

## FIFTH DAY

St. Paul, Minnesota, Thursday, January 12, 2017

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

## CALL OF THE SENATE

Senator Gazelka 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. Richard Carlson.

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:

Abeler	Dziedzic	Ingebrigtsen	Lourey	Senjem
Anderson, B.	Eaton	Isaacson	Marty	Simonson
Anderson, P.	Eichorn	Jasinski	Mathews	Sparks
Bakk	Eken	Jensen	Miller	Tomassoni
Benson	Fischbach	Johnson	Nelson	Torres Ray
Carlson	Franzen	Kent	Newman	Utke
Chamberlain	Frentz	Kiffmeyer	Newton	Weber
Champion	Gazelka	Klein	Osmek	Westrom
Clausen	Goggin	Koran	Pappas	Wiger
Cohen	Hall	Laine	Pratt	Wiklund
Cwodzinski	Hawj	Lang	Relph	
Dahms	Hayden	Latz	Rosen	
Dibble	Hoffman	Limmer	Ruud	
Draheim	Housley	Little	Schoen	

The President declared a quorum present.

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

## INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time.

**Senators Anderson, B.; Newton; Bakk; Gazelka; and Ruud introduced--**

**S.F. No. 90:** A bill for an act relating to state government; appropriating money to public television for Vietnam: Minnesota Remembers project.

Referred to the Committee on State Government Finance and Policy and Elections.

**Senators Latz and Newman introduced--**

**S.F. No. 91:** A bill for an act relating to business organizations; nonprofit corporations; modifying the definition of certain terms; providing certain powers and duties of incorporators and directors; regulating certain mergers and conversions; amending Minnesota Statutes 2016, sections 317A.011, subdivisions 13, 20; 317A.171, subdivisions 1, 2; 317A.203; 317A.241, subdivision 1; 317A.311; 317A.443, subdivision 1; 317A.671; 317A.811, subdivisions 1, 2, 6; proposing coding for new law in Minnesota Statutes, chapter 317A.

Referred to the Committee on Judiciary and Public Safety Finance and Policy.

**Senators Dahms, Lang, Eken, Weber, and Senjem introduced--**

**S.F. No. 92:** A bill for an act relating to appropriations; appropriating money for equipment grant to public television.

Referred to the Committee on State Government Finance and Policy and Elections.

**Senators Hayden, Schoen, and Eken introduced--**

**S.F. No. 93:** A bill for an act relating to human services; modifying criteria for community medical response emergency medical technician services; amending Minnesota Statutes 2016, section 256B.0625, subdivision 60a.

Referred to the Committee on Human Services Reform Finance and Policy.

**Senators Lourey, Schoen, Hayden, Abeler, and Eken introduced--**

**S.F. No. 94:** A bill for an act relating to health; appropriating money for grants to regional emergency medical services programs.

Referred to the Committee on Health and Human Services Finance and Policy.

**Senators Hayden, Schoen, and Eken introduced--**

**S.F. No. 95:** A bill for an act relating to human services; modifying an intergovernmental transfer related to ambulance services; amending Minnesota Statutes 2016, section 256B.196, subdivision 2.

Referred to the Committee on Health and Human Services Finance and Policy.

**Senators Lourey, Schoen, Hayden, and Abeler introduced--**

**S.F. No. 96:** A bill for an act relating to health; appropriating money for the comprehensive advanced life support educational program.

Referred to the Committee on Health and Human Services Finance and Policy.

**Senator Newman introduced--**

**S.F. No. 97:** A bill for an act relating to capital investment; appropriating money for road improvements in McLeod County; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senator Newman introduced--**

**S.F. No. 98:** A bill for an act relating to capital investment; appropriating money for city of Litchfield's phase 2 power generation improvements; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senator Mathews introduced--**

**S.F. No. 99:** A bill for an act relating to transportation; capital investment; appropriating money for a trunk highway interchange and frontage roads in Watab; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senators Clausen, Carlson, Little, and Pratt introduced--**

**S.F. No. 100:** A bill for an act relating to taxation; sales and use; modifying the threshold for the duration of premises leases for certain nonprofit fund-raising events; amending Minnesota Statutes 2016, section 297A.70, subdivision 14.

Referred to the Committee on Taxes.

**Senators Dibble, Kent, Wiklund, Torres Ray, and Cwodzinski introduced--**

**S.F. No. 101:** A bill for an act proposing an amendment to the Minnesota Constitution, article I, by adding a section; providing for gender equality under the law.

Referred to the Committee on Judiciary and Public Safety Finance and Policy.

**Senator Osmek introduced--**

**S.F. No. 102:** A bill for an act relating to taxation; individual income; modifying the definition of a resident; amending Minnesota Statutes 2016, section 290.01, subdivision 7.

Referred to the Committee on Taxes.

**Senators Clausen, Carlson, and Klein introduced--**

**S.F. No. 103:** A bill for an act relating to transportation; appropriating money for reconstruction of interchange of County Road 42 at marked Trunk Highway 52 in Dakota County.

Referred to the Committee on Transportation Finance and Policy.

**Senator Osmek introduced--**

**S.F. No. 104:** A bill for an act relating to agriculture; modifying provisions for allowed commercial and industrial operations on agricultural preserves; providing for early termination of an agricultural preserve under certain conditions; amending Minnesota Statutes 2016, sections 40A.18, subdivision 2; 473H.09; 473H.17, subdivision 1a.

Referred to the Committee on Agriculture, Rural Development, and Housing Policy.

**Senators Clausen, Carlson, and Klein introduced--**

**S.F. No. 105:** A bill for an act relating to transportation; capital improvements; appropriating money for reconstruction of interchange of County Road 42 at marked Trunk Highway 52 in Dakota County; authorizing the sale and issuance of state bonds.

Referred to the Committee on Transportation Finance and Policy.

**Senator Clausen introduced--**

**S.F. No. 106:** A bill for an act relating to veterans; authorizing the placement of a plaque in the court of honor on the Capitol grounds to honor all Minnesota veterans who served in the United States armed forces, both at home and abroad, during World War I.

Referred to the Committee on Veterans and Military Affairs Finance and Policy.

**Senators Clausen, Frentz, Hoffman, and Kent introduced--**

**S.F. No. 107:** A bill for an act relating to education; modifying Principals' Leadership Institute provisions; appropriating money; amending Minnesota Statutes 2016, section 122A.74.

Referred to the Committee on E-12 Policy.

**Senators Clausen, Carlson, and Klein introduced--**

**S.F. No. 108:** A bill for an act relating to capital investment; appropriating money for the Minnesota Zoo; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senator Eken introduced--**

**S.F. No. 109:** A bill for an act relating to higher education; establishing a loan forgiveness program for individuals working in greater Minnesota; requiring a report; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 136A.

Referred to the Committee on Higher Education Finance and Policy.

**Senator Eken introduced--**

**S.F. No. 110:** A bill for an act relating to taxation; property; allowing the full amount of tax on an agricultural homestead to qualify for the property tax refund and the special property tax refund; amending Minnesota Statutes 2016, section 290A.03, subdivision 6.

Referred to the Committee on Taxes.

**Senator Eken introduced--**

**S.F. No. 111:** A bill for an act relating to taxation; property; providing for a study of valuing agricultural land based on its production value; requiring a report; appropriating money.

Referred to the Committee on Agriculture, Rural Development, and Housing Policy.

**Senators Housley, Eken, Relph, Abeler, and Ruud introduced--**

**S.F. No. 112:** A bill for an act relating to health; creating the Palliative Care Advisory Committee; proposing coding for new law in Minnesota Statutes, chapter 144.

Referred to the Committee on Aging and Long-term Care Policy.

**Senators Nelson and Rest introduced--**

**S.F. No. 113:** A bill for an act relating to sales and use tax; exempting admissions to Minnesota State High School League events; amending Minnesota Statutes 2016, sections 128C.24; 297A.70, by adding a subdivision.

Referred to the Committee on Taxes.

**Senator Nelson introduced--**

**S.F. No. 114:** A bill for an act relating to capital investment; appropriating money for replacement of Memorial and Plaza Halls at Rochester Community and Technical College; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senator Nelson introduced--**

**S.F. No. 115:** A bill for an act relating to capital investment; appropriating money for the Dyslexia Institute of Minnesota in Olmsted County; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senators Wiger and Clausen introduced--**

**S.F. No. 116:** A bill for an act relating to education; establishing a Professional Educator Standards Board; providing for rulemaking; appropriating money; amending Minnesota Statutes

2016, sections 122A.06, subdivisions 2, 3; 122A.18, subdivision 1; 122A.21, subdivision 2; 214.01, subdivision 3; 214.045; proposing coding for new law in Minnesota Statutes, chapter 122A; repealing Minnesota Statutes 2016, sections 122A.07; 122A.08; 122A.09, subdivision 3.

Referred to the Committee on E-12 Policy.

**Senator Limmer introduced--**

**S.F. No. 117:** A bill for an act relating to taxation; property; limiting fiscal disparities contributions for certain municipalities; amending Minnesota Statutes 2016, sections 473F.07, subdivision 1; 473F.08, subdivisions 2, 6.

Referred to the Committee on Taxes.

**Senator Limmer introduced--**

**S.F. No. 118:** A bill for an act relating to capital investment; appropriating money for an interchange on marked Interstate Highway 94 in Dayton; authorizing the sale and issuance of state bonds.

Referred to the Committee on Capital Investment.

**Senators Dzedzic, Clausen, Cohen, and Nelson introduced--**

**S.F. No. 119:** A bill for an act relating to higher education; appropriating money for the summer academic enrichment program.

Referred to the Committee on Higher Education Finance and Policy.

**Senators Nelson; Pappas; Housley; Anderson, P.; and Torres Ray introduced--**

**S.F. No. 120:** A bill for an act relating to human services; extending the Alzheimer's disease working group; proposing coding for new law in Minnesota Statutes, chapter 256.

Referred to the Committee on Aging and Long-term Care Policy.

**Senator Hawj introduced--**

**S.F. No. 121:** A bill for an act relating to taxation; income and corporate franchise; providing a tax credit for certain employers; proposing coding for new law in Minnesota Statutes, chapter 290.

Referred to the Committee on Taxes.

**Senators Nelson and Torres Ray introduced--**

**S.F. No. 122:** A resolution expressing concern over persistent and credible reports of systematic, state-sanctioned, forced organ harvesting from nonconsenting prisoners of conscience, primarily from Falun Gong practitioners imprisoned for their spiritual beliefs, and members of other religious and ethnic minority groups in the People's Republic of China.

Referred to the Committee on Judiciary and Public Safety Finance and Policy.

### MOTIONS AND RESOLUTIONS

Senator Rest moved that the name of Senator Marty be added as a co-author to S.F. No. 16. The motion prevailed.

Senator Klein moved that the names of Senators Senjem and Jensen be added as co-authors to S.F. No. 17. The motion prevailed.

Senator Rest moved that the name of Senator Franzen be added as a co-author to S.F. No. 28. The motion prevailed.

Senator Rest moved that the name of Senator Franzen be added as a co-author to S.F. No. 45. The motion prevailed.

Senator Mathews moved that the name of Senator Goggin be added as a co-author to S.F. No. 85. The motion prevailed.

### SPECIAL ORDERS

Pursuant to Rule 26, Senator Gazelka, Chair of the Committee on Rules and Administration, designated the following bills a Special Orders Calendar to be heard immediately:

S.F. No. 1 and H.F. No. 2.

### SPECIAL ORDER

**S.F. No. 1:** A bill for an act relating to health care coverage; providing a temporary program to help pay for health insurance premiums; modifying requirements for health maintenance organizations; modifying provisions governing health insurance; requiring reports; establishing a state reinsurance program through the Minnesota Comprehensive Health Association; authorizing agricultural cooperative health plans; appropriating money; amending Minnesota Statutes 2016, sections 60A.08, subdivision 15; 60A.235, subdivision 3; 60A.236; 62D.02, subdivision 4; 62D.03, subdivision 1; 62D.05, subdivision 1; 62D.06, subdivision 1; 62D.19; 62E.02, subdivision 3; 62L.12, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 62E; 62H; repealing Minnesota Statutes 2016, section 62D.12, subdivision 9; Laws 2007, chapter 147, article 12, section 14, as amended.

Senator Lourey moved to amend S.F. No. 1 as follows:

Page 16, delete article 3

Renumber the articles in sequence and correct the internal references

Amend the title accordingly

Senator Lourey moved to amend the Lourey amendment to S.F. No. 1 as follows:

Page 1, after line 1, insert:

"Pages 1 to 6, delete articles 1 and 2 and insert:

## "ARTICLE 1

### PREMIUM SUBSIDY

#### Section 1. PREMIUM SUBSIDY.

The commissioner of management and budget shall establish and administer a premium subsidy for eligible individuals to help to pay for health insurance premiums.

#### Sec. 2. DEFINITIONS.

Subdivision 1. **Scope.** For purposes of this act, the terms in this section have the meanings given.

Subd. 2. **Eligible individual.** "Eligible individual" means a Minnesota resident who is not receiving a premium tax credit under Code of Federal Regulations and is not receiving public program coverage under Minnesota Statutes, section 256B.055 or 256L.04.

Subd. 3. **Gross premium.** "Gross premium" means the amount billed for a health plan purchased by an eligible individual prior to receiving a state premium subsidy, as defined in subdivision 5, in a calendar year.

Subd. 4. **Net premium.** "Net premium" means the gross premium less the subsidy defined in subdivision 5.

Subd. 5. **Premium subsidy.** "Premium subsidy":

(1) is a payment made on behalf of eligible individuals under this state program, for the promotion of general welfare, and is not compensation for any services;

(2) is equal to 25 percent of the monthly gross premium otherwise paid by or on behalf of the eligible individual that covers the eligible individual and eligible individual's spouse and dependents; and

(3) is excluded from any calculation used to determine eligibility for any Department of Human Services program.

Subd. 6. **Health carrier.** "Health carrier" has the meaning given in Minnesota Statutes, section 62A.011, subdivision 2.

Subd. 7. **Commissioner.** "Commissioner" means the commissioner of management and budget.

Subd. 8. **Individual market.** "Individual market" means the market for health insurance coverage offered to individuals other than in connection with a group health plan as defined in Minnesota Statutes, section 62A.011, subdivision 5.



Sec. 3. **PAYMENT TO HEALTH CARRIERS ON BEHALF OF ELIGIBLE INDIVIDUALS.**

Payments to health carriers are based on the premium subsidy available to eligible individuals in the individual market, regardless of the cost of coverage purchased. Health carriers seeking reimbursement from the state must submit an invoice and supporting information to the commissioner in a form prescribed by the commissioner in order to be eligible for payment. Payments are made on behalf of eligible individuals effectuating coverage for calendar year 2017 and for the months in that year that the net premium amount has been received by the health carriers for that individual. Total state payments to health carriers are to be made within the scope of the available appropriation in section 4.

Sec. 4. **AUDIT.**

The Department of Commerce shall conduct audits of the health carriers' supporting data, as prescribed by the commissioner, to determine whether payments align with criteria established in sections 2 and 3. The Department of Human Services shall provide data as necessary to the Department of Commerce to complete the audit. All data collected for that purpose will be held as confidential and nonpublic. The commissioner shall withhold or charge back payments to the health carriers to the extent they do not align with the criteria established in sections 2 and 3, as determined by the Department of Commerce.

Sec. 5. **GROSS PREMIUM EXEMPTIONS.**

The gross premium is not exempt under Minnesota Statutes, section 297I.15 or 62V.05, subdivision 2.

Sec. 6. **APPROPRIATIONS.**

(a) \$311,645,000 in fiscal year 2017 is appropriated to Minnesota Management and Budget from the general fund for purposes of making payments defined in section 3. The commissioner shall prorate payments to the health carriers if necessary so as not to exceed the appropriation available. The appropriation is onetime and is available through June 30, 2018.

(b) \$300,000 in fiscal year 2017 is appropriated from the general fund to the Department of Commerce for purposes of section 4 and to facilitate payments to health carriers. The appropriation is available until expended.

Sec. 7. **EFFECTIVE DATE.**

Sections 1 to 6 are effective the day following final enactment.

## ARTICLE 2

### CONTINUITY OF CARE

Section 1. **TRANSITION OF CARE COVERAGE FOR CALENDAR YEAR 2017; INVOLUNTARY TERMINATION OF COVERAGE.**

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

(b) "Enrollee" has the meaning given in Minnesota Statutes, section 62Q.01, subdivision 2b.

(c) "Health plan" has the meaning given in Minnesota Statutes, section 62Q.01, subdivision 3.

(d) "Health plan company" has the meaning given in Minnesota Statutes, section 62Q.01, subdivision 4.

(e) "Individual market" has the meaning given in Minnesota Statutes, section 62A.011, subdivision 5.

(f) "Involuntary termination of coverage" means the termination of a health plan due to a health plan company's refusal to renew the health plan in the individual market because the health plan company elects to cease offering individual market health plans in all or some geographic rating areas of the state.

Subd. 2. **Application.** This section applies to an enrollee who is subject to a change in health plans in the individual market due to an involuntary termination of coverage from a health plan in the individual market after October 31, 2016, and before January 1, 2017, and who enrolls in a new health plan in the individual market for all or a portion of calendar year 2017 that goes into effect after December 31, 2016, and before March 2, 2017.

Subd. 3. **Change in health plans; transition of care coverage.** (a) If an enrollee satisfies the criteria in subdivision 2, the enrollee's new health plan company must provide, upon request of the enrollee or the enrollee's health care provider, authorization to receive services that are otherwise covered under the terms of the enrollee's calendar year 2017 health plan from a provider who provided care on an in-network basis to the enrollee during calendar year 2016 but who is out of network in the enrollee's calendar year 2017 health plan:

(1) for up to 120 days if the enrollee is engaged in a current course of treatment for one or more of the following conditions:

(i) an acute condition;

(ii) a life-threatening mental or physical illness;

(iii) pregnancy beyond the first trimester of pregnancy;

(iv) a physical or mental disability defined as an inability to engage in one or more major life activities, provided the disability has lasted or can be expected to last for at least one year or can be expected to result in death; or

(v) a disabling or chronic condition that is in an acute phase; or

(2) for the rest of the enrollee's life if a physician certifies that the enrollee has an expected lifetime of 180 days or less.

