F. No. 1233, article 14, section 2, subdivision 6, if enacted, is amended to read:

**Subd. 6. Grant Programs**

The amounts that may be spent from this appropriation for each purpose are as follows:

**(a) Support Services Grants**

Appropriations by Fund		
General	8,915,000	13,333,000
Federal TANF	94,611,000	94,611,000

**Paid Work Experience.** \$2,168,000 each year in fiscal years 2015 and 2016 is from the general fund for paid work

experience for long-term MFIP recipients. Paid work includes full and partial wage subsidies and other related services such as job development, marketing, preworksite training, job coaching, and postplacement services. These are onetime appropriations. Unexpended funds for fiscal year 2015 do not cancel, but are available to the commissioner for this purpose in fiscal year 2016.

**Work Study Funding for MFIP Participants.** \$250,000 each year in fiscal years 2015 and 2016 is from the general fund to pilot work study jobs for MFIP recipients in approved postsecondary education programs. This is a onetime appropriation. Unexpended funds for fiscal year 2015 do not cancel, but are available for this purpose in fiscal year 2016.

**Local Strategies to Reduce Disparities.** \$2,000,000 each year in fiscal years 2015 and 2016 is from the general fund for local projects that focus on services for subgroups within the MFIP caseload who are experiencing poor employment outcomes. These are onetime appropriations. Unexpended funds for fiscal year 2015 do not cancel, but are available to the commissioner for this purpose in fiscal year 2016.

**Home Visiting Collaborations for MFIP Teen Parents.** \$200,000 per year in fiscal years 2014 and 2015 is from the general fund and \$200,000 in fiscal year 2016 is from the federal TANF fund for technical assistance and training to support local collaborations that provide home visiting services for MFIP teen parents. The general fund appropriation is onetime. The federal TANF fund appropriation is added to the base.

**Performance Bonus Funds for Counties.** The TANF fund base is increased by \$1,500,000 each year in fiscal years 2016 and 2017. The commissioner must allocate this amount each year to counties that exceed their expected range of performance on the

annualized three-year self-support index as defined in Minnesota Statutes, section 256J.751, subdivision 2, clause (6). This is a permanent base adjustment. Notwithstanding any contrary provisions in this article, this provision expires June 30, 2016.

**Base Adjustment.** The general fund base is decreased by \$200,000 in fiscal year 2016 and \$4,618,000 in fiscal year 2017. The TANF fund base is increased by \$1,700,000 in fiscal years 2016 and 2017.

<b>(b) Basic Sliding Fee Child Care Assistance Grants</b>	36,836,000	42,318,000
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**Base Adjustment.** The general fund base is increased by \$3,778,000 in fiscal year 2016 and by \$3,849,000 in fiscal year 2017.

<b>(c) Child Care Development Grants</b>	1,612,000	1,737,000
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<b>(d) Child Support Enforcement Grants</b>	50,000	50,000
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**Federal Child Support Demonstration Grants.** Federal administrative reimbursement resulting from the federal child support grant expenditures authorized under United States Code, title 42, section 1315, is appropriated to the commissioner for this activity.

**(e) Children's Services Grants**

	Appropriations by Fund	
General	49,760,000	52,961,000
Federal TANF	140,000	140,000

**Adoption Assistance and Relative Custody Assistance.** \$37,453,000 in fiscal year 2014 and \$37,453,000 in fiscal year 2015 is for the adoption assistance and relative custody assistance programs. The commissioner shall determine with the commissioner of Minnesota Management and Budget the appropriation for Northstar Care for Children effective January 1, 2015. The commissioner may transfer appropriations for adoption assistance, relative custody assistance, and

Northstar Care for Children between fiscal years and among programs to adjust for transfers across the programs.

**Title IV-E Adoption Assistance.** Additional federal reimbursements to the state as a result of the Fostering Connections to Success and Increasing Adoptions Act's expanded eligibility for Title IV-E adoption assistance are appropriated for postadoption services, including a parent-to-parent support network.

**Privatized Adoption Grants.** Federal reimbursement for privatized adoption grant and foster care recruitment grant expenditures is appropriated to the commissioner for adoption grants and foster care and adoption administrative purposes.