(b) For all requests for authorization under this subdivision, the health plan company must grant the request for authorization unless the enrollee does not meet the criteria in paragraph (a) or subdivision 2.

(c) The commissioner of management and budget must reimburse the enrollee's new health plan company for costs attributed to services authorized under this subdivision. Costs eligible for reimbursement under this paragraph are the difference between the health plan company's reimbursement rate for in-network providers for a service authorized under this subdivision and its rate for out-of-network providers for the service. The health plan company must seek reimbursement from the commissioner for costs attributed to services authorized under this subdivision, in a form and manner mutually agreed upon by the commissioner and the affected health plan companies. Total state reimbursements to health plan companies under this paragraph are subject to the limits of the available appropriation. In the event that funding for reimbursements to health plan companies is not sufficient to fully reimburse health plan companies for the costs attributed to services authorized under this subdivision, health plan companies must continue to cover services authorized under this subdivision.

Subd. 4. **Limitations.** (a) Subdivision 3 applies only if the enrollee's health care provider agrees to:

(1) accept as payment in full the lesser of:

(i) the health plan company's reimbursement rate for in-network providers for the same or similar service; or

(ii) the provider's regular fee for that service;

(2) request authorization for services in the form and manner specified by the enrollee's new health plan company; and

(3) provide the enrollee's new health plan company with all necessary medical information related to the care provided to the enrollee.

(b) Nothing in this section requires a health plan company to provide coverage for a health care service or treatment that is not covered under the enrollee's health plan.

Subd. 5. **Request for authorization.** The enrollee's health plan company may require medical records and other supporting documentation to be submitted with a request for authorization made under subdivision 3 to the extent that the records and other documentation are relevant to a determination regarding the existence of a condition under subdivision 3, paragraph (a). If authorization is denied, the health plan company must explain the criteria used to make its decision on the request for authorization and must explain the enrollee's right to appeal the decision. If an enrollee chooses to appeal a denial, the enrollee must appeal the denial within five business days of the date on which the enrollee receives the denial. If authorization is granted, the health plan company must provide the enrollee, within five business days of granting the authorization, with an explanation of how transition of care will be provided.

**EFFECTIVE DATE.** This section is effective for health plans issued after December 31, 2016, and before March 2, 2017, and that are in effect for all or a portion of calendar year 2017. This section expires June 30, 2018.

Sec. 2. **APPROPRIATION; COVERAGE FOR TRANSITION OF CARE.**

\$15,000,000 in fiscal year 2017 is appropriated from the general fund to the commissioner of management and budget to reimburse health plan companies for costs attributed to coverage of transition of care services under section 11. No more than three percent of this appropriation is available to the commissioner for administrative costs. This is a onetime appropriation and is available until June 30, 2021.

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

Page 1, after line 2, insert:

"Page 23, delete article 4"

### CALL OF THE SENATE

Senator Osmek imposed a call of the Senate for the balance of the proceedings on S.F. No. 1. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Lourey amendment to the Lourey amendment.

The roll was called, and there were yeas 32 and nays 34, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Hoffman	Lourey	Tomassoni
Carlson	Eaton	Isaacson	Marty	Torres Ray
Champion	Eken	Kent	Newton	Wiger
Clausen	Franzen	Klein	Pappas	Wiklund
Cohen	Frentz	Laine	Schoen	
Cwodzinski	Hawj	Latz	Simonson	
Dibble	Hayden	Little	Sparks	

Those who voted in the negative were:

Abeler	Eichorn	Jasinski	Mathews	Rosen
Anderson, B.	Fischbach	Jensen	Miller	Ruud
Anderson, P.	Gazelka	Johnson	Nelson	Senjem
Benson	Goggin	Kiffmeyer	Newman	Utke
Chamberlain	Hall	Koran	Osmek	Weber
Dahms	Housley	Lang	Pratt	Westrom
Draheim	Ingebrigtsen	Limmer	Relph	

The motion did not prevail. So the amendment to the amendment was not adopted.

Senator Lourey withdrew his first amendment.

S.F. No. 1 was read the third time.

Senator Bakk moved that S.F. No. 1 be re-referred to the Committee on Taxes.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 32 and nays 34, as follows:

Those who voted in the affirmative were:

Bakk	Dziedzic	Hoffman	Lourey	Tomassoni
Carlson	Eaton	Isaacson	Marty	Torres Ray
Champion	Eken	Kent	Newton	Wiger
Clausen	Franzen	Klein	Pappas	Wiklund
Cohen	Frentz	Laine	Schoen	
Cwodzinski	Hawj	Latz	Simonson	
Dibble	Hayden	Little	Sparks	

Those who voted in the negative were:

Abeler	Eichorn	Jasinski	Mathews	Rosen
Anderson, B.	Fischbach	Jensen	Miller	Ruud
Anderson, P.	Gazelka	Johnson	Nelson	Senjem
Benson	Goggin	Kiffmeyer	Newman	Utke
Chamberlain	Hall	Koran	Osmek	Weber
Dahms	Housley	Lang	Pratt	Westrom
Draheim	Ingebrigtsen	Limmer	Relph	

The motion did not prevail.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 35 and nays 31, as follows:

Those who voted in the affirmative were:

Abeler	Eichorn	Ingebrigtsen	Limmer	Relph
Anderson, B.	Fischbach	Jasinski	Mathews	Rosen
Anderson, P.	Franzen	Jensen	Miller	Ruud
Benson	Gazelka	Johnson	Nelson	Senjem
Chamberlain	Goggin	Kiffmeyer	Newman	Utke
Dahms	Hall	Koran	Osmek	Weber
Draheim	Housley	Lang	Pratt	Westrom

Those who voted in the negative were:

Bakk	Dziedzic	Isaacson	Marty	Torres Ray
Carlson	Eaton	Kent	Newton	Wiger
Champion	Eken	Klein	Pappas	Wiklund
Clausen	Frentz	Laine	Schoen	
Cohen	Hawj	Latz	Simonson	
Cwodzinski	Hayden	Little	Sparks	
Dibble	Hoffman	Lourey	Tomassoni	

So the bill passed and its title was agreed to.

### SPECIAL ORDER

**H.F. No. 2:** A bill for an act relating to taxation; income, corporate franchise, and estates; conforming to federal changes; amending Minnesota Statutes 2016, sections 289A.02, subdivision 7; 290.01, subdivisions 19, 31; 290.0131, subdivision 10; 290.0133, subdivision 12; 290.0671, subdivision 1; 290A.03, subdivision 15; 291.005, subdivision 1.

Senator Bakk moved to amend H.F. No. 2 as follows:

Page 2, after line 17, insert:

"For taxable years beginning after December 31, 2016, the provisions of section 124 of the Protecting Americans from Tax Hikes Act of 2015, Public Law 114-113, extension and modification of increased expensing limitations and treatment of certain real property as section 179 property, and extension and modification of bonus depreciation of certain longer-lived transportation and qualified improvement property, are effective at the time they become effective for federal purposes."

Page 8, after line 13, insert:

"Sec. 10. **SECTION 179 AND BONUS DEPRECIATION EXPENSING.**

For purposes of Minnesota Statutes, section 290.0131, subdivisions 9 and 10; section 290.0132, subdivisions 9 and 14; section 290.0133, subdivisions 11 and 12; and section 290.0134, subdivisions 13 and 14; for expensing schedules beginning before January 1, 2017, the provisions of 2016 Minnesota Statutes as of January 12, 2017 apply.

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

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Bakk moved to amend the Bakk amendment to H.F. No. 2 as follows:

Page 1, before line 2, insert:

"Page 1, before line 7, insert:

## "ARTICLE 1

### FEDERAL CONFORMITY""

Page 1, after line 15 insert:

## "ARTICLE 2

### PROPERTY TAX

Section 1. **[103C.333] COUNTY LEVY AUTHORITY.**

Notwithstanding any other law to the contrary, a county levying a tax under section 103C.331 shall not include any taxes levied under those authorities in the levy certified under section 275.07, subdivision 1, paragraph (a). A county levying under section 103C.331 shall separately certify that amount, and the auditor shall extend that levy as a special taxing district levy under sections 275.066 and 275.07, subdivision 1, paragraph (b).

**EFFECTIVE DATE.** This section is effective for certifications made in 2017 and thereafter.

Sec. 2. Minnesota Statutes 2016, 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 estimated market value, derived from ad valorem taxes on property or other revenues, to be paid to the historical society of its respective city, town, or 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.

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

Sec. 3. **216B.1648] PROPERTY TAX ADJUSTMENT; COOPERATIVE ASSOCIATION.**

A cooperative electric association that has elected to be subject to rate regulation under section 216B.026 is eligible to file with the commission for approval of an adjustment for real and personal property taxes, fees, and permits.

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

Sec. 4. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to read:

Subd. 100. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery, transformers, and other personal property that (1) is part of a natural gas-fired combined heat and power facility, (2) generates electricity and steam for at least partial consumption as part of an industrial use, including corn processing, (3) is less than 80,000 kilowatts of installed capacity, and (4) meets the requirements of this subdivision, are exempt.

(b) At the time of construction, the facility must:

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

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within 15 miles of an existing natural gas pipeline and within one mile of an existing electrical transmission substation; and

(4) be located outside the metropolitan area as defined in section 473.121, subdivision 2.

(c) Construction of the facility must commence after January 1, 2015, and before January 1, 2019. 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.

(d) In lieu of personal property taxes each year, the owner of the combined heat and power facility shall pay a base payment of 0.14 cents per kilowatt-hour of electricity produced by the facility during the previous calendar year. In addition to the base payment and in lieu of personal property taxes each year, the owner of the combined heat and power facility shall pay an additional payment of 0.08 cents per kilowatt-hour of electricity produced by the facility during the previous

calendar year if, during the previous calendar year, the host township or city had an agreement with a municipal utilities commission to share the cost of acquiring, developing, and marketing land for industrial purposes, and under such agreement both the host township or city and the municipal utilities commission provided funds during the previous calendar year as part of a cost-sharing agreement. The additional payment to be paid by the owner of the combined heat and power facility shall be the lesser of 0.08 cents per kilowatt-hour of electricity produced by the facility or 57 percent of the amount funded by the host township or city during the previous calendar year pursuant to the aforementioned cost-sharing agreement. The payments imposed under this section shall be paid to the county treasurer for the benefit of the host township or city, at the time and in the manner provided for payment of property taxes under section 277.01, subdivision 3. If unpaid, the payments are subject to the same enforcement, collection, and interest and penalties as delinquent personal property taxes. Except to the extent inconsistent with this section, sections 277.01 to 277.24 and 278.01 to 278.13 apply to the payments imposed under this section, and for purposes of those sections the payments imposed under this section are considered personal property taxes.

(e) The owner of the combined heat and power facility shall file a report with the commissioner of revenue annually on or before February 1, detailing the amount of electricity in kilowatt-hours that was produced by the facility and the amount funded by the host township or city in accordance with the cost-sharing agreement described in paragraph (d) during the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the payments due under this section payable in the current year. If an owner of the facility subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the payments based upon the nameplate capacity of the system multiplied by a capacity factor of 85 percent.

**EFFECTIVE DATE.** This section is effective for taxes payable beginning in 2018 and thereafter.

Sec. 5. Minnesota Statutes 2016, section 272.02, is amended by adding a subdivision to read:

Subd. 101. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of an electric generation facility with more than 35 megawatts and less than 40 megawatts of installed capacity and that meets the requirements of this subdivision is exempt from taxes and payments in lieu of taxes. The facility must:

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

(2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;

(3) be located within 800 feet of an existing natural gas pipeline;

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

(5) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and



(6) have received, by resolution, the approval of the governing bodies of the city and county in which it is located for the exemption of personal property provided by this subdivision.

(b) Construction of the facility must have been commenced after January 1, 2015, and before January 1, 2016. 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 taxes payable in 2018 and thereafter.

Sec. 6. Minnesota Statutes 2016, section 272.162, is amended to read:

**272.162 RESTRICTIONS ON TRANSFERS OF SPECIFIC PARTS.**

Subdivision 1. **Conditions restricting transfer.** When a deed or other instrument conveying a parcel of land is presented to the county auditor for transfer or division under sections 272.12, 272.16, and 272.161, the auditor shall not transfer or divide the land or its net tax capacity in the official records and shall not certify the instrument as provided in section 272.12, if:

(a) The land conveyed is less than a whole parcel of land as charged in the tax lists;

(b) The part conveyed appears within the area of application of municipal or county subdivision regulations adopted and filed under section 394.35 or section 462.36, subdivision 1; and

(c) The part conveyed is part of or constitutes a subdivision as defined in section 462.352, subdivision 12.

Subd. 2. **Conditions allowing transfer.** (a) Notwithstanding the provisions of subdivision 1, the county auditor may transfer or divide the land and its net tax capacity and may certify the instrument if the instrument contains a certification by the clerk of the municipality or designated county planning official:

~~(a)~~ (1) that the municipality's or county's subdivision regulations do not apply;

~~(b)~~ (2) that the subdivision has been approved by the governing body of the municipality or county; or

~~(c)~~ (3) that the restrictions on the division of taxes and filing and recording have been waived by resolution of the governing body of the municipality or county in the particular case because compliance would create an unnecessary hardship and failure to comply would not interfere with the purpose of the regulations.

(b) If any of the conditions for certification by the municipality or county as provided in this subdivision exist and the municipality or county does not certify that they exist within 24 hours after the instrument of conveyance has been presented to the clerk of the municipality or designated county planning official, the provisions of subdivision 1 do not apply.

(c) If an unexecuted instrument is presented to the municipality or county and any of the conditions for certification by the municipality or county as provided in this subdivision exist, the unexecuted instrument must be certified by the clerk of the municipality or the designated county planning official.

Subd. 3. **Applicability of restrictions.** (a) This section does not apply to the exceptions set forth in section 272.12.

(b) This section applies only to land within municipalities or counties which choose to be governed by its provisions. A municipality or county may choose to have this section apply to the property within its boundaries by filing a certified copy of a resolution of its governing body making that choice with the auditor and recorder of the county in which it is located.

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

Sec. 7. Minnesota Statutes 2016, section 273.13, subdivision 34, is amended to read:

Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion of the market value of property owned by a veteran and serving as the veteran's homestead under this section is excluded in determining the property's taxable market value if the veteran has a service-connected disability of 70 percent or more as certified by the United States Department of Veterans Affairs. To qualify for exclusion under this subdivision, the veteran must have been honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers.

(b)(1) For a disability rating of 70 percent or more, \$150,000 of market value is excluded, except as provided in clause (2); and

(2) for a total (100 percent) and permanent disability, \$300,000 of market value is excluded.

(c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b), clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the spouse holds the legal or beneficial title to the homestead and permanently resides there, the exclusion shall carry over to the benefit of the veteran's spouse ~~for the current taxes payable year and for eight additional taxes payable years~~ or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the property, ~~whichever comes first~~. Qualification under this paragraph requires an annual application under paragraph (h).

(d) If the spouse of a member of any branch or unit of the United States armed forces who dies due to a service-connected cause while serving honorably in active service, as indicated on United States Government Form DD1300 or DD2064, holds the legal or beneficial title to a homestead and permanently resides there, the spouse is entitled to the benefit described in paragraph (b), clause (2), ~~for eight taxes payable years, or~~ until such time as the spouse remarries or sells, transfers, or otherwise disposes of the property, ~~whichever comes first~~.

(e) If a veteran meets the disability criteria of paragraph (a) but does not own property classified as homestead in the state of Minnesota, then the homestead of the veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

(f) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision.

(g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

(h) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion under paragraph (a) and qualifies for the benefit described in paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership. For an application received after July 1 of any calendar year, the exclusion shall become effective for the following assessment year.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) must be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2017.

Sec. 8. Minnesota Statutes 2016, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount for commercial-industrial property is \$592,000,000 \$762,664,000 for taxes payable in ~~2002~~ 2018. The state general levy base amount for seasonal-recreational property is \$43,111,000 for taxes payable in 2018. For taxes payable in subsequent years, ~~the~~ each levy base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final ~~rate~~ rates for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information

is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

- (1) an erroneous report of taxable value by a local official;
- (2) an erroneous calculation by the commissioner; and
- (3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 9. Minnesota Statutes 2016, section 275.025, subdivision 2, is amended to read:

Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all taxable property classified as class 3 or class 5(1) under section 273.13, ~~except for~~ excluding: (1) the first \$100,000 of market value of each parcel of commercial-industrial net tax capacity as defined under section 273.13, subdivision 24, clauses (1) and (2); (2) electric generation attached machinery under class 3; and (3) property described in section 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F. For purposes of this subdivision, the procedures for determining eligibility for tier 1 under section 273.13, subdivision 24, clauses (1) and (2), shall apply in determining the portion of a property eligible to be considered within the first \$100,000 of market value.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 10. Minnesota Statutes 2016, section 275.025, subdivision 4, is amended to read:

Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of~~ The state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be used in spreading taxes.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 11. Minnesota Statutes 2016, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county ~~and each~~ home rule charter or statutory city, and special taxing district, excluding the Metropolitan Council and the Metropolitan Mosquito Control District, shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. The proposed levy certification date for the Metropolitan Council shall be as prescribed in sections 473.249 and 473.446. The proposed levy certification date for the Metropolitan Mosquito Control District shall be as prescribed in section 473.711.

(b) Notwithstanding any law or charter to the contrary, on or before September 15, each town ~~and each special taxing district,~~ the Metropolitan Council, and the Metropolitan Mosquito Control District shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(c) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

(d) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by the date specified in paragraph (a), the city shall be deemed to have certified its levies for those taxing jurisdictions.

(e) For purposes of this section, "special taxing district" means a special taxing district as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

(f) At the meeting at which a taxing authority, other than a town, adopts its proposed tax levy under this subdivision, the taxing authority shall announce the time and place of its subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

**EFFECTIVE DATE.** This section is effective beginning with proposed levy certifications for taxes payable in 2018.

Sec. 12. Minnesota Statutes 2016, section 275.066, is amended to read:

**275.066 SPECIAL TAXING DISTRICTS; DEFINITION.**

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 442A.01 to 442A.29;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
- (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) Metropolitan Council under sections 473.123 to 473.549;
- (15) Metropolitan Airports Commission under sections 473.601 to 473.679;
- (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;
- (17) Morrison County Rural Development Financing Authority under Laws 1982, chapter 437, section 1;
- (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;
- (19) East Lake County Medical Clinic District under Laws 1989, chapter 211, sections 1 to 6;
- (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article 5, section 39;
- (21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241;
- (22) emergency medical services special taxing districts under section 144F.01;
- (23) a county levying under the authority of section 103B.241, 103B.245, ~~or~~ 103B.251, or 103C.331;

(24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under Laws 2003, First Special Session chapter 21, article 4, section 12;

(25) an airport authority created under section 360.0426; and

(26) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2018 and thereafter.

Sec. 13. Minnesota Statutes 2016, section 275.07, subdivision 1, is amended to read:

Subdivision 1. **Certification of levy.** (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, ~~and 103B.251~~, and 103C.331 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2018 and thereafter.

Sec. 14. Minnesota Statutes 2016, section 276.11, subdivision 1, is amended to read:

Subdivision 1. **Generally.** As soon as practical after the settlement day determined in section 276.09, the county treasurer shall pay to the treasurer of a town, city, school district, or special district, on the warrant of the county auditor, all receipts of taxes levied by the taxing district and deliver up all orders and other evidences of indebtedness of the taxing district, taking triplicate receipts for them. The treasurer shall file one of the receipts with the county auditor, and shall return one by mail on the day of its receipt to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall keep the receipt in the clerk's office. Upon written request of the taxing district, to the extent practicable, the county treasurer shall make partial payments of amounts collected periodically in advance of the next settlement and distribution. A statement prepared by the county treasurer must accompany each payment. It must state the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties on the tax. Upon written request of a taxing district, except school districts, the county

treasurer shall pay at least 70 percent of the estimated collection within 30 days after the settlement date determined in section 276.09. Within ~~seven~~ eight business days after the due date, or 28 calendar days after the postmark date on the envelopes containing real or personal property tax statements, whichever is latest, the county treasurer shall pay to the treasurer of the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district, unless the school district elects to receive 50 percent of the estimated collections arising from taxes levied by and belonging to the school district after making a proportionate reduction to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within seven business days of the due date. The remaining 50 percent of the estimated collections must be paid to the treasurer of the school district within the next seven business days of the later of the dates in the preceding sentence, unless the school district elects to receive the remainder of its estimated collections after a proportionate reduction has been made to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, the remaining 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within 14 days of the due date. The treasurer shall pay the balance of the amounts collected to a municipal corporation or other body within 60 days after the settlement date determined in section 276.09. After 45 days interest at an annual rate of eight percent accrues and must be paid to the taxing district. Interest must be paid upon appropriation from the general revenue fund of the county. If not paid, it may be recovered by the taxing district, in a civil action.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2018 and thereafter.

Sec. 15. Minnesota Statutes 2016, section 276.111, is amended to read:

**276.111 DISTRIBUTIONS AND FINAL YEAR-END SETTLEMENT.**

Within ~~seven~~ eight business days after October 15, the county treasurer shall pay to the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district from the settlement day determined in section 276.09 to October 20. The remaining 50 percent of the estimated tax collections must be paid to the school district within the next seven business days. Within ~~ten~~ 11 business days after November 15, the county treasurer shall pay to the school district 100 percent of the estimated collections arising from taxes levied by and belonging to the school districts from October 20 to November 20.

Within ~~ten~~ 11 business days after November 15, the county treasurer shall pay to each taxing district, except any school district, 100 percent of the estimated collections arising from taxes levied by and belonging to each taxing district from the settlement day determined in section 276.09 to November 20.

On or before January 5, the county treasurer shall make full settlement with the county auditor of all receipts collected from the settlement day determined in section 276.09 to December 31. After subtracting any tax distributions that have been made to the taxing districts in October and November, the treasurer shall pay to each of the taxing districts on or before January 25, the balance of the tax amounts collected on behalf of each taxing district. Interest accrues at an annual rate of eight percent and must be paid to the taxing district if this final settlement amount is not paid by January 25. Interest must be paid upon appropriation from the general revenue fund of the county. If not paid, it may be recovered by the taxing district in a civil action.



**EFFECTIVE DATE.** This section is effective for property taxes payable in 2018 and thereafter.

Sec. 16. Minnesota Statutes 2016, section 278.12, is amended to read:

**278.12 REFUNDS OF OVERPAYMENT.**

If upon final determination the petitioner has paid more than the amount so determined to be due, judgment shall be entered in favor of the petitioner for such excess, and upon filing a copy thereof with the county auditor the auditor shall forthwith draw a warrant upon the county treasurer for the payment thereof; provided that, with the consent of the petitioner, the county auditor may, in lieu of drawing such warrant, issue to the petitioner a certificate stating the amount of such judgment, which amount may be used to apply upon any taxes due or to become due over a prescribed period of years for the taxing district or districts whose taxes or assessments are reduced, or their successors in the event of a reorganization or reincorporation of any such taxing district. In the event the auditor shall issue a warrant for refund or certificates, the amount thereof shall be charged to the state and other taxing districts in proportion to the amount of their respective taxes included in the levy and deduct the same in the subsequent distribution of any tax proceeds to the state or such taxing districts, and upon receiving any such certificate in payment of other taxes, the amount thereof shall be distributed to the state and other taxing districts in proportion to the amount of their respective taxes included in the levy; provided that if in the judgment the levy of one or more of the districts be found to be illegal, to the extent that the tax so levied is reduced on account of the illegal levies, the amount to be charged back shall be charged to the districts and the amount thereof deducted from any distributions thereafter made to them.

**EFFECTIVE DATE.** This section is effective for refunds for overpayment of taxes payable in 2017 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 278.14, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** A county must pay a refund of a mistakenly billed tax as provided in this section. As used in this section, "mistakenly billed tax" means an amount of property tax that was billed, to the extent the amount billed exceeds the accurate tax amount due to a ~~misclassification of the owner's property under section 273.13~~ or a mathematical error in the calculation of the tax on the owner's property, together with any penalty or interest paid on that amount. This section applies only to taxes payable in the current year and the two prior years. As used in this section, "mathematical error" is limited to an error in:

- (1) converting the market value of a property to tax capacity or to a referendum market value;
- (2) application of the tax rate as computed by the auditor under sections 275.08, subdivisions 1b, 1c, and 1d; 276A.06, subdivisions 4 and 5; and 473F.07, subdivisions 4 and 5, to the property's tax capacity or referendum market value; or
- (3) calculation of or eligibility for a credit.

~~The remedy provided under this section does not apply to a misclassification under section 273.13 that is due to the failure of the property owner to apply for the correct classification as required by law.~~

**EFFECTIVE DATE.** This section is effective based on property taxes payable in 2017 and thereafter.

Sec. 18. Minnesota Statutes 2016, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** ~~Except as provided in subdivisions 3 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 (a) When the taxes against any tract or lot exceed \$100, one-half of the amount of tax due must be paid prior to May 16, and the remaining one-half must be paid prior to the following October 16. If either tax amount is unpaid as of its due date, a penalty is imposed at a rate of two percent on homestead property until May 31 and four percent on nonhomestead property. If complete payment has not been made by the first day of the month following either due date, an additional penalty of two percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 homestead property and eight four 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 nonhomestead property is imposed. Thereafter, for both homestead and nonhomestead property, on the first day of each subsequent month beginning July 1, up to and including October 1 following through December, 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 the penalty must not exceed eight percent in the case of homestead property, or 12 percent in the case of nonhomestead property.~~

(b) If the property tax statement was not postmarked prior to April 25, the first half payment due date in paragraph (a) shall be 21 days from the postmark date of the property tax statement, and all penalties referenced in paragraph (a) shall be determined with regard to the later due date.

(c) In the case of a tract or lot with taxes of \$100 or less, the due date and penalties as specified in paragraph (a) or (b) for the first half payment shall apply to the entire amount of the tax due.

(d) For 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, penalty does not accrue until June 1 of each year. For a class 3a property to qualify for the later due date, the owner of the property must attach an affidavit to the payment attesting to compliance with the income requirements of this paragraph.

(e) This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

(f) 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.

(g) The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due but which has not been fully paid. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year or the installment being paid. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 19. Minnesota Statutes 2016, section 279.01, subdivision 2, is amended to read:

Subd. 2. **Abatement of penalty.** (a) The county board may, with the concurrence of the county treasurer, delegate to the county treasurer the power to abate the penalty provided for late payment of taxes in the current year. Notwithstanding section 270C.86, if any county board so elects, the county treasurer may abate the penalty on finding that the imposition of the penalty would be unjust and unreasonable.

(b) The county treasurer shall abate the penalty provided for late payment of taxes in the current year if the property tax payment is delivered by mail to the county treasurer and the envelope containing the payment is postmarked by the United States Postal Service within one business day of the due date prescribed under this section, but only if the property owner requesting the abatement has not previously received an abatement of penalty for late payment of tax under this paragraph.

**EFFECTIVE DATE.** This section is effective for property taxes payable in 2018 and thereafter.

Sec. 20. Minnesota Statutes 2016, section 279.01, subdivision 3, is amended to read:

Subd. 3. **Agricultural property.** ~~(a)~~ In the case of class 1b agricultural homestead, class 2a agricultural homestead property, and class 2a agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter ~~for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2a agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes,~~ penalties shall attach as provided in subdivision 1.

If the owner of class 1b agricultural homestead or class 2a agricultural property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead or class 2a agricultural property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15.

~~(b) Notwithstanding paragraph (a), for taxes payable in 2010 and 2011, for any class 2b property that was subject to a second-half due date of November 15 for taxes payable in 2009, the county shall not impose, or if imposed, shall abate penalty amounts in excess of those that would apply as if the second-half due date were November 15.~~

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 21. Minnesota Statutes 2016, section 279.03, subdivision 2, is amended to read:

Subd. 2. **Rate for composite judgment; rate for homestead composite judgment, repurchase of forfeited homestead property, and sale of forfeited property.** (a) Except as provided in paragraph (b), amounts included in composite judgments authorized by section 279.37, subdivision 1, are subject to interest at the rate calculated under subdivision 1a. During each calendar year, interest shall accrue on the unpaid balance of the composite judgment from the time it is confessed until it is paid. The interest rate established at the time the judgment is confessed is fixed for the duration of that judgment.

(b) The following amounts are subject to interest as provided in paragraph (c):

(1) amounts included in composite judgments on parcels classified as 1a or 1b and used as the homestead of the owner;

(2) amounts in contracts for repurchase of property classified as 1a or 1b at the time of forfeiture or at the time that the repurchase application is approved; and

(3) sales of forfeited property pursuant to section 282.01, subdivision 4.

~~(b) A confession of judgment covering any part of a parcel classified as 1a or 1b, and used as the homestead of the owner, is subject to interest at the rate provided in section 279.37, subdivision 2, paragraph (b). This paragraph does not apply to a relative homestead under section 273.124, subdivision 1, paragraph (c).~~

(c) By October 15 each year the commissioner shall set the interest rate under this subdivision at the greater of five percent or two percent above the prime rate charged by banks during the six-month period ending on September 30 of that year, rounded to the nearest full percent, provided that the rate must not exceed the maximum annum rate specified under section 279.03, subdivision 1a. By November 1 of each year the commissioner must certify the rate to the county auditor. The rate of interest becomes effective on January 1 of the immediately succeeding year. The commissioner's determination under this subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including section 14.386.

(d) For the purposes of this subdivision, "prime rate charged by banks" means the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System.

**EFFECTIVE DATE.** This section is effective for composite judgments, repurchase contracts, and sales of forfeited property occurring after July 1, 2018.

Sec. 22. Minnesota Statutes 2016, section 279.37, subdivision 2, is amended to read:

Subd. 2. **Installment payments.** (a) 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 chapter 278 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 (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.

~~(b) For property which qualifies under section 279.03, subdivision 2, paragraph (b), each year the commissioner shall set the interest rate for offers made under paragraph (a) at the greater of five percent or two percent above the prime rate charged by banks during the six-month period ending on September 30 of that year, rounded to the nearest full percent, provided that the rate must not exceed the maximum annum rate specified under section 279.03, subdivision 1a. The rate of interest becomes effective on January 1 of the immediately succeeding year. The commissioner's determination under this subdivision is not a rule subject to the Administrative Procedure Act in chapter 14, including section 14.386. If a default occurs in the payments under any confessed judgment entered under this paragraph, the taxes and penalties due are subject to the interest rate specified in section 279.03. Amounts entered in judgment bear interest at the rate provided in section 279.03, subdivision 1a, unless the parcel is classified as 1a or 1b, and is used as the homestead of the owner, in which case the rate provided in section 279.03, subdivision 2, shall apply. A parcel that is classified as relative homestead under section 273.124, subdivision 1, paragraph (c), is subject to interest at the rate provided in section 279.03, subdivision 1a.~~

(c) Interest shall commence with the date the judgment is entered. During each calendar year, interest shall accrue on the unpaid balance of the composite judgment from the time it is confessed until it is paid. The interest rate established at the time the judgment is confessed is fixed for the duration of that judgment.

(d) If a default occurs in the payments under any confessed judgment, the taxes and penalties due are subject to the interest rate specified in section 279.03, subdivision 1a, regardless of the classification of the parcel. For the purposes of this subdivision:

(1) the term "prime rate charged by banks" means the average predominant prime rate quoted by commercial banks to large businesses, as determined by the Board of Governors of the Federal Reserve System; and

(2) "default" means the cancellation of the confession of judgment due to nonpayment of the current year tax or failure to make any installment payment required by this confessed judgment within 60 days from the date on which payment was due.

(e) The interest rate established at the time judgment is confessed is fixed for the duration of the judgment. By October 15 of each year, the commissioner of revenue must determine the rate of interest as provided under paragraph (b) and, by November 1 of each year, must certify the rate to the county auditor.

(d) (e) A qualified property owner eligible to enter into a second confession of judgment may do so at the interest rate provided in paragraph (b).

(e) Repurchase agreements or contracts for repurchase for properties being repurchased under section 282.261 are not eligible to receive the interest rate under paragraph (b).

(f) 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 chapter 278.

Dated ....., ....."

**EFFECTIVE DATE.** This section is effective for sales and repurchases occurring after January 1, 2018.

Sec. 23. Minnesota Statutes 2016, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale: method, requirements, effects.** The sale authorized under subdivision 3 must be conducted by the county auditor at the county seat of the county in which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be conducted in any county facility within the county. The sale must not be for less than the appraised value except as provided in subdivision 7a. The parcels must be sold for cash only, unless the county board of the county has adopted a resolution providing for their sale on terms, in which event the resolution controls with respect to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, and the balance must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. Standing timber or timber products must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value must be allocated between the land and the timber in proportion to their respective appraised values. In that case, standing timber or timber products must not be removed from the land until the amount of the excess bid allocated to timber or timber products has been paid in addition to the appraised value of the land. The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

~~For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance of the purchase price for sales occurring after December 31, 1990, is subject to interest at the rate determined provided in section 279.03, subdivision 1a 2, paragraph (c). The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.~~

**EFFECTIVE DATE.** This section is effective for sales occurring after January 1, 2018.

Sec. 24. Minnesota Statutes 2016, section 282.261, subdivision 2, is amended to read:

Subd. 2. **Interest rate.** The unpaid balance on any repurchase contract approved by the county board for property classified as 1a or 1b and used as the homestead of the owner at the time of forfeiture or at the time that the repurchase application is approved is subject to interest at the rate determined in section 279.03, subdivision 1a 2. The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 279.03, subdivision 1a. The unpaid balance on any other repurchase contract approved by the county board is subject to interest at the rate determined in section 279.03, subdivision 1a, which is subject to change each year in the manner provided for in section 279.03, subdivision 1a.

**EFFECTIVE DATE.** This section is effective for repurchases occurring after January 1, 2018.

Sec. 25. Minnesota Statutes 2016, section 473H.09, is amended to read:

**473H.09 EARLY TERMINATION.**

Subdivision 1. **Public emergency.** Termination of an agricultural preserve earlier than a date derived through application of section 473H.08 may be permitted ~~only~~ in the event of a public emergency upon petition from the owner or authority to the governor. The determination of a public emergency shall be by the governor through executive order pursuant to sections 4.035 and 12.01 to 12.46. The executive order shall identify the preserve, the reasons requiring the action and the date of termination.

Subd. 2. **Death of owner.** (a) Within 180 days of the death of an owner, an owner's spouse, or other qualifying person, the surviving owner may elect to terminate the agricultural preserve and the covenant allowing the land to be enrolled as an agricultural preserve by notifying the authority on a form provided by the commissioner of agriculture. Termination of a covenant under this subdivision must be executed and acknowledged in the manner required by law to execute and acknowledge a deed.

(b) For purposes of this subdivision, the following definitions apply:

(1) "qualifying person" includes a partner, shareholder, trustee for a trust that the decedent was the settlor or a beneficiary of, or member of an entity permitted to own agricultural land and engage in farming under section 500.24 that owned the agricultural preserve; and

(2) "surviving owner" includes the executor of the estate of the decedent, the trustee for a trust that the decedent was the settlor or a beneficiary of, or an entity permitted to own farm land under section 500.24 of which the decedent was a partner, shareholder, or member.

(c) When an agricultural preserve is terminated under this subdivision, the property is subject to additional taxes in an amount equal to 50 percent of the taxes actually levied against the property for the current taxes payable year. The additional taxes are extended against the property on the tax list for taxes payable in the current year. The additional taxes must be distributed among the jurisdictions levying taxes on the property in proportion to the current year's taxes.