**Adoption Assistance Incentive Grants.** Federal funds available during fiscal years 2014 and 2015 for adoption incentive grants are appropriated for postadoption services, including a parent-to-parent support network.

**Base Adjustment.** The general fund base is increased by \$5,913,000 in fiscal year 2016 and by \$10,297,000 in fiscal year 2017.

<b>(f) Child and Community Service Grants</b>	53,301,000	53,301,000
<b>(g) Child and Economic Support Grants</b>	21,047,000	20,848,000

**Minnesota Food Assistance Program.** Unexpended funds for the Minnesota food assistance program for fiscal year 2014 do not cancel but are available for this purpose in fiscal year 2015.

**Transitional Housing.** \$250,000 each year is for the transitional housing programs under Minnesota Statutes, section 256E.33.

**Emergency Services.** \$250,000 each year is for emergency services grants under Minnesota Statutes, section 256E.36.

**Family Assets for Independence.** \$250,000 each year is for the Family Assets for Independence Minnesota program. This appropriation is available in either year of the

biennium and may be transferred between fiscal years.

**Food Shelf Programs.** \$375,000 in fiscal year 2014 and \$375,000 in fiscal year 2015 are for food shelf programs under Minnesota Statutes, section 256E.34. If the appropriation for either year is insufficient, the appropriation for the other year is available for it. Notwithstanding Minnesota Statutes, section 256E.34, subdivision 4, no portion of this appropriation may be used by Hunger Solutions for its administrative expenses, including but not limited to rent and salaries.

**Homeless Youth Act.** \$2,000,000 in fiscal year 2014 and \$2,000,000 in fiscal year 2015 is for purposes of Minnesota Statutes, section 256K.45.

**Safe Harbor Shelter and Housing.** \$500,000 in fiscal year 2014 and \$500,000 in fiscal year 2015 is for a safe harbor shelter and housing fund for housing and supportive services for youth who are sexually exploited.

**(h) Health Care Grants**

Appropriations by Fund

General	190,000	190,000
Health Care Access	190,000	190,000

**Emergency Medical Assistance Referral and Assistance Grants.** (a) The commissioner of human services shall award grants to nonprofit programs that provide immigration legal services based on indigency to provide legal services for immigration assistance to individuals with emergency medical conditions or complex and chronic health conditions who are not currently eligible for medical assistance or other public health care programs, but who may meet eligibility requirements with immigration assistance.

(b) The grantees, in collaboration with hospitals and safety net providers, shall

provide referral assistance to connect individuals identified in paragraph (a) with alternative resources and services to assist in meeting their health care needs. \$100,000 is appropriated in fiscal year 2014 and \$100,000 in fiscal year 2015. This is a onetime appropriation.

**Base Adjustment.** The general fund is decreased by \$100,000 in fiscal year 2016 and \$100,000 in fiscal year 2017.

<b>(i) Aging and Adult Services Grants</b>	14,827,000	15,010,000
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**Base Adjustment.** The general fund is increased by \$1,150,000 in fiscal year 2016 and \$1,151,000 in fiscal year 2017.

**Community Service Development Grants and Community Services Grants.** Community service development grants and community services grants are reduced by \$1,150,000 each year. This is a onetime reduction.

<b>(j) Deaf and Hard-of-Hearing Grants</b>	1,771,000	1,785,000
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<b>(k) Disabilities Grants</b>	18,605,000	18,823,000
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**Advocating Change Together.** \$310,000 in fiscal year 2014 is for a grant to Advocating Change Together (ACT) to maintain and promote services for persons with intellectual and developmental disabilities throughout the state. This appropriation is onetime. Of this appropriation:

(1) \$120,000 is for direct costs associated with the delivery and evaluation of peer-to-peer training programs administered throughout the state, focusing on education, employment, housing, transportation, and voting;

(2) \$100,000 is for delivery of statewide conferences focusing on leadership and skill development within the disability community; and

(3) \$90,000 is for administrative and general operating costs associated with managing or maintaining facilities, program delivery, staff, and technology.

**Base Adjustment.** The general fund base is increased by \$535,000 in fiscal year 2016 and by \$709,000 in fiscal year 2017.