**EFFECTIVE DATE.** This section is effective retroactively from July 1, 2016.

Sec. 26. 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, Laws 2008, chapter 154, article 2, section 30, and Laws 2013, chapter 143, article 4, section 33, 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 by the Cook ambulance service and the Orr ambulance service for the purpose of:

(1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance service;



(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, and administrative, operation, or salary expenses for the Cook ambulance service and the Orr ambulance service.

~~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 used for the purposes in paragraph (b).

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

Sec. 27. Laws 1996, chapter 471, article 3, section 51, is amended to read:

Sec. 51. **RECREATION LEVY FOR SAWYER BY CARLTON COUNTY.**

~~Subdivision 1. **Levy authorized.** Notwithstanding other law to the contrary, the Carlton county board of commissioners may levy in and for the unorganized township of Sawyer an amount up to \$1,500 \$2,000 annually for recreational purposes, beginning with taxes payable in 1997 and ending with taxes payable in 2006.~~

~~Subd. 2. **Effective date.** This section is effective June 1, 1996, without local approval.~~

**EFFECTIVE DATE.** This section is effective the day after the Carlton County Board of Commissioners and its chief clerical officer comply with section 645.021, subdivisions 2 and 3, and applies to taxes payable in 2018.

Sec. 28. Laws 2009, chapter 88, article 2, section 46, subdivision 1, as amended by Laws 2013, chapter 143, article 4, section 36, 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 Special Taxing District for the purpose of providing fire 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 or ambulance services, or both, from the district. Upon application, any other municipality may join the district with the agreement of the municipalities that comprise the district at the time of its application to join.

**EFFECTIVE DATE.** This section is effective in Cloquet and Perch Lake Township the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each.

Sec. 29. Laws 2009, chapter 88, article 2, section 46, subdivision 2, is amended to read:

Subd. 2. **Board.** The Cloquet Area Fire and Ambulance Special Taxing District Board is governed by a board made up initially of one or more elected officials of the governing body of each participating municipality in the proportions set out in the establishing resolution, subject to change

as provided in the district's charter, if any, or in the district's bylaws. Each municipality's representatives serve at the pleasure of that municipality's governing body.

**EFFECTIVE DATE.** This section is effective in Cloquet and Perch Lake Township the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each.

Sec. 30. Laws 2009, chapter 88, article 2, section 46, subdivision 3, as amended by Laws 2013, chapter 143, article 4, section 37, is amended to read:

Subd. 3. **Tax.** (a) The district board may impose a property tax on taxable property as provided in this subdivision to pay the costs of providing fire or ambulance services, or both, throughout the district. 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 estimated market value.

(b) When a member municipality opts to receive fire service from the district or an additional municipality becomes a member of the district, the cost of providing fire services to that community shall be determined by the board and added to the maximum levy amount.

(c) 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.

**EFFECTIVE DATE.** This section is effective in Cloquet and Perch Lake Township the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each.

Sec. 31. Laws 2009, chapter 88, article 2, section 46, subdivision 4, is amended to read:

Subd. 4. **Public indebtedness.** (a) The district may incur debt in the manner provided for a municipality by Minnesota Statutes, chapter 475, and may issue certificates of indebtedness or capital notes in the manner provided for a city by Minnesota Statutes, section 412.301, when necessary to accomplish its duties, except that the district may not incur debt or issue obligations until first obtaining the approval of a majority of the electors voting on the question of issuing the obligation. The debt service for debt used to finance capital costs for ambulance service shall be levied against taxable property within the municipalities in the primary service area. The debt service for debt used to finance capital costs for fire service shall be levied against taxable property within municipalities receiving fire services. The district board shall pledge its full faith and credit and taxing power without limitation as to rate or amount for the payment of the district's debt.

(b) For purposes of this subdivision, "municipality" has the definition given in Minnesota Statutes, sections 475.51, subdivision 2, and 475.521, subdivision 1, paragraph (c).

**EFFECTIVE DATE.** This section is effective in Cloquet and Perch Lake Township the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each.

Sec. 32. Laws 2009, chapter 88, article 2, section 46, subdivision 5, is amended to read:

Subd. 5. **Withdrawal.** Notice of intent to withdraw from participation in the district may be given only in the month of January, with a minimum of twelve months notice of intent to withdraw. Withdrawal becomes effective for taxes levied pursuant to subdivision 3 in the year when the notice is given. A property tax on taxable property located in a withdrawing municipality that has been levied by the district pursuant to subdivision 4 remains in effect until the obligations outstanding on the date of withdrawal are satisfied, including any property tax levied in connection with refunding such obligations. The district and its members may also develop and agree upon other continuing obligations after withdrawal of a municipality.

**EFFECTIVE DATE.** This section is effective in Cloquet and Perch Lake Township the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of each.

Sec. 33. **2016 TOWNSHIP BOARD APPEALS AND EQUALIZATION COURSE WAIVER.**

If a city or town that conducts local board of appeal and equalization meetings certified by February 1, 2016, that it was in compliance with the requirements of Minnesota Statutes, section 274.014, subdivision 2, but no member of the local board who has attended an appeal and equalization course training within the preceding four years attended the local board's meeting for 2016, that local board shall have its powers reinstated for the 2017 assessment by resolution of the governing body of the city or town, and by certifying it is in compliance with the requirements of Minnesota Statutes, section 274.014, subdivision 2. The resolution and certification must be provided to the county assessor by February 1, 2017.

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

Sec. 34. **TOWN OF TOFTE; MUNICIPAL HOUSING.**

(a) Notwithstanding the provisions of Laws 1988, chapter 516, and Laws 1988, chapter 719, article 19, section 27, the town of Tofte may own and operate within its boundary up to 12 units of housing for individuals over 55 years of age or families with one member of the household that is over 55 years of age, or projects that provide housing for individuals or families with incomes not greater than 120 percent of the median family income, as estimated by the United States Department of Housing and Urban Development for the nonmetropolitan county in which the town of Tofte is located.

(b) The town of Tofte shall have the powers of a city under Minnesota Statutes, chapter 462C, and the powers of an authority under Minnesota Statutes, sections 469.001 to 469.047, with respect to this section. Upon the approval of the town board, the town of Tofte may levy the tax described in Minnesota Statutes, section 469.033, subdivision 6.

(c) Nothing in this section shall limit the power of the Cook County/Grand Marais Joint Economic Development Authority to exercise jurisdiction within the town of Tofte. The authority to undertake new projects under this section shall expire on June 30, 2018.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the town of Tofte with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 35. SOCCER STADIUM 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 stadium for a Major League Soccer 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 Major League Soccer stadium 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 stadium 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 stadium.

**EFFECTIVE DATE.** This section is effective upon approval by the St. Paul City Council and compliance with Minnesota Statutes, section 645.021.

**Sec. 36. OPTIONAL CANCELLATION OF TAX FORFEITURE FOR CERTAIN BUILDINGS; ST. LOUIS COUNTY.**

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

(b) "Building PIN" means a parcel identification number that is assigned to a building and does not include the land upon which the building is located; and

(c) "Land PIN" means a parcel identification number that is assigned to land upon which a building associated with a building PIN is located.

Subd. 2. **Optional cancellation of tax forfeiture for buildings with building PINs.** Notwithstanding any law to the contrary, if any building associated with a building PIN and located in St. Louis County forfeits or has forfeited to the state of Minnesota before, on, or after the date of enactment of this section because of nonpayment of delinquent property taxes, special assessments, penalties, interest, or costs, the county auditor of St. Louis County may, with approval from the county board and the commissioner of revenue:

(1) cancel the certificate of forfeiture and set aside the forfeiture without reinstating the unpaid property taxes, special assessments, penalties, interest, or costs; and

(2) combine the building PIN with its associated land PIN. When this occurs, the land PIN is the only surviving parcel identification number, and includes both the building and the land upon which the building is located.

Subd. 3. **Cancellation of tax forfeiture; taxation through date of cancellation.** Notwithstanding any law to the contrary, if the county auditor of St. Louis County cancels a certificate of forfeiture and sets aside a forfeiture in accordance with subdivision 2, the affected building is not subject to taxation from the date of forfeiture through the date of cancellation.

Subd. 4. **Appropriation.** \$1,000,000 in fiscal year 2017 only is appropriated from the general fund to the commissioner of revenue for a grant to St. Louis County that shall be paid on March 31, 2017. The county may only use the grant to remove any building, upon the request of the landowner, after the county has complied with the provisions of subdivision 2.

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

Sec. 37. **LAKE MILLE LACS AREA PROPERTY TAX ABATEMENT.**

Subdivision 1. **Abatements authorized.** (a) Notwithstanding Minnesota Statutes, section 375.192, the county boards of Aitkin, Crow Wing, and Mille Lacs Counties may grant an abatement of local property taxes for taxes payable in 2016 provided that:

(1) the property is classified as 1c, 3a (excluding utility real and personal property), 4c(1), 4c(10), or 4c(11);

(2) on or before June 1, 2017, the taxpayer submits a written application to the county assessor in the county in which abatement is sought; and

(3) the taxpayer meets qualification requirements established in subdivision 3.

Subd. 2. **Appeals.** An appeal may not be taken to the Tax Court from any order of the county board made pursuant to the exercise of the discretionary authority granted in this section.

Subd. 3. **Qualification requirements.** To qualify for abatements under this section, a taxpayer must:

(1) be located within one of the following municipalities surrounding Lake Mille Lacs:

(i) in Crow Wing County, the city of Garrison, township of Garrison, or township of Roosevelt;

(ii) in Aitkin County, the township of Hazelton, township of Wealthwood, township of Malmö, or township of Lakeside; or

(iii) in Mille Lacs County, the city of Isle, city of Wahkon, city of Onamia, township of East Side, township of Isle Harbor, township of South Harbor, or township of Kathio;

(2) document a reduction in gross receipts of five percent or greater between two successive calendar years beginning in 2010 or later; and

(3) be a business in one of the following industries, as defined within the North American Industry Classification System: accommodation, restaurants, bars, amusement and recreation, food and beverages retail, sporting goods, miscellaneous retail, general retail, museums, historical sites, health and personal care, gas station, general merchandise, business and professional membership, movies, or nonstore retailer, as determined by the county in consultation with the commissioner of employment and economic development.

Subd. 4. **State general levy in relief area.** The counties of Aitkin, Crow Wing, and Mille Lacs must refund the state general levy levied upon a property classified as 1c, 3a (excluding utility real and personal property), or 4c(1) that is located in the area described by subdivision 3, clause (1), for taxes payable in 2016. No refund may be issued to a taxpayer whose property taxes are delinquent.

Subd. 5. **Certification and transfer of funds.** (a) By August 1, 2017, a county granting a refund as required under subdivision 4 must certify the total amount of state general tax refunded to Mille Lacs County and the commissioner of revenue. By May 1, 2017, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification.

(b) By August 1, 2017, a county that has received an application for an abatement authorized under subdivision 1 must certify to Mille Lacs County the total amount of abatements for which applications have been received and approved. By September 1, 2017, Mille Lacs County must transfer an amount equal to the amount certified under this paragraph to the county making the certification. If the amount appropriated under subdivision 6, minus the amount transferred under paragraph (a), is not sufficient to make the transfer required under this paragraph, Mille Lacs County must reduce the amount transferred to each county by a uniform percentage. By October 31, 2017, the county must issue refunds of local property tax amounts to qualified properties, in proportion to the amount received from Mille Lacs County. No refund may be issued to a taxpayer whose property taxes are delinquent.

(c) By December 1, 2017, Mille Lacs County must calculate the amount transferred under paragraphs (a) and (b), and subtract that amount from \$1,400,000 to obtain the ongoing economic relief distribution amount, if any. This amount must be transferred to the counties of Aitkin, Crow Wing, and Mille Lacs in proportion to the amounts certified by each county under paragraphs (a) and (b). A county receiving a transfer under this paragraph must use the funds received to provide abatements to business properties under economic hardship for taxes payable in 2017, and each year thereafter until a county's share of the ongoing economic relief distribution amount is exhausted.

Subd. 6. **Commissioner of revenue; appropriation.** \$1,400,000 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue for transfer to Mille Lacs County to make the transfers required under subdivision 5. This is a onetime appropriation.

Subd. 7. **Report to legislature.** The commissioner of revenue must make a written report to the chairs and ranking minority members of the legislative committees with jurisdiction over taxes stating the amount of abatements and refunds given under this section by taxing jurisdictions by February 1, 2018. The counties must provide the commissioner with the information necessary to make the report.

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

Sec. 38. **REPEALER.**

Minnesota Statutes 2016, section 272.02, subdivision 23, is repealed.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2017 and thereafter.

### ARTICLE 3

#### AIDS AND CREDITS

Section 1. Minnesota Statutes 2016, section 127A.45, subdivision 10, is amended to read:

Subd. 10. **Payments to school nonoperating funds.** Each fiscal year state general fund payments for a district nonoperating fund must be made at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. This amount shall be paid in ~~12~~ six equal monthly installments beginning in July. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement must be paid prior to October 31 of the following school year. The commissioner may make advance payments of debt service equalization aid and state-paid tax credits for a district's debt service fund earlier than would occur under the preceding schedule if the district submits evidence showing a serious cash flow problem in the fund. The commissioner may make earlier payments during the year and, if necessary, increase the percent of the entitlement paid to reduce the cash flow problem.

**EFFECTIVE DATE.** This section is effective beginning with fiscal year 2019.

Sec. 2. Minnesota Statutes 2016, section 127A.45, subdivision 13, is amended to read:

Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 10, 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 124E, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated entitlement for special education aid under section 125A.76 for fiscal year 2014 and later equals 97.4 percent of the district's entitlement for the current fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

**EFFECTIVE DATE.** This section is effective beginning with fiscal year 2019.

Sec. 3. **[273.1387] SCHOOL BUILDING BOND AGRICULTURAL CREDIT.**

Subdivision 1. **Eligibility.** All class 2a, 2b, and 2c property under section 273.13, subdivision 23, other than property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, is eligible to receive the credit under this section.

Subd. 2. **Credit amount.** For each qualifying property, the school building bond agricultural credit is equal to 40 percent of the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b.

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the

commissioner of revenue as a part of the abstracts of tax lists submitted under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

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

Subd. 5. **Appropriation.** An amount sufficient to make the payments required by this section is annually appropriated from the general fund to the commissioner of education.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 4. Minnesota Statutes 2016, section 273.1392, is amended to read:

**273.1392 PAYMENT; SCHOOL DISTRICTS.**

The amounts of bovine tuberculosis credit reimbursements under section 273.113; conservation tax credits under section 273.119; disaster or emergency reimbursement under sections 273.1231 to 273.1235; ~~homestead and~~ agricultural credits under ~~section~~ sections 273.1384 and 273.1387; aids and credits under section 273.1398; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the Department of Education by the Department of Revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 5. Minnesota Statutes 2016, section 273.1393, is amended to read:

**273.1393 COMPUTATION OF NET PROPERTY TAXES.**

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

- (1) disaster credit as provided in sections 273.1231 to 273.1235;
- (2) powerline credit as provided in section 273.42;
- (3) agricultural preserves credit as provided in section 473H.10;
- (4) enterprise zone credit as provided in section 469.171;
- (5) disparity reduction credit;
- (6) conservation tax credit as provided in section 273.119;
- (7) the school bond credit, as provided in section 273.1387;



- (8) agricultural credit as provided in section 273.1384;
- ~~(8)~~ (9) taconite homestead credit as provided in section 273.135;
- ~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391; and
- ~~(10)~~ (11) the bovine tuberculosis zone credit, as provided in section 273.113.

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

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 6. Minnesota Statutes 2016, section 275.065, subdivision 3, is amended to read:

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

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. The notice must clearly state for each city that has a population over 500, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of a meeting for each taxing authority in which the budget and levy will be discussed and public input allowed, prior to the final budget and levy determination. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. The public must be allowed to speak at that meeting, which must occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice and an address where comments will be received by mail, except that no notice required under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(d) The notice must state for each parcel:

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

(2) the items listed below, shown separately by county, city or town, and state general tax, agricultural homestead credit under section 273.1384, school building bond agricultural credit under section 273.1387, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

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

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

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

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

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

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

- (1) special assessments;
- (2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda and school district levy referenda;
- (3) a levy limit increase approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;
- (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

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

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

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

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

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

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

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

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

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

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

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

(3) Metropolitan Mosquito Control Commission under section 473.711.

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

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

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

(2) population growth and decline;

(3) state or federal government action; and

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

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

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 7. Minnesota Statutes 2016, section 275.07, subdivision 2, is amended to read:

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

(b) The district must identify the portion of the school district levy that is levied for debt service at the time the levy is certified under this section. For the purposes of this paragraph, "levied for debt service" means levies authorized under sections 123B.53, 123B.535, and 123B.55, as adjusted by sections 126C.46 and 126C.48, net of any debt excess levy reductions under section 475.61, subdivision 4, excluding debt service amounts necessary for repayment of other postemployment benefits under section 475.52, subdivision 6.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 8. Minnesota Statutes 2016, section 275.08, subdivision 1b, is amended to read:

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

(b) The auditor must also determine the school debt tax rate for each school district equal to (1) the school debt service levy certified under section 275.07, subdivision 2, divided by (2) the total net tax capacity of all taxable property within the district.

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

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 9. Minnesota Statutes 2016, 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 under section 272.03, subdivision 15;
- (4) the property's gross tax, before credits;

(5) for ~~homestead~~ agricultural properties, the ~~credit~~ credits under ~~section~~ sections 273.1384 and 273.1387;

(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.

**EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

Sec. 10. **[477A.0126] REIMBURSEMENT OF COUNTY AND TRIBES FOR CERTAIN OUT-OF-HOME PLACEMENT.**

**Subdivision 1. Definition.** When used in this section, "out-of-home placement" means 24-hour substitute care for an Indian child as defined by section 260C.007, subdivision 21, placed under the Indian Child Welfare Act (ICWA) and chapter 260C, away from the child's parent or guardian and for whom the county social services agency or county correctional agency has been assigned responsibility for the child's placement and care, which includes placement in foster care under section 260C.007, subdivision 18, and a correctional facility pursuant to a court order.

**Subd. 2. Determination of nonfederal share of costs.** (a) By March 15, 2017, each county shall report the following information to the commissioners of human services and corrections: (1) the separate amounts paid out of its social service agency and its corrections budget for out-of-home placement of children under the ICWA in calendar years 2013, 2014, and 2015; and (2) the number of case days associated with the expenditures from each budget. The commissioner of human services shall prescribe the format of the report. By April 15, 2017, the commissioner of human services, in consultation with the commissioner of corrections, shall certify to the commissioner of revenue and to the legislative committees responsible for local government aids and out-of-home placement funding, whether the data reported under this subdivision accurately reflects total expenditures by counties for out-of-home placement costs of children under the ICWA.

(b) By January 1, 2018, and each January 1 thereafter, each county shall report to the commissioners of human services and corrections the separate amounts paid out of its social service agency and its corrections budget for out-of-home placement of children under the ICWA in the calendar years two years before the current calendar year along with the number of case days associated with the expenditures from each budget. The commissioner of human services shall prescribe the format of the report.

(c) Until the commissioner of human services develops another mechanism for collecting and verifying data on out-of-home placements of children under the ICWA, and the legislature authorizes the use of that data, the data collected under this subdivision must be used to calculate payments under subdivision 3. The commissioner of human services shall certify the nonfederal out-of-home

placement costs for the three prior calendar years for each county to the commissioner of revenue by June 1 of the year prior to the aid payment.

Subd. 3. **Aid for counties.** For aids payable in calendar year 2018 and thereafter, the amount of reimbursement to each county is 100 percent of the average nonfederal share of the cost for out-of-home placement of children under the ICWA for the three calendar years that were certified by the commissioner of human services by June 1 of the prior year, provided the commissioner of human services, in consultation with the commissioner of corrections, certifies to the commissioner of revenue that accurate data is available to make the aid determination under this section.

Subd. 4. **Aid for tribes.** (a) By June 1 of the year prior to the aid payment, each tribe seeking reimbursement under this section must certify to the commissioner of revenue the amount of federal reimbursement received by the tribe under the ICWA for the immediately preceding three calendar years. If a tribe does not certify the amount of federal reimbursement pursuant to this section, the tribe is deemed to have waived any reimbursement for out-of-home placement for that calendar year. The commissioner of revenue shall prescribe the format of the certification. "Tribe" is defined as an Indian tribe with membership on the Indian Affairs Council under section 3.922.

(b) For aids payable in 2018 and thereafter, the amount of reimbursement to each tribe shall be the greater of: (1) five percent of the average reimbursement amount received from the federal government for out-of-home placement costs for the three calendar years that were certified by June 1 of the prior year; or (2) \$200,000.

Subd. 5. **Payments.** The commissioner of revenue must compute the amount of reimbursement aid payable to each county and tribe under this section. On or before August 1 of each year, the commissioner shall certify the amount to be paid to each county and tribe in the following year. The commissioner shall pay reimbursement aid annually at the times provided in section 477A.015.

Subd. 6. **Appropriation.** An amount sufficient to pay aid under this section is annually appropriated to the commissioner of revenue from the general fund.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2018.

Sec. 11. Minnesota Statutes 2016, section 477A.017, subdivision 2, is amended to read:

Subd. 2. **State auditor's duties.** The state auditor shall prescribe uniform financial accounting and reporting standards in conformity with national standards to be applicable to cities and towns of more than 2,500 population and uniform reporting standards to be applicable to cities and towns of less than 2,500 population.

**EFFECTIVE DATE.** This section applies to reporting of financial information for calendar year 2017 and thereafter.

Sec. 12. Minnesota Statutes 2016, section 477A.017, subdivision 3, is amended to read:

Subd. 3. **Conformity.** Other law to the contrary notwithstanding, in order to receive distributions under sections 477A.011 to 477A.03, counties and cities, and towns must conform to the standards set in subdivision 2 in making all financial reports required to be made to the state auditor after June 30, 1984.

**EFFECTIVE DATE.** This section applies to reporting of financial information for aids payable in 2018 and thereafter.

Sec. 13. Minnesota Statutes 2016, section 477A.03, subdivision 2a, is amended to read:

Subd. 2a. **Cities.** The total aid paid under section 477A.013, subdivision 9, is \$516,898,012 for aids payable in 2015. For aids payable in 2016 ~~and thereafter~~, the total aid paid under section 477A.013, subdivision 9, is \$519,398,012. For aids payable in 2017 and thereafter, the total aid paid under section 477A.013, subdivision 9, is \$539,398,012.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2017 and thereafter. For aid payable in 2017, the commissioner must certify the amount to be paid to each city by January 31, 2017.

Sec. 14. Minnesota Statutes 2016, section 477A.03, subdivision 2b, is amended to read:

Subd. 2b. **Counties.** (a) For aids payable in 2014 ~~and thereafter~~ through 2016, the total aid payable under section 477A.0124, subdivision 3, is \$100,795,000. For aids payable in 2017 through 2024, the total aid payable under section 477A.0124, subdivision 3, is \$108,795,000, of which \$3,000,000 shall be allocated as required under Laws 2014, chapter 150, article 4, section 6. For aids payable in 2025 and thereafter, the total aid payable under section 477A.0124, subdivision 3, is \$105,795,000. 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. 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 ~~2014 and thereafter~~ 2016, the total aid under section 477A.0124, subdivision 4, is \$104,909,575. For aids payable in 2017 and thereafter, the total aid payable under section 477A.0124, subdivision 4, is \$109,909,575. 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, and other local government activities. The commissioner of revenue 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 transferred under this paragraph from the appropriation under this paragraph. The amounts transferred are appropriated to the commissioner of management and budget and the commissioner of education respectively.

**EFFECTIVE DATE.** This section is effective for aids payable in 2017 and thereafter. For aid payable in 2017, the commissioner must certify the amount to be paid to each county by January 31, 2017.

Sec. 15. **[477A.09] MAXIMUM EFFORT LOAN AID.**

For fiscal years 2018 to 2022, each school district with a maximum effort loan under sections 126C.61 to 126C.72 outstanding as of June 30, 2016, is eligible for an aid payment equal to one-fifth of the amount of interest that was paid on the loan between December 1, 1997, and June 30, 2016. For Independent School District No. 2580, the aid payment shall be calculated to also include



one-fifth of the amount of the interest amount paid under its prior maximum effort loan between December 1, 1997, and June 30, 2016. Aid payments under this section must be used to reduce property taxes levied on net tax capacity within the district. Aid under this section must be paid in fiscal years 2018 to 2022, in the manner provided under section 127A.45, subdivisions 9 and 13. An amount sufficient to make aid payments under this section is annually appropriated from the general fund to the commissioner of education.

**EFFECTIVE DATE.** This section is effective for fiscal year 2018 and thereafter.

Sec. 16. Minnesota Statutes 2016, section 477A.17, is amended to read:

**477A.17 LAKE VERMILION-SOUDAN UNDERGROUND MINE STATE PARK;  
ANNUAL PAYMENTS.**

(a) In lieu of the payment amount provided under section 477A.12, subdivision 1, clause (1), the county shall receive an annual payment for state-owned land within the boundary of Lake Vermilion-Soudan Underground Mine State Park, established in section 85.012, subdivision 38a, equal to 1.5 percent of the appraised value of the state-owned land.

(b) For the purposes of this section, the appraised value of the land acquired for Lake Vermilion-Soudan Underground Mine State Park for the first five years after acquisition shall be the purchase price of the land, plus the value of any portion of the land that is acquired by donation. Thereafter, the appraised value of the state-owned land shall be as determined under section 477A.12, subdivision 3, except that the appraised value of the state-owned land within the park shall not be reduced below the 2010 appraised value of the land.

(c) The annual payments under this section shall be distributed to the taxing jurisdictions containing the property as follows: one-third to the school districts; one-third to the town; and one-third to the county. The payment to school districts is not a county apportionment under section 127A.34 and is not subject to aid recapture. Each of those taxing jurisdictions may use the payments for their general purposes.

(d) Except as provided in this section, the payments shall be made as provided in sections 477A.11 to 477A.13.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2017.

Sec. 17. **[477A.21] RIPARIAN PROTECTION AID.**

**Subdivision 1. Definitions.** (a) When used in this section, the following terms have the meanings given them in this subdivision.

(b) "Public water basins" has the meaning provided in section 103G.005, subdivision 15, clauses (1) to (8) and (11).

(c) "Public watercourses" has the meaning provided in section 103G.005, subdivision 15, clauses (9) and (10).

**Subd. 2. Certification.** The Board of Water and Soil Resources must certify to the commissioner of revenue by July 1 of each year which counties and watershed districts have affirmed their

jurisdiction under section 103F.48, subdivision 7, paragraph (b), and the proportion of each county's land area that is contained in each watershed district within the county. On or before July 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the statewide and countywide total of miles of shoreline of public waters basins, the number of centerline miles of public watercourses, and the miles of public drainage system ditches.

Subd. 3. **Distribution.** (a) A county that is certified under subdivision 2 or that portion of a county containing a watershed district certified under subdivision 2 is eligible to receive aid under this section to enforce and implement the riparian protection and water quality practices under section 103F.48. The commissioner shall calculate a preliminary aid for all counties that shall equal: (1) each county's share of the total number of acres in the state classified as class 2a under section 273.13, subdivision 23, divided by two; plus (2) each county's share of the number of miles of shoreline of public water basins, each county's share of the number of centerline miles of public watercourses, and each county's share of the number of miles of public drainage system ditches established under chapter 103E, divided by two; multiplied by (3) \$10,000,000.

(b) Aid to a county shall not be greater than \$200,000 or less than \$45,000. If the sum of the preliminary aids payable to counties under paragraph (a) is greater or less than the appropriation under subdivision 5, the commissioner of revenue shall calculate the percentage adjustment necessary so that the total of the aid under paragraph (a) equals the total amount available for aid under subdivision 5.

(c) If only a portion of a county is certified as eligible to receive aid under subdivision 2, the aid otherwise payable to that county under this section shall be multiplied by a fraction, the numerator of which is the area of the certified watershed district contained within the county and the denominator of which is the total area of the county.

(d) Any aid that would otherwise be paid to a county or portion of a county that is not certified under subdivision 2 shall be paid to the Board of Water and Soil Resources for the purpose of enforcing and implementing the riparian protection and water quality practices under section 103F.48.

Subd. 4. **Payments.** The commissioner of revenue must compute the amount of riparian protection aid payable to each eligible county and to the Board of Water and Soil Resources under this section. On or before August 1 of each year, the commissioner shall certify the amount to be paid to each county in the following year. The commissioner shall pay riparian protection aid to counties and the Board of Water and Soil Resources in the same manner and at the same time as aid payments under section 477A.015.

Subd. 5. **Appropriation.** \$10,000,000 for aids payable in 2017 and each year thereafter is appropriated from the general fund to the commissioner of revenue to make the payments required under this section.

**EFFECTIVE DATE.** This section is effective beginning with aids payable in 2017 and thereafter.

Sec. 18. Laws 2001, First Special Session chapter 5, article 3, section 86, is amended to read:

Sec. 86. **RED RIVER WATERSHED MANAGEMENT BOARD; PAYMENT IN LIEU OF TAXES.**

(a) The Red River watershed management board may spend money from its general fund to compensate counties and townships for lost tax revenue from land that becomes tax exempt after it is acquired by the board or a member watershed district for flood damage reduction project. The amount that may be paid under this section to a county or township must not exceed the tax that was payable to that taxing jurisdiction on the land in the last taxes payable year before the land became exempt due to the acquisition, not to exceed ~~\$4~~ \$5.133 per acre, multiplied by 20. This total amount may be paid in one payment, or in equal annual installments over a period that does not exceed 20 years. A member watershed district of the Red River management board may spend money from its construction fund for the purposes described in this section.

(b) For the purposes of this section, "Red River watershed management board" refers to the board established by Laws 1976, chapter 162, section 1, as amended by Laws 1982, chapter 474, section 1, Laws 1983, chapter 338, section 1, Laws 1989 First Special Session chapter 1, article 5, section 45, Laws 1991, chapter 167, section 1, and Laws 1998, chapter 389, article 3, section 29.

**EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2017 and thereafter. For aid payable in 2017, the commissioner must certify the amount to be paid to each county by January 31, 2017.

Sec. 19. Laws 2016, chapter 189, article 30, section 25, subdivision 5, is amended to read:

Subd. 5. **Early repayment aid incentive.** (a) For incentive grants for a district that repays the full outstanding original principal on its capital loan by November 30, 2016, under Laws 2011, First Special Session chapter 11, article 4, section 8, as amended by this act:

	<u>2,200,000</u>	
\$	<u>2,350,000</u>	..... 2017

(b) Of this amount, \$150,000 is for a grant to Independent School District No. 36, Kelliher; \$180,000 is for a grant to Independent School District No. 95, Cromwell; \$495,000 is for a grant to Independent School District No. 299, Caledonia; \$220,000 is for a grant to Independent School District No. 306, Laporte; \$150,000 is for a grant to Independent School District No. 362, Littlefork; \$650,000 is for a grant to Independent School District No. 682, Roseau; and \$505,000 is for a grant to Independent School District No. 2580, East Central.

(c) The grant may be used for any school-related purpose.

(d) The base appropriation for 2022 is zero.

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

Sec. 20. **2013 CITY AID PENALTY FORGIVENESS; CITY OF OSLO.**

Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the city of Oslo shall receive the portion of its aid payment for calendar year 2013 under Minnesota Statutes, section 477A.013, that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that it received audited financial statements from the city for calendar year 2012 by December 31, 2013. The commissioner of revenue shall make a payment of \$37,473.50 by March 31, 2017. \$37,473.50 is appropriated from the general fund to the commissioner of revenue in fiscal year 2017 to make this payment.

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

Sec. 21. **2014 AID PENALTY FORGIVENESS.**

(a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, the cities of Dundee, Jeffers, and Woodstock shall receive all of its calendar year 2014 aid payment that was withheld under Minnesota Statutes, section 477A.017, subdivision 3, provided that the state auditor certifies to the commissioner of revenue that the city complied with all reporting requirements under Minnesota Statutes, section 477A.017, subdivision 3, for calendar years 2013 and 2014 by June 1, 2015.

(b) The commissioner of revenue shall make payment to each city no later than March 31, 2017. Up to \$101,570 is appropriated from the general fund to the commissioner of revenue in fiscal year 2017 to make the payments under this section.

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

Sec. 22. **BASE YEAR FORMULA AID FOR NEWLY INCORPORATED CITY.**

In the first aid payable year in which a city that incorporated on October 13, 2015, qualifies for aid under Minnesota Statutes, section 477A.013, subdivision 8, the city's formula aid in the previous year shall be deemed to equal \$115 multiplied by its population.

**EFFECTIVE DATE.** This section is effective for aids payable in 2017 and thereafter.

Sec. 23. **REPEALER.**

Minnesota Statutes 2016, section 477A.20, is repealed.

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

## ARTICLE 4

### INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 136A.129, subdivision 3, is amended to read:

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 eight weeks long and located in greater Minnesota; and

(2) 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) (2) does not replace an existing employee;~~
- ~~(4) (3) has not previously participated in the program;~~
- ~~(5) (4) will be employed at a location in greater Minnesota;~~
- ~~(6) (5) will be paid at least minimum wage for a minimum of 16 hours per week for a period of at least eight weeks; and~~
- ~~(7) (6) 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.~~

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 2. Minnesota Statutes 2016, section 136G.05, subdivision 10, is amended to read:

Subd. 10. **Data.** Account owner data, account data, and data on beneficiaries of accounts are private data on individuals or nonpublic data as defined in section 13.02, except that the names and addresses of the beneficiaries of accounts that receive matching grants are public. These data may be disseminated to and used by the Department of Revenue to the extent necessary, and without the consent of the subject of the data, for its duties under Minnesota laws.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 3. Minnesota Statutes 2016, section 290.01, subdivision 7, is amended to read:

Subd. 7. **Resident.** (a) The term "resident" means any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the

county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual.

(b) "Resident" also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

- (1) the individual or the spouse of the individual is in the armed forces of the United States; or
- (2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. A day does not qualify as a Minnesota day if the taxpayer traveled from a place outside of Minnesota primarily for and essential to obtaining medical care, as defined in Internal Revenue Code, section 213(d)(1)(A), in Minnesota for the taxpayer, spouse, or a dependent of the taxpayer and the travel expense is allowed under Internal Revenue Code, section 213(d)(1)(B), and is claimed by the taxpayer as a deductible expense. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term "abode" means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual's spouse.

(c) In determining where an individual is domiciled, neither the commissioner nor any court shall consider:

(1) charitable contributions made by an the individual within or without the state in determining if the individual is domiciled in Minnesota;

(2) the location of the individual's attorney, certified public accountant, or financial adviser; or

(3) the place of business of a financial institution at which the individual applies for any new type of credit or at which the individual opens or maintains any type of account.

(d) For purposes of this subdivision, the following terms have the meanings given them:

(1) "financial adviser" means:

(i) an individual or business entity engaged in business as a certified financial planner, registered investment adviser, licensed insurance producer or agent, or a registered securities broker-dealer representative; or

(ii) a financial institution providing services related to trust or estate administration, investment management, or financial planning; and

(2) "financial institution" means a financial institution as defined in section 47.015, subdivision 1; a state or nationally chartered credit union; or a registered broker-dealer under the Securities and Exchange Act of 1934.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016, except the amendment to paragraph (b) is effective for taxable years beginning after December 31, 2017.