**(l) Adult Mental Health Grants**

	Appropriations by Fund	
General	71,199,000	69,530,000
Health Care Access	750,000	750,000
Lottery Prize	1,733,000	1,733,000

**Compulsive Gambling Treatment.** Of the general fund appropriation, \$602,000 in fiscal year 2014 and \$747,000 in fiscal year 2015 are for compulsive gambling treatment under Minnesota Statutes, section 297E.02, subdivision 3, paragraph (c).

**Problem Gambling.** \$225,000 in fiscal year 2014 and \$225,000 in fiscal year 2015 is appropriated from the lottery prize fund for a grant to the state affiliate recognized by the National Council on Problem Gambling. The affiliate must provide services to increase public awareness of problem gambling, education and training for individuals and organizations providing effective treatment services to problem gamblers and their families, and research relating to problem gambling.

**Funding Usage.** Up to 75 percent of a fiscal year's appropriations for adult mental health grants may be used to fund allocations in that portion of the fiscal year ending December 31.

**Base Adjustment.** The general fund base is decreased by \$4,427,000 in fiscal years 2016 and 2017.

**Mental Health Pilot Project.** \$230,000 each year is for a grant to the Zumbro Valley Mental Health Center. The grant shall be used to implement a pilot project to test an



integrated behavioral health care coordination model. The grant recipient must report measurable outcomes and savings to the commissioner of human services by January 15, 2016. This is a onetime appropriation.

**High-risk adults.** \$200,000 in fiscal year 2014 is for a grant to the nonprofit organization selected to administer the demonstration project for high-risk adults under Laws 2007, chapter 54, article 1, section 19, in order to complete the project. This is a onetime appropriation.

**(m) Child Mental Health Grants**

18,246,000

20,636,000

**Text Message Suicide Prevention Program.** \$625,000 in fiscal year 2014 and \$625,000 in fiscal year 2015 is for a grant to a nonprofit organization to establish and implement a statewide text message suicide prevention program. The program shall implement a suicide prevention counseling text line designed to use text messaging to connect with crisis counselors and to obtain emergency information and referrals to local resources in the local community. The program shall include training within schools and communities to encourage the use of the program.

**Mental Health First Aid Training.** \$22,000 in fiscal year 2014 and \$23,000 in fiscal year 2015 is to train teachers, social service personnel, law enforcement, and others who come into contact with children with mental illnesses, in children and adolescents mental health first aid training.

**Funding Usage.** Up to 75 percent of a fiscal year's appropriation for child mental health grants may be used to fund allocations in that portion of the fiscal year ending December 31.

**(n) CD Treatment Support Grants**

1,816,000

1,816,000

**SBIRT Training.** (1) \$300,000 each year is for grants to train primary care clinicians to provide substance abuse brief intervention

and referral to treatment (SBIRT). This is a onetime appropriation. The commissioner of human services shall apply to SAMHSA for an SBIRT professional training grant.

(2) If the commissioner of human services receives a grant under clause (1) funds appropriated under this clause, equal to the grant amount, up to the available appropriation, shall be transferred to the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS). MOFAS must use the funds for grants. Grant recipients must be selected from communities that are not currently served by federal Substance Abuse Prevention and Treatment Block Grant funds. Grant money must be used to reduce the rates of fetal alcohol syndrome and fetal alcohol effects, and the number of drug-exposed infants. Grant money may be used for prevention and intervention services and programs, including, but not limited to, community grants, professional education, public awareness, and diagnosis.

**Fetal Alcohol Syndrome Grant.** \$180,000 each year from the general fund is for a grant to the Minnesota Organization on Fetal Alcohol Syndrome (MOFAS) to support nonprofit Fetal Alcohol Spectrum Disorders (FASD) outreach prevention programs in Olmsted County. This is a onetime appropriation.

**Base Adjustment.** The general fund base is decreased by \$480,000 in fiscal year 2016 and \$480,000 in fiscal year 2017.