Sec. 4. Minnesota Statutes 2016, section 290.0132, subdivision 14, is amended to read:

Subd. 14. **Section 179 expensing.** ~~In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for a shareholder of a corporation that is an S corporation, an amount equal to one fifth of the addition made by the taxpayer under section 290.0131, subdivision 10, or 290.0133, subdivision 12, for 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 taxable year of the addition, is a subtraction. If the net operating loss exceeds the addition for the taxable year, a subtraction is not allowed under this subdivision.~~ The section 179 expensing subtraction as provided under section 290.0803, subdivision 3, is a subtraction.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 5. Minnesota Statutes 2016, section 290.0132, subdivision 21, is amended to read:

Subd. 21. **Military service pension; retirement pay.** To the extent included in federal taxable income, compensation received 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, and 12733, is a subtraction. ~~The subtraction must not include any amount used to claim the credit allowed under section 290.0677.~~ This subtraction is limited to individuals who do not claim the credit under section 290.0677.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 6. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 23. **Section 529 plans.** The amount equal to the contributions made by the taxpayer during the taxable year to an account in a plan qualifying under section 529 of the Internal Revenue Code, reduced by any withdrawals from the account during the taxable year, not including amounts rolled over from other accounts in plans qualifying under section 529 of the Internal Revenue Code, and not to exceed \$3,000 for married couples filing joint returns and \$1,500 for all other filers is a subtraction. The subtraction is limited to individuals who do not claim the credit allowed under section 290.0684.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 7. Minnesota Statutes 2016, section 290.0132, is amended by adding a subdivision to read:

Subd. 24. **Discharge of indebtedness; education loans.** (a) To the extent included in federal taxable income, the discharge of indebtedness of the taxpayer if the indebtedness discharged is a qualified education loan, as defined in section 221 of the Internal Revenue Code, and the indebtedness

was discharged following the taxpayer's completion of an income-driven repayment plan is a subtraction.

(b) For purposes of this subdivision, "income-driven repayment plan" means a payment plan established by the United States Department of Education that sets monthly student loan payments based on income and family size under United States Code, title 20, section 1087e, or similar authority and specifically includes, but is not limited to:

(1) the income-based repayment plan under United States Code, title 20, section 1098e;

(2) the income contingent repayment plan established under United States Code, title 20, section 1087e, subsection (e); and

(3) the PAYE program or REPAYE program established by the Department of Education under administrative regulations.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 8. Minnesota Statutes 2016, section 290.0134, subdivision 14, is amended to read:

Subd. 14. **Section 179 expensing.** ~~In each of the five taxable years immediately following the taxable year in which an addition is required under section 290.0133, subdivision 12, an amount equal to one-fifth of the amount of the addition is a subtraction.~~ The section 179 expensing subtraction as provided under section 290.0803, subdivision 3, is a subtraction.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 9. Minnesota Statutes 2016, section 290.06, subdivision 22, is amended to read:

Subd. 22. **Credit for taxes paid to another state.** (a) A taxpayer who is liable for taxes based on net income to another state, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, paragraph (b), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.0131, subdivision 2, and the subtraction allowed by section 290.0132, subdivision 2, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio



derived from dividing the total net income subject to tax in the other state by the taxpayer's Minnesota taxable income.

(d)(1) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state on the gross income earned within the other state subject to tax under this chapter.

~~nor shall~~ (2) the allowance of the credit does not reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was the gross income earned within the other state were excluded from taxable net income.

(e) In the case of the tax assessed on a lump-sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state on the lump-sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump-sum distribution defined in section 290.032, subdivision 1, includes lump-sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump-sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

(l) If the amount of the credit which a qualifying individual is eligible to receive under this section for tax paid to a qualifying state, disregarding the limitation in paragraph (d), clause (2), exceeds the tax due under this chapter, the commissioner shall refund the excess to the individual. An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

For purposes of this paragraph, "qualifying individual" means a Minnesota resident under section 290.01, subdivision 7, paragraph (a), who received compensation during the taxable year for the performance of personal or professional services within a qualifying state, and "qualifying state" means a state with which an agreement under section 290.081 is not in effect for the taxable year but was in effect for a taxable year beginning before January 1, 2010.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code ~~subject to the limitations provided in subdivision 2~~ except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

(e) In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.0132, subdivision 10, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

(f) For residents of Minnesota, the subtractions for military pay under section 290.0132, subdivisions 11 and 12, are not considered "earned income not subject to tax under this chapter."

(g) For residents of Minnesota, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(h) For taxpayers with federal adjusted gross income in excess of \$38,310, the credit is equal to the lesser of the credit otherwise calculated under this subdivision or the amount equal to the credit otherwise calculated under this subdivision minus ten percent of federal adjusted gross income in excess of \$38,310, but in no case is the credit less than zero. For purposes of this paragraph, "federal adjusted gross income" has the meaning given in section 62 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 11. Minnesota Statutes 2016, section 290.067, subdivision 2b, is amended to read:

Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision ~~2~~1 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~~" "2016" shall be substituted for the word "1992." For ~~2001~~ 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2016, to the 12 months ending on August 31, ~~2000~~ 2017, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision must not be considered a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. The threshold amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2017.

Sec. 12. Minnesota Statutes 2016, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An individual who is a resident of Minnesota is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code, except that:

(i) the earned income and adjusted gross income limitations of section 32 of the Internal Revenue Code do not apply; and

(ii) a taxpayer with no qualifying children who has attained the age of 21 but not attained age 65 before the close of the taxable year and is otherwise eligible for a credit under section 32 of the Internal Revenue Code may also receive a credit.

(b) For individuals with no qualifying children, the credit equals ~~2-10~~ three percent of the first ~~\$6,180~~ \$6,550 of earned income. The credit is reduced by ~~2-01~~ three percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$8,130~~ \$12,100, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals ~~9-35~~ 12.71 percent of the first ~~\$11,120~~ \$8,420 of earned income. The credit is reduced by ~~6-02~~ 5.2 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$21,190~~ \$21,790, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ~~11~~ 14.94 percent of the first ~~\$18,240~~ \$13,810 of earned income. The credit is reduced by ~~10-82~~ 9.2 percent of earned income or adjusted gross income, whichever is greater, in excess of ~~\$25,130~~ \$25,850, but in no case is the credit less than zero.

(e) For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.0132, subdivision 10, the credit

must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the subtractions for military pay under section 290.0132, subdivisions 11 and 12, are not considered "earned income not subject to tax under this chapter."

For the purposes of this paragraph, the exclusion of combat pay under section 112 of the Internal Revenue Code is not considered "earned income not subject to tax under this chapter."

(g) For tax years beginning after ~~December 31, 2007, and before December 31, 2010, and for tax years beginning after~~ December 31, 2017, the ~~\$8,130~~ \$12,100 in paragraph (b), the ~~\$21,190~~ \$21,790 in paragraph (c), and the ~~\$25,130~~ \$25,850 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, ~~2008~~ 2017, the commissioner shall annually adjust the \$3,000 by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For ~~2009~~ 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, ~~2008~~ 2017, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(h)(1) For tax years beginning after December 31, 2012, and before January 1, 2014, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are increased by \$5,340 for married taxpayers filing joint returns; and (2) for tax years beginning after December 31, ~~2013~~ 2016, and before January 1, 2018, the ~~\$8,130~~ \$12,100 in paragraph (b), the ~~\$21,190~~ \$21,790 in paragraph (c), and the ~~\$25,130~~ \$25,850 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000 for married taxpayers filing joint returns. For tax years beginning after ~~December 31, 2010, and before January 1, 2012, and for tax years beginning~~ after December 31, ~~2013~~ 2016, and before January 1, 2018, the commissioner shall annually adjust the \$5,000 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 "2008" shall be substituted for the word "1992." For ~~2014~~ 2017, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2008, to the 12 months ending on August 31, ~~2010~~ 2016, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

(i) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 13. Minnesota Statutes 2016, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~2013~~" "2016" shall be substituted for the word "1992." For ~~2015~~ 2018, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~2013~~ 2016, to the 12 months ending on August 31, ~~2014~~ 2017, and in each subsequent year, from the 12 months ending on August 31, ~~2013~~ 2016, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2017.

Sec. 14. Minnesota Statutes 2016, section 290.0674, subdivision 2, is amended to read:

Subd. 2. **Limitations.** (a) For claimants with income not greater than \$33,500, the maximum credit allowed for a family is \$1,000 multiplied by the number of qualifying children in kindergarten through grade 12 in the family. The maximum credit for families with one qualifying child in kindergarten through grade 12 is reduced by \$1 for each \$4 of household income over \$33,500, and the maximum credit for families with two or more qualifying children in kindergarten through grade 12 is reduced by \$2 for each \$4 of household income over \$33,500, but in no case is the credit less than zero.

For purposes of this section "income" has the meaning given in ~~section 290.067~~, subdivision 2a. In the case of a married claimant, a credit is not allowed unless a joint income tax return is filed.

(b) For a nonresident or part-year resident, the credit determined under subdivision 1 and the maximum credit amount in paragraph (a) must be allocated using the percentage calculated in section 290.06, subdivision 2c, paragraph (e).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 15. Minnesota Statutes 2016, section 290.0674, is amended by adding a subdivision to read:

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

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

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

(i) all nontaxable income;

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

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

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

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

(xii) nontaxable scholarship or fellowship grants;

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

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

(xv) the amount deducted for tuition expenses under section 222 of the Internal Revenue Code;  
and

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

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

(b) "Income" does not include:

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

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

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

(4) relief granted under chapter 290A;

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

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

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 16. Minnesota Statutes 2016, section 290.0677, subdivision 1a, is amended to read:

Subd. 1a. **Credit allowed; past military service.** (a) A qualified individual is allowed a credit against the tax imposed under this chapter for past military service. The credit equals ~~\$750~~ \$1,000. The credit allowed under this subdivision is reduced by ten percent of adjusted gross income in excess of ~~\$30,000~~ \$50,000, but in no case is the credit less than zero.

(b) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 17. Minnesota Statutes 2016, section 290.068, subdivision 2, is amended to read:

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

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.



(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in clauses (a) and (b) shall apply. If there are inadequate records or the records are unavailable to compute or verify the base percentage, a fixed base percentage of 16 percent must be used.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 18. **[290.0682] CREDIT FOR ATTAINING MASTER'S DEGREE IN TEACHER'S LICENSURE FIELD.**

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

(b) "Master's degree program" means a graduate-level program at an accredited university leading to a master of arts or science degree in a core content area directly related to a qualified teacher's licensure field. The master's degree program may not include pedagogy or a pedagogy component. To be eligible under this credit, a licensed elementary school teacher must pursue and complete a master's degree program in a core content area in which the teacher provides direct classroom instruction.

(c) "Qualified teacher" means a K-12 teacher who:

(1) holds a continuing license granted by the Minnesota Board of Teaching both when the teacher begins the master's degree program and when the teacher completes the master's degree program;

(2) began a master's degree program after January 1, 2017; and

(3) completes the master's degree program during the taxable year.

(d) "Core content area" means the academic subject of reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, or geography.

**Subd. 2. Credit allowed.** (a) An individual who is a qualified teacher is allowed a credit against the tax imposed under this chapter. The credit equals \$2,500.

(b) For a nonresident or a part-year resident, the credit under this subdivision must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) A qualified teacher may claim the credit in this section only one time for each master's degree program completed in a core content area.

**Subd. 3. Credit refundable.** (a) If the amount of the credit for which an individual is eligible exceeds the individual's liability for tax under this chapter, the commissioner shall refund the excess to the individual.

(b) The amount necessary to pay the refunds required by this section is appropriated to the commissioner from the general fund.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 19. **[290.0683] STUDENT LOAN CREDIT.**

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

(b) "Adjusted gross income" means federal adjusted gross income as defined in section 62 of the Internal Revenue Code. In the case of a married couple filing jointly, "adjusted gross income" means the adjusted gross income of the taxpayer and spouse.

(c) "Earned income" has the meaning given in section 32(c) of the Internal Revenue Code, except that "earned income" includes combat pay excluded from federal taxable income under section 112 of the Internal Revenue Code.

(d) "Education profession" means:

(1) a full-time job in public education; early childhood education, including licensed or regulated child care, Head Start, and state-funded prekindergarten; school-based library sciences; and other school-based services; or

(2) a full-time job as a faculty member at a tribal college or university as defined in section 1059c(b) of the Internal Revenue Code, and other faculty teaching in high-needs subject areas or areas of shortage, including nurse faculty, foreign language faculty, and part-time faculty at community colleges, as determined by the United States Secretary of Education.

(e) "Eligible individual" means an individual who has one or more qualified education loans related to an undergraduate or graduate degree program of the individual at a postsecondary educational institution.

(f) "Eligible loan payments" means the amount the eligible individual paid during the taxable year to pay principal and interest on qualified education loans.

(g) "Postsecondary educational institution" means a postsecondary institution eligible for state student aid under section 136A.103 or, if the institution is not located in this state, a postsecondary institution participating in the federal Pell Grant program under Title IV of the Higher Education Act of 1965, Public Law 89-329, as amended.

(h) "Public service job" means a full-time job in emergency management; government, excluding time served as a member of Congress; military service; public safety; law enforcement; public health, including nurses, nurse practitioners, nurses in a clinical setting, and full-time professionals engaged in health care practitioner occupations and health care support occupations, as such terms are defined by the Bureau of Labor Statistics; social work in a public child or family service agency; public interest law services including prosecution or public defense or legal advocacy on behalf of low-income communities at a nonprofit organization; public service for individuals with disabilities or public service for the elderly; public library sciences; or at an organization that is described in section 501(c)(3) of the Internal Revenue Code and exempt from taxation under section 501(a) of the Internal Revenue Code.

(i) "Qualified education loan" has the meaning given in section 221 of the Internal Revenue Code, but is limited to indebtedness incurred on behalf of the eligible individual.

Subd. 2. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax due under this chapter. The credit equals a percentage of eligible loan payments in excess of ten percent of adjusted gross income, up to \$1,000, as follows:

(1) for eligible individuals, 50 percent;

(2) for eligible individuals in a public service job, 65 percent; and

(3) for eligible individuals in an education profession, 75 percent.

(b) The credit must not exceed the eligible individual's earned income for the taxable year.

(c) In the case of a married couple filing a joint return, each spouse is eligible for the credit in this section.

(d) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(e) An eligible individual may receive the credit under this section without regard to the individual's eligibility for the public service loan forgiveness program under United States Code, title 20, section 1087e(m).

Subd. 3. **Credit refundable.** If the amount of credit that an individual who is a resident or part-year resident of Minnesota is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual. For a nonresident taxpayer, the credit may not exceed the taxpayer's liability for tax under this chapter.

Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 20. **[290.0684] SECTION 529 COLLEGE SAVINGS PLAN CREDIT.**

Subdivision 1. **Definitions.** For purposes of this section, the term "federal adjusted gross income" has the meaning given under section 62(a) of the Internal Revenue Code, and "nonqualified distribution" means any distribution that is includible in gross income under section 529 of the Internal Revenue Code.

Subd. 2. **Credit allowed.** (a) A credit of up to \$500 is allowed against the tax imposed by this chapter to a resident individual who contributes to an account in a plan qualifying under section 529 of the Internal Revenue Code, subject to the limitations in paragraph (b). The credit is not allowed to an individual who is eligible to be claimed as a dependent, as defined in sections 151 and 152 of the Internal Revenue Code.

(b) The credit allowed must be calculated by applying the following rates to the amount contributed to an account in a plan qualifying under section 529 of the Internal Revenue Code, in a taxable year, reduced by any withdrawals from the account made during the taxable year, and not including any amounts rolled over from other accounts in plans qualifying under section 529 of the Internal Revenue Code:

(1) 50 percent for individual filers and married couples filing a joint return who have federal adjusted gross income of not more than \$80,000;

(2) 25 percent for married couples filing a joint return who have federal adjusted gross income over \$80,000, but not more than \$100,000;

(3) ten percent for married couples filing a joint return who have federal adjusted gross income over \$100,000, but not more than \$120,000; and

(4) five percent for married couples filing a joint return who have federal adjusted gross income over \$120,000, but not more than \$160,000.

(c) The income thresholds in paragraph (b), clauses (1) to (4), used to calculate the credit, must be adjusted for inflation. The commissioner shall adjust by the percentage determined under the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "2015" is substituted for the word "1992." For 2017, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2015, to the 12 months ending on August 31, 2016, and in each subsequent year, from the 12 months ending on August 31, 2015, to the 12 months ending on August 31 of the year preceding the taxable year. The income thresholds as adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act including section 14.386.

Subd. 3. **Credit refundable.** If the amount of credit that an individual is eligible to receive under this section exceeds the individual's tax liability under this chapter, the commissioner shall refund the excess to the individual.

Subd. 4. **Allocation.** For a part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

Subd. 5. **Recapture of credit.** In the case of a nonqualified distribution, the taxpayer is liable to the commissioner for the lesser of: ten percent of the amount of the nonqualified distribution, or the sum of credits received under this section for all years.

Subd. 6. **Appropriation.** An amount sufficient to pay the refunds required by this section is appropriated to the commissioner from the general fund.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 21. Minnesota Statutes 2016, section 290.0685, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** (a) An eligible individual is allowed a credit against the tax imposed by this chapter equal to \$2,000 for each birth for which a certificate of birth resulting in stillbirth has been issued under section 144.2151. The credit under this section is allowed only in the taxable year in which the stillbirth occurred and if the child would have been a dependent of the taxpayer as defined in section 152 of the Internal Revenue Code.

(b) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(c) For purposes of this section, "eligible individual" means:

(1) the individual who gave birth to the child and who is listed as a parent on the certificate of birth resulting in stillbirth; or

(2) if no individual meets the requirement of clause (1), then the first parent listed on the certificate of birth resulting in stillbirth.

**EFFECTIVE DATE.** This section is effective the day following final enactment for taxable years beginning after December 31, 2016.

Sec. 22. Minnesota Statutes 2016, section 290.0692, is amended by adding a subdivision to read:

Subd. 6. **Sunset.** This section expires at the same time and on the same terms as section 116J.8737, except that the expiration of this section does not affect the commissioner of revenue's authority to audit or power of examination and assessment for credits claimed under this section.