Sec. .... [CORR13-10] Minnesota Statutes 2012, section 260B.171, subdivision 9, as added by Laws 2013, chapter 109, section 1, is amended to read:

Subd. 9. **Electronic case records.** There shall be no direct public access to juvenile delinquency records maintained in electronic format in court information systems related to juvenile court proceedings that are public under section 260B.163, subdivision 1, except, unless the juvenile and the prosecutor agree otherwise, in cases where:

- (1) the prosecutor filed a motion for certification;
- (2) the prosecutor designated or requested that the proceeding be designated an extended jurisdiction juvenile prosecution; or

(3) the juvenile has been adjudicated delinquent of a crime of violence as defined in section ~~624.715~~, 624.712, subdivision 5, and not codified in chapter 152.

Sec. .... [CORR13-12] 2013 H.F. No. 677, article 11, section 10, if enacted, is amended to read:

**Sec. 10. 2013 DISTRIBUTION ONLY.**

For the 2013 distribution, a special fund is established to receive 38.7 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 cents per ton to the city of Tower for the Tower Marina;
- (5) 2.4 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 public works infrastructure;
- (13) 1.8 cents per ton to the Crane Lake Water and Sanitary District for sanitary sewer extension;
- (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;
- (18) 1.8 cents per ton to the city of Eveleth to be used for Jones Street reconstruction and the city auditorium;
- (19) 0.5 cents for the city of Keewatin for an electrical substation and water line replacements;

(20) 3.3 cents for the city of Virginia for Fourth Street North infrastructure and Franklin Park improvement; and

(21) 0.5 cents per ton to the city of Grand Rapids Marais for an economic development project."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Latz moved to amend S.F. No. 1664 as follows:

Page 4, after line 14, insert:

"Sec. .... [CORR13-21] Minnesota Statutes 2012, section 477A.013, subdivision 9, as amended by 2013 H.F. No. 677, article 2, section 15, if enacted, is amended to read:

**Subd. 9. City aid distribution.** (a) In calendar year 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 aid adjustment under subdivision 13.

(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 plus any increase under subdivision 13. For aids payable in 2015 and thereafter, the total aid for a city 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 net levy in the year prior to the aid distribution."

The motion prevailed. So the amendment was adopted.

S.F. No. 1664 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 63 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

#### MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Introduction and First Reading of Senate Bills.

**INTRODUCTION AND FIRST READING OF SENATE BILLS**

The following bill was read the first time.

**Senators Reinert and Miller introduced—**

**S.F. No. 1683:** A bill for an act relating to elections; providing for nonpartisan legislative elections; amending Minnesota Statutes 2012, section 204D.08, subdivisions 4, 6.

Referred to the Committee on Rules and Administration.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Senator Bonoff moved that S.F. No. 717, No. 35 on General Orders, be stricken and returned to its author. The motion prevailed.

**Senator Ruud introduced –**

**Senate Resolution No. 86:** A Senate resolution honoring Trevor Fisher of Crosby for perfect school attendance.

Referred to the Committee on Rules and Administration.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

**MESSAGES FROM THE HOUSE**

Madam President:

I have the honor to announce the passage by the House of the following Senate File, herewith returned: S.F. No. 1664.

Albin A. Mathiowetz, Chief Clerk, House of Representatives

Returned May 20, 2013

**MEMBERS EXCUSED**

Senator Brown was excused from the Session of today. Senators Housley and Lourey were excused from the Session of today from 11:00 to 11:40 a.m. Senator Dibble was excused from the Session of today from 11:00 a.m. to 12:00 noon. Senators Goodwin and Westrom were excused from the Session of today from 11:00 a.m. to 12:05 p.m. Senators Rest and Torres Ray were excused from the Session of today from 11:00 a.m. to 12:25 p.m. Senator Dahms was excused from the Session of today from 12:15 to 12:25 p.m. Senator Hann was excused from the Session of today from 12:15 to 12:25 p.m. and from 5:30 to 5:45 p.m. Senator Pratt was excused from the Session of today from 5:45 to 6:35 p.m. Senator Reinert was excused from the Session of today from 9:30 to 9:50 p.m. Senator Goodwin was excused from the Session of today from 9:30 to 10:00 p.m.

**ADJOURNMENT**

Senator Bakk moved that the Senate do now adjourn until 12:00 noon, Tuesday, February 25, 2014. The motion prevailed.

JoAnne M. Zoff, Secretary of the Senate