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

Sec. 23. **[290.0803] SECTION 179 EXPENSING SUBTRACTION.**

Subdivision 1. **Current year allowance.** (a) In each of the five tax years immediately following the tax year in which an addition is required under section 290.0131, subdivision 10, or 290.0133, subdivision 12, the current year allowance equals one-fifth of the addition made by the taxpayer under section 290.0131, subdivision 10, or 290.0133, subdivision 12.

(b) In the case of a shareholder of a corporation that is an S corporation, the current year allowance is reduced by the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition and, if the net operating loss exceeds the addition for the tax year, the current year allowance is zero.

Subd. 2. **Section 179 expensing carryover.** (a) For purposes of this section, the current year allowance determined under subdivision 1 is considered to be the last modification allowed under section 290.0132 in determining net income. If the amount allowed under subdivision 1 exceeds net income computed without regard to the current year allowance, then the excess is a section 179 expensing carryover to each of the ten succeeding taxable years. The entire amount of the section 179 expensing carryover is carried first to the earliest taxable year to which the section 179 expensing carryover may be carried and then to each successive year to which the section 179 expensing carryover may be carried.

(b) The provisions of this subdivision do not apply to corporations taxable under section 290.02.

Subd. 3. **Section 179 expensing subtraction.** A taxpayer is allowed a section 179 expensing subtraction from federal taxable income under section 290.0132, subdivision 14, or 290.0134, subdivision 14. The subtraction equals the sum of:

(1) the current year allowance determined under subdivision 1; and

(2) for an individual, estate, or trust, any section 179 expensing carryover from prior taxable years determined under subdivision 2.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 24. Minnesota Statutes 2016, 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 290.0131, subdivision 2; and

(6) the amount of addition required by section 290.0131, subdivisions 9 to 11;

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.0132, subdivision 2;

(2) an overpayment of state income tax as provided by section 290.0132, subdivision 3, 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 290.0132, subdivisions 7, 9 to 15, 17, and ~~21~~ 24; 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 6.75 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, 2016.

Sec. 25. Minnesota Statutes 2016, 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, increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, 2014.

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

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

(6) "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.

(7) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota. The provisions of section 290.01, subdivision 7, paragraphs (c) and (d), apply to determinations of domicile under this chapter.

(8) "Situs of property" means, with respect to:

(i) real property, the state or country in which it is located;

(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;

(iii) a qualified work of art, as defined in section 2503(g)(2) of the Internal Revenue Code, owned by a nonresident decedent and that is normally kept or located in this state because it is on loan to an organization, qualifying as exempt from taxation under section 501(c)(3) of the Internal Revenue Code, that is located in Minnesota, the situs of the art is deemed to be outside of Minnesota, notwithstanding the provisions of item (ii); and

(iv) 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, including qualified works of art, 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.

(9) "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; but excludes
- (v) an entity whose ownership interest securities are traded on an exchange regulated by the Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act, United States Code, title 15, section 78f.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after December 31, 2016.

Sec. 26. Laws 2010, chapter 216, section 12, the effective date, as amended by Laws 2016, chapter 158, article 1, section 212, is amended to read:

**EFFECTIVE DATE.** This section is effective for investments made after July 1, 2010, for taxable years beginning after December 31, 2009, ~~and before January 1, 2017~~, and only applies to investments made after the qualified small business receiving the investment has been certified by the commissioner of employment and economic development.

**EFFECTIVE DATE; REVIVAL AND REENACTMENT.** This section is effective retroactively from January 1, 2015, and Laws 2010, chapter 216, section 12, the effective date, as amended by Laws 2016, chapter 158, article 1, section 212, is revived and reenacted as of that date.

Sec. 27. **AMENDED RETURNS.**

**Subdivision 1. Certain IRA rollovers.** An individual who excludes an amount from net income in a prior taxable year through rollover of an airline payment amount to a traditional IRA, as authorized under Public Law 114-113, division Q, title III, section 307, may file an amended individual income tax return and claim for refund of state taxes as provided under Minnesota Statutes, section 289A.40, subdivision 1, or, if later, by April 1, 2017.

**Subd. 2. Exclusion for certain incarcerated individuals.** An individual who excludes from net income in a prior taxable year civil damages, restitution, or other monetary award received as compensation for a wrongful incarceration, as authorized under Public Law 114-113, division Q, title III, section 304, may file an amended individual income tax return and claim for refund of state taxes as provided under Minnesota Statutes, section 289A.40, subdivision 1, or, if later, by April 1, 2017.

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

Sec. 28. **ESTATE TAX REVIEW; TEMPORARY LIMIT ON ASSESSMENTS.**

(a) The commissioner of revenue shall:

(1) review the estate tax's definition of qualified farm property and its linkage to the property tax classification of the property during the three-year period following the death of the decedent; and

(2) by August 1, 2017, report to the committees of the house of representatives and the senate with jurisdiction over taxes on alternative methods of ensuring that the use of the property by qualified heirs during the three-year period after the decedent's death is consistent with the purpose of limiting the subtraction to properties where its use continues that of the decedent without any material change in its use by the qualified heirs and its ownership is consistent with maintaining family ownership of the farm.

(b) Prior to June 1, 2017, the commissioner of revenue shall not assess recapture tax under Minnesota Statutes, section 291.03, subdivision 11, for a change in the property tax classification of agricultural homestead property if the following conditions are satisfied:

(1) the property is held in a trust of which the surviving spouse is a beneficiary; and

(2) the property receives partial homestead classification because a beneficiary of the trust is the owner of another agricultural homestead.

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

Sec. 29. **REPEALER.**

Minnesota Statutes 2016, section 290.067, subdivisions 2 and 2a, are repealed.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

## ARTICLE 5

### SALES AND USE TAXES

Section 1. Minnesota Statutes 2016, section 128C.24, is amended to read:

#### **128C.24 LEAGUE FUNDS TRANSFER.**

Beginning July 1, 2007, the Minnesota State High School League shall annually determine the sales tax savings attributable to section 297A.70, subdivision 11, paragraph (b), and annually transfer that amount to a nonprofit charitable foundation created for the purpose of promoting high school extracurricular activities. The funds must be used by the foundation to make grants to fund, assist, recognize, or promote high school students' participation in extracurricular activities. The first priority for funding will be grants for scholarships to individuals to offset athletic fees. The foundation must equitably award grants based on considerations of gender balance, school size, and geographic location, to the extent feasible.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after December 31, 2016.

Sec. 2. Minnesota Statutes 2016, 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, 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.

(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, and pay television 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) The sale of the privilege of admission under section 297A.61, subdivision 3, paragraph (g), clause (1), to a place of amusement or athletic event includes all charges included in the privilege of admission's sales price, without deduction for amenities that may be provided, unless the amenities are separately stated and the purchaser of the privilege of admission is entitled to add or decline the amenities, and the amenities are not otherwise taxable.

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

Sec. 3. Minnesota Statutes 2016, section 297A.66, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) To the extent allowed by the United States Constitution and the laws of the United States, "retailer maintaining a place of business in this state," or a similar term, means a retailer:

(1) having or maintaining within this state, directly or by a subsidiary or an affiliate, an office, place of distribution, sales, storage, or sample room or place, warehouse, or other place of business, including the employment of a resident of this state who works from a home office in this state; or

(2) having a representative, including, but not limited to, an affiliate, agent, salesperson, canvasser, ~~or marketplace provider,~~ solicitor, or other third party operating in this state under the authority of the retailer or its subsidiary, for any purpose, including the repairing, selling, delivering, installing, facilitating sales, processing sales, or soliciting of orders for the retailer's goods or services, or the leasing of tangible personal property located in this state, whether the place of business or agent, representative, affiliate, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the retailer, subsidiary, or affiliate is authorized to do business in this state. A retailer is represented by a marketplace provider in this state if the retailer makes sales in this state facilitated by a marketplace provider that maintains a place of business in this state.

(b) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service or a for-hire carrier.

(c) "Marketplace provider" means any person who facilitates a retail sale by a retailer by:

(1) listing or advertising for sale by the retailer in any forum, tangible personal property, services, or digital goods that are subject to tax under this chapter; and

(2) either directly or indirectly through agreements or arrangements with third parties collecting payment from the customer and transmitting that payment to the retailer regardless of whether the marketplace provider receives compensation or other consideration in exchange for its services.

(d) "Total taxable retail sales" means the gross receipts from the sale of all tangible goods, services, and digital goods subject to sales and use tax under this chapter.

Sec. 4. Minnesota Statutes 2016, section 297A.66, subdivision 2, is amended to read:

Subd. 2. **Retailer maintaining place of business in this state.** (a) Except as provided in paragraph (b), a retailer maintaining a place of business in this state who makes retail sales in

Minnesota or to a destination in Minnesota shall collect sales and use taxes and remit them to the commissioner under section 297A.77.

(b) A retailer with total taxable retail sales to customers in this state of less than \$10,000 in the 12-month period ending on the last day of the most recently completed calendar quarter is not required to collect and remit sales tax if it is determined to be a retailer maintaining a place of business in the state solely because it made sales through one or more marketplace providers. The provisions of this paragraph do not apply to a retailer that is or was registered to collect sales and use tax in this state.

Sec. 5. Minnesota Statutes 2016, section 297A.66, subdivision 4, is amended to read:

Subd. 4. **Affiliated entities.** (a) An entity is an "affiliate" of the retailer for purposes of subdivision 1, paragraph (a), if the entity:

(1) ~~the entity~~ uses its facilities or employees in this state to advertise, promote, or facilitate the establishment or maintenance of a market for sales of items by the retailer to purchasers in this state or for the provision of services to the retailer's purchasers in this state, such as accepting returns of purchases for the retailer, providing assistance in resolving customer complaints of the retailer, or providing other services; ~~and~~

(2) ~~the retailer and the entity are related parties.~~ has the same or a similar business name to the retailer and sells, from a location or locations in this state, tangible personal property, digital goods, or services, taxable under this chapter, that are similar to that sold by the retailer;

(3) maintains an office, distribution facility, salesroom, warehouse, storage place, or other similar place of business in this state to facilitate the delivery of tangible personal property, digital goods, or services sold by the retailer to its customers in this state;

(4) maintains a place of business in this state and uses trademarks, service marks, or trade names in this state that are the same or substantially similar to those used by the retailer, and that use is done with the express or implied consent of the holder of the marks or names;

(5) delivers, installs, or assembles tangible personal property in this state, or performs maintenance or repair services on tangible personal property in this state, for tangible personal property sold by the retailer;

(6) facilitates the delivery of tangible personal property to customers of the retailer by allowing the customers to pick up tangible personal property sold by the retailer at a place of business the entity maintains in this state; or

(7) shares management, business systems, business practices, or employees with the retailer, or engages in intercompany transactions with the retailer related to the activities that establish or maintain the market in this state of the retailer.

(b) Two entities are related parties under this section if one of the entities meets at least one of the following tests with respect to the other entity:

(1) one or both entities is a corporation, and one entity and any party related to that entity in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of section 318 of the Internal Revenue Code owns directly, indirectly, beneficially, or constructively at least 50 percent of the value of the corporation's outstanding stock;

(2) one or both entities is a partnership, estate, or trust and any partner or beneficiary, and the partnership, estate, or trust and its partners or beneficiaries own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the profits, capital, stock, or value of the other entity or both entities; ~~or~~

(3) an individual stockholder and the members of the stockholder's family (as defined in section 318 of the Internal Revenue Code) owns directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the value of both entities' outstanding stock-;

(4) the entities are related within the meaning of subsections (b) and (c) of section 267 or 707(b)(1) of the Internal Revenue Code; or

(5) the entities have one or more ownership relationships and the relationships were designed with a principal purpose of avoiding the application of this section.

(c) An entity is an affiliate under the provisions of this subdivision if the requirements of paragraphs (a) and (b) are met during any part of the 12-month period ending on the first day of the month before the month in which the sale was made.

Sec. 6. Minnesota Statutes 2016, section 297A.66, is amended by adding a subdivision to read:

**Subd. 4b. Collection and remittance requirements for marketplace providers and marketplace retailers.** (a) A marketplace provider shall collect sales and use taxes and remit them to the commissioner under section 297A.77 for all facilitated sales for a retailer, and is subject to audit on the retail sales it facilitates unless either:

(1) the retailer provides a copy of the retailer's registration to collect sales and use tax in this state to the marketplace provider before the marketplace provider facilitates a sale; or

(2) upon inquiry by the marketplace provider or its agent, the commissioner discloses that the retailer is registered to collect sales and use taxes in this state.

(b) Nothing in this subdivision shall be construed to interfere with the ability of a marketplace provider and a retailer to enter into an agreement regarding fulfillment of the requirements of this chapter.

(c) A marketplace provider is not liable under this subdivision for failure to file and collect and remit sales and use taxes if the marketplace provider demonstrates that the error was due to incorrect or insufficient information given to the marketplace provider by the retailer. This paragraph does not apply if the marketplace provider and the marketplace retailer are related as defined in subdivision 4, paragraph (b).

Sec. 7. Minnesota Statutes 2016, section 297A.67, subdivision 7a, is amended 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, or other health insurance plan, that are not already exempt under subdivision 7, are exempt. Accessories and supplies for the effective use of a prosthetic device, that are not already exempt under subdivision 7, are exempt. For purposes of this subdivision "durable medical equipment," "prosthetic device," "Medicare," and "Medicaid" have the definitions given in subdivision 7, and "other health insurance plan" means a health plan defined in section 62A.011, subdivision 3, or 62V.02, subdivision 4, or a qualified health plan defined in section 62A.011, subdivision 7.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 8. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to read:

Subd. 34. **Suite licenses.** The sale of the privilege of admission under section 297A.61, subdivision 3, paragraph (g), clause (1), to a place of amusement or athletic event does not include consideration paid for a license to use a private suite, private skybox, or private box seat provided that: (1) the lessee may use the private suite, private skybox, or private box seat by mutual arrangement with the lessor on days when there is no amusement or athletic event; and (2) the sales price for the privilege of admission is separately stated and is equal to or greater than the highest priced general admission ticket for the closest seat not in the private suite, private skybox, or private box seat.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 9. Minnesota Statutes 2016, section 297A.67, is amended by adding a subdivision to read:

Subd. 35. **Stadium builder's licenses.** The sale of the privilege of admission under section 297A.61, subdivision 3, paragraph (g), clause (1), does not include consideration paid for a stadium builder's license authorized under section 473J.15, subdivision 14.

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

Sec. 10. Minnesota Statutes 2016, section 297A.68, subdivision 9, is amended to read:

Subd. 9. **Super Bowl admissions and related events.** (a) The granting of the privilege of admission to a world championship football game sponsored by the National Football League ~~is~~ and to related events sponsored by the National Football League or its affiliates, or the Minnesota Super Bowl Host Committee, are exempt.

(b) The sale of nonresidential parking by the National Football League for attendance at a world championship football game sponsored by the National Football League and for related events sponsored by the National Football League or its affiliates, or the Minnesota Super Bowl Host Committee, is exempt. Purchases of nonresidential parking services by the Super Bowl Host Committee are purchases made exempt for retail.

(c) For the purposes of this subdivision:

(1) "related events sponsored by the National Football League or its affiliates" includes but is not limited to preparatory advance visits, NFL Experience, NFL Tailgate, NFL On Location, and NFL House; and

(2) "affiliates" does not include National Football League teams.

**EFFECTIVE DATE.** The amendments to this section are effective for sales and purchases made after June 30, 2016, and before March 1, 2018.

Sec. 11. Minnesota Statutes 2016, section 297A.70, subdivision 11, is amended to read:

Subd. 11. **School tickets or admissions.** (a) Tickets or admissions to regular season school games, events, and activities are exempt. For purposes of this subdivision, "school" has the meaning given it in section 120A.22, subdivision 4.

(b) Tickets or admissions to games, events, and activities sponsored by the Minnesota State High School League under chapter 128C are exempt.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after December 31, 2016, but before January 1, 2022.

Sec. 12. Minnesota Statutes 2016, 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 ten 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.

(d) For purposes of this subdivision, "fund-raising events" means activities of limited duration, not regularly carried out in the normal course of business, that attract patrons for community, social, and entertainment purposes, such as auctions, bake sales, ice cream socials, block parties, carnivals, competitions, concerts, concession stands, craft sales, bazaars, dinners, dances, door-to-door sales of merchandise, fairs, fashion shows, festivals, galas, special event workshops, sporting activities such as marathons and tournaments, and similar events. Fund-raising events do not include the operation of a regular place of business in which services are provided or sales are made during regular hours such as bookstores, thrift stores, gift shops, restaurants, ongoing Internet sales, regularly scheduled classes, or other activities carried out in the normal course of business.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after December 31, 2016.

Sec. 13. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

**Subd. 49. Siding production facility materials.** Building materials and supplies used or consumed in, and equipment incorporated into, the expansion or renovation of an existing wood products facility to convert it into a siding production facility that can produce at least 400,000,000 square feet of siding per year, including private infrastructure, are 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. This provision does not exempt equipment that qualifies for exemption under section 297A.68, subdivision 5.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after January 1, 2017, and before July 1, 2020.

Sec. 14. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

**Subd. 50. Properties destroyed by fire.** Building materials and supplies used in, and equipment incorporated into, the construction or replacement of real property that is located in Madelia affected by the fire on February 3, 2016, are 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.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2016, and before July 1, 2018.

Sec. 15. Minnesota Statutes 2016, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Former Duluth Central High School.** Materials and supplies used in and equipment incorporated into a private redevelopment project on the site of the former Duluth Central High School are exempt, provided the resulting development is subject to property taxes. 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. The commissioner must not pay more than \$5,000,000 in refunds for purchases exempt under this section. Refunds must be processed and issued in the order that complete and accurate applications are received by the commissioner.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2016, and before January 1, 2018.

Sec. 16. Minnesota Statutes 2016, 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) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) 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;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

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

(11) 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 46; and
- (iv) an industrial measurement manufacturing and controls facility exempt under section 297A.71, subdivision 47;
- (12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;
- (13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44;
- (14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c); ~~and~~
- (15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;
- (16) building materials and supplies, equipment incorporated into, and private infrastructure for conversion of a wood products facility into a siding facility exempt under section 291A.71, subdivision 49;
- (17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50; and
- (18) materials and supplies used in and equipment incorporated into a private redevelopment project exempt under section 297A.71, subdivision 51.

**EFFECTIVE DATE.** Clause (16) is effective for sales and purchases made after January 1, 2017, and before July 1, 2020. Clause (17) is effective for sales and purchases made after June 30, 2016, and before July 1, 2018. Clause (18) is effective for sales and purchases made after June 30, 2016, and before January 1, 2018.

Sec. 17. Minnesota Statutes 2016, 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), (2), and (14), the applicant must be the purchaser;
- (2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;
- (4) for subdivision 1, clause (5), the applicant must be the owner of the homestead property;
- (5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (8), (11), (12), ~~and~~ (15), and (16), the owner of the qualifying business; ~~and~~

(8) for subdivision 1, clauses (9), (10), and (13), the applicant must be the governmental entity that owns or contracts for the project or facility; and

(9) for subdivision 1, clauses (17) and (18), the applicant must be the owner or developer of the building or project.

**EFFECTIVE DATE.** The change to clause (7) is effective for sales and purchases made after June 30, 2016. Clause (9) is effective for sales and purchases made after June 30, 2016, and before July 1, 2018, as it pertains to Minnesota Statutes, section 297A.71, subdivision 1, clause (17), and for sales and purchases made after June 30, 2016, and before January 1, 2018, as it pertains to Minnesota Statutes, section 297A.71, subdivision 1, clause (18).

Sec. 18. Minnesota Statutes 2016, 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, clauses (3) to (13), or (15); to (18), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

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

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2016.

Sec. 19. Minnesota Statutes 2016, section 297A.815, subdivision 3, is amended to read:

Subd. 3. **Motor vehicle lease sales tax revenue.** (a) For purposes of this subdivision, "net revenue" means an amount equal to the revenues, including interest and penalties, collected under this section, during the fiscal year; less \$32,000,000 in each fiscal year.

(b) On or before June 30 of each fiscal year, the commissioner of revenue shall estimate the amount of the net revenue for the current fiscal year.

(c) On or after July 1 of the subsequent fiscal year, the commissioner of management and budget shall transfer the net revenue as estimated in paragraph (b) from the general fund, as follows:

(1) \$9,000,000 annually until January 1, 2015, and 50 percent annually thereafter to the county state-aid highway fund. Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under this clause to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall receive of such amount the percentage that its population, as defined in

section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause; and

(2) the remainder to the greater Minnesota transit account.

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

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

Sec. 20. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, Laws 1998, chapter 389, article 8, section 25, Laws 2003, First Special Session chapter 21, article 8, section 11, Laws 2008, chapter 154, article 5, section 2, and Laws 2014, chapter 308, article 3, section 21, is amended to read:

Subd. 2. (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one and three-quarter percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this paragraph at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount of \$40,285,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must be reduced by three-quarters of one percent.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on sales transactions which are described in Minnesota Statutes 2000, section 297A.01, subdivision 3, clause (c). This tax expires when the city council determines that the tax imposed under this paragraph, along with the tax imposed under section 22, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway.

(c) The city of Duluth may sell and issue up to \$18,000,000 in general obligation bonds under Minnesota Statutes, chapter 475, plus an additional amount to pay for the costs of issuance and any premiums. The proceeds may be used to finance capital improvements to public facilities that support tourism and recreational activities in the portion of the city west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway, as described in paragraph (b). The issuance of the bonds is subject to the provisions of Minnesota Statutes, chapter 475, except no election shall be required unless required by the city charter. The bonds shall not be included in computing net debt. The revenues from the taxes that the city of Duluth may impose under paragraph (b) and under section 22, paragraph (b), may be pledged to pay principal of and interest on such bonds.

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

Sec. 21. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, Laws 2003, First Special Session chapter 21, article 8, section 12, and Laws 2014, chapter 308, article 3, section 22, is amended to read:

**Sec. 22. CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.**

(a) Notwithstanding Minnesota Statutes, section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

(b) In addition to the tax in paragraph (a) and notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one-half of one percent on the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. This tax expires when the city council first determines that the tax imposed under this paragraph, along with the tax imposed under section 21, paragraph (b), has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$18,000,000, plus issuance and discount costs, to finance capital improvements to public facilities to support tourism and recreational activities in that portion of the city west of ~~34th~~ 14th Avenue West and the area south of and including Skyline Parkway.

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

Sec. 22. Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended by Laws 1998, chapter 389, article 8, section 28, Laws 2008, chapter 366, article 7, section 9, and Laws 2009, chapter 88, article 4, section 14, is amended to read:

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



includes the performing arts theatre and the Southern Minnesota Women's Hockey Exposition Center, for use by Minnesota State University, Mankato.

(b) Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, and as approved by voters at the November 8, 2016, general election, the city may by ordinance also use revenues from taxes authorized under subdivisions 1 and 2, up to a maximum of \$47,000,000, plus associated bond costs, to pay all or a portion of the expenses of the following capital projects:

(1) construction and improvements to regional recreational facilities including existing hockey and curling rinks, a baseball park, youth athletic fields and facilities, the municipal swimming pool including improvements to make the pool compliant with the Americans with Disabilities Act, and indoor regional athletic facilities;

(2) improvements to flood control and the levee system;

(3) water quality improvement projects in Blue Earth and Nicollet Counties;

(4) expansion of the regional transit building and related multimodal transit improvements;

(5) regional public safety and emergency communications improvements and equipment; and

(6) matching funds for improvements to publicly owned regional facilities including a historic museum, supportive housing, and a senior center.

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

Sec. 23. Laws 1991, chapter 291, article 8, section 27, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 25, and Laws 2008, chapter 366, article 7, section 10, is amended to read:

Subd. 4. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivisions 1 and 2 to the city to impose a sales tax and an excise tax shall expire ~~on~~ at the earlier of when revenues are sufficient to pay off the bonds, including interest and all other associated bond costs authorized under subdivision 5, or December 31, ~~2022~~ 2038.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 24. Laws 1991, chapter 291, article 8, section 27, subdivision 5, is amended to read:

Subd. 5. **Bonds.** (a) The city of Mankato may issue general obligation bonds of the city in an amount not to exceed \$25,000,000 for Riverfront 2000 and related facilities, without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds issued for Riverfront 2000 and related facilities shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by section 475.61 to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city.

(b) The city of Mankato may issue general obligation bonds of the city in an amount not to exceed \$47,000,000 for the projects listed under subdivision 3, paragraph (b), without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a tax to pay them. The debt represented by bonds under this paragraph shall not be included in computing any debt limitations applicable to the city of Mankato, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds, and shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city. The city may use tax revenue in excess of one year's principal interest reserve for intended annual bond payments to pay all or a portion of the cost of capital improvements authorized in subdivision 3.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 25. Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended by Laws 2006, chapter 259, article 3, section 3, and Laws 2011, First Special Session chapter 7, article 4, section 4, is amended to read:

Subdivision 1. **Sales tax authorized.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales tax of up to one percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city. The proceeds of the tax imposed under this section must be used to pay the cost of collection of the tax and to meet the costs, including principal, interest, and premiums of bonds used in the finance of:

- (1) extending a sewer interceptor line;
- (2) construction of a booster pump station, reservoirs, and related improvements to the water system; ~~and~~
- (3) construction of a building containing a police and fire station and an administrative services facility; and
- (4) construction and equipping of a regional, multiuse wellness center.

(b) If the city imposed a sales tax of only one-half of one percent under paragraph (a), it may increase the tax to one percent to fund the purposes under paragraph (a) provided it is approved by the voters at a general election held before December 31, 2012.

(c) Revenue raised from the tax imposed under this subdivision in every year must first be used to meet obligations in that year related to the projects in paragraph (a), clauses (1) to (3), with excess revenues available to fund the projects in paragraph (a), clause (4).

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

Sec. 26. Laws 1996, chapter 471, article 2, section 29, subdivision 4, as amended by Laws 2006, chapter 259, article 3, section 4, is amended to read:

Subd. 4. **Termination.** The tax authorized under this section terminates ~~on March 31, 2026~~ at the earlier of (1) December 31, 2036, or (2) when the Hermantown City Council first determines that sufficient funds have been received from the tax to fund the costs, including bonds and associated bond costs for the uses specified in subdivision 1, paragraph (a). Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

**EFFECTIVE DATE.** This section is effective the day following final enactment without local approval pursuant to Minnesota Statutes, section 645.023, subdivision 1.

Sec. 27. Laws 1999, chapter 243, article 4, section 18, subdivision 1, as amended by Laws 2008, chapter 366, article 7, section 12, is amended to read:

Subdivision 1. **Sales and use tax.** (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

(b) Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Proctor may impose by ordinance an additional sales and use tax of up to one-half of one percent as approved by the voters at the November 4, 2014, general election. The revenues received from the additional tax must be used for the purposes specified in subdivision 3, paragraph (b).

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of Proctor and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3, but only if the local approval requirement under section 10 is also met.

Sec. 28. Laws 2008, chapter 366, article 7, section 20, is amended to read:

Sec. 20. **CITY OF NORTH MANKATO; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of North Mankato may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

(1) the local share of the Trunk Highway 14/County State-Aid Highway 41 interchange project;

(2) development of regional parks and hiking and biking trails, including construction of indoor regional athletic facilities;

- (3) expansion of the North Mankato Taylor Library;
- (4) riverfront redevelopment; and
- (5) lake improvement projects.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is ~~\$6,000,000~~ \$15,000,000 plus any associated bond costs.

Subd. 2a. **Authorization to extend the tax.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 3, the North Mankato city council may, by resolution, extend the tax authorized under subdivision 1 to cover an additional \$15,000,000 in bonds, plus associated bond costs, to fund the projects in subdivision 2 as approved by the voters at the November 8, 2016, general election.

Subd. 3. **Bonds.** (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006 referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed \$6,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The city of North Mankato, pursuant to approval of the voters at the November 8, 2016, referendum extending the tax fee to provide additional revenue to be spent for the projects in subdivision 2, may issue additional bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for those projects in an amount that does not exceed \$15,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

~~(b)~~ (c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

Subd. 4. **Termination of taxes.** ~~The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2 first equals or exceeds \$6,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds at the earlier of December 31, 2038, or when revenues from the taxes first equal or exceed \$21,000,000 plus the additional amount needed to pay costs related to issuance of bonds under subdivision 3, including interest. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.~~

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

#### Sec. 29. **CITY OF EAST GRAND FORKS; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, and as approved by the voters at a special election on March 7, 2016, the city of East Grand Forks may

impose, by ordinance, a sales and use tax of up to one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of sales and use tax revenues.** The revenues derived from the tax authorized under subdivision 1 must be used by the city of East Grand Forks to pay the costs of collecting and administering the tax and to finance the capital and administrative costs of improvement to the city public swimming pool. Authorized expenses include, but are not limited to, paying construction expenses related to the renovation and the development of these facilities and improvements, and securing and paying debt service on bonds issued under subdivision 3 or other obligations issued to finance improvement of the public swimming pool in the city of East Grand Forks.

Subd. 3. **Bonding authority.** (a) The city of East Grand Forks may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the facilities authorized in subdivision 2. The aggregate principal amount of bonds issued under this subdivision may not exceed \$2,820,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of East Grand Forks, including the tax authorized under subdivision 1. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(b) The bonds are not included in computing any debt limitation applicable to the city of East Grand Forks, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

Subd. 4. **Termination of taxes.** The tax imposed under subdivision 1 expires at the later of: (1) five years after the tax is first imposed; or (2) when the city council determines that \$2,820,000 has been received from the tax to pay for the cost of the projects authorized under subdivision 2, plus an amount sufficient to pay the costs related to issuance of the bonds authorized under subdivision 3, including interest on the bonds. Any funds remaining after payment of all such costs and retirement or redemption of the bonds shall be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

**EFFECTIVE DATE.** This section is effective the day after compliance by the governing body of the city of East Grand Forks with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

**Sec. 30. 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 2011, First Special Session chapter 7, article 4, section 14, 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 as approved by the voters on November 6, 2012, and otherwise in accordance with Laws 2011, First Special Session chapter 7, article 4, section 14, are validated.

(b) Notwithstanding the time limit on the imposition of tax under Laws 2011, First Special Session chapter 7, article 4, section 14, 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. 31. CERTAIN REIMBURSEMENT AUTHORIZED; CONSIDERED OPERATING OR CAPITAL EXPENSES.**

Subdivision 1. **Reimbursement authorized.** (a) An amount equivalent to the taxes paid under Minnesota Statutes, chapter 297A, and any local taxes administered by the Department of Revenue, on purchases of tangible personal property, nonresidential parking services, and lodging, as these terms are defined in Minnesota Statutes, chapter 297A, used and consumed in connection with Super Bowl LII or related events sponsored by the National Football League or its affiliates, will be reimbursed by the Minnesota Sports Facilities Authority up to \$1,600,000, if made after June 30, 2016, and before March 1, 2018. Only purchases made by the Minnesota Super Bowl Host Committee, the National Football League or its affiliates, or their employees or independent contractors, qualify to be reimbursed under this section.

(b) For purposes of this subdivision:

(1) "employee or independent contractor" means only those employees or independent contractors that make qualifying purchases that are reimbursed by the Minnesota Super Bowl Host Committee or the National Football League or its affiliates; and

(2) "related events sponsored by the National Football League or its affiliates" includes but is not limited to preparatory advance visits, NFL Experience, NFL Tailgate, NFL Honors, and NFL House.

Subd. 2. **Operating reserve and capital reserve fund.** Notwithstanding the requirements of Minnesota Statutes, section 473J.13, subdivisions 2 and 4, up to \$1,600,000 of the balance in the operating reserve or capital reserve fund may be used for the purposes of paying reimbursements authorized under subdivision 1.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2016, and before March 1, 2018.

**Sec. 32. SEVERABILITY.**

If any provision of sections 3 to 6 or the application thereof is held invalid, such invalidity shall not affect the provisions or applications of the sections that can be given effect without the invalid provisions or applications.

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

**Sec. 33. EFFECTIVE DATE.**

(a) The provisions of sections 3 to 6 are effective at the earlier of:

(1) a decision by the United States Supreme Court modifying its decision in Quill Corp. v. North Dakota, 504 U.S. 298 (1992) so that a state may require retailers without a physical presence in the state to collect and remit sales tax; or

(2) July 1, 2020.

(b) Notwithstanding paragraph (a) or the provisions of sections 3 to 6, if a federal law is enacted authorizing a state to impose a requirement to collect and remit sales tax on retailers without a physical presence in the state, the commissioner must enforce the provisions of this section and sections 3 to 6 to the extent allowed under federal law.

(c) The commissioner of revenue shall notify the revisor of statutes when either of the provisions in paragraph (a) or (b) apply.

## ARTICLE 6

### SPECIAL TAXES

Section 1. Minnesota Statutes 2016, section 296A.01, subdivision 12, is amended to read:

Subd. 12. **Compressed natural gas or CNG.** "Compressed natural gas" or "CNG" means natural gas, primarily methane, condensed under high pressure and stored in specially designed storage tanks at between 2,000 and 3,600 pounds per square inch. For purposes of this chapter, the energy content of CNG is considered to be ~~1,000~~ 900 BTUs per cubic foot.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 2. Minnesota Statutes 2016, section 296A.01, is amended by adding a subdivision to read:

Subd. 13a. **Dealer of gasoline used as a substitute for aviation gasoline.** "Dealer of gasoline used as a substitute for aviation gasoline" means any person who sells gasoline on the premises of an airport as defined under section 360.013, subdivision 39, to be dispensed directly into the fuel tank of an aircraft.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 3. Minnesota Statutes 2016, section 296A.07, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** The provisions of subdivision 1 do not apply to gasoline or denatured ethanol purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384;

(2) providers of transportation to recipients of medical assistance home and community-based services waivers enrolled in day programs, including adult day care, family adult day care, day treatment and habilitation, prevocational services, and structured day services;

(3) an ambulance service licensed under chapter 144E;

(4) providers of medical or dental services by a federally qualified health center, as defined under title 19 of the Social Security Act, as amended by Section 4161 of the Omnibus Budget Reconciliation Act of 1990, with a motor vehicle used exclusively as a mobile medical unit; ~~or~~

(5) a licensed distributor to be delivered to a terminal for use in blending; or

(6) a dealer of gasoline used as a substitute for aviation gasoline.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 4. Minnesota Statutes 2016, section 296A.08, subdivision 2, is amended to read:

Subd. 2. **Rate of tax.** The special fuel excise tax is imposed at the following rates:

(a) Liquefied petroleum gas or propane is taxed at the rate of 18.75 cents per gallon.

(b) Liquefied natural gas is taxed at the rate of 15 cents per gallon.

(c) Compressed natural gas is taxed at the rate of ~~\$2.174~~ \$1.974 per thousand cubic feet; or 25 cents per gasoline equivalent. For purposes of this paragraph, "gasoline equivalent," as defined by the National Conference on Weights and Measures, is 5.66 pounds of natural gas or 126.67 cubic feet.

(d) All other special fuel is taxed at the same rate as the gasoline excise tax as specified in section 296A.07, subdivision 2. The tax is payable in the form and manner prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 5. Minnesota Statutes 2016, section 296A.09, subdivision 1, is amended to read:

Subdivision 1. **Gasoline tax imposed.** Subject to any refunds or credits there is imposed an excise tax, at the rate of five cents per gallon on all aviation gasoline received, sold, stored, or withdrawn from storage in this state and on all gasoline used as a substitute for aviation gasoline. Aviation gasoline is defined in section 296A.01, subdivision 7.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 6. Minnesota Statutes 2016, section 296A.09, subdivision 3, is amended to read:

Subd. 3. **Exception to tax for aviation use.** The provisions of subdivisions 1 and 2 do not apply to gasoline used as a substitute for aviation gasoline, aviation gasoline, or special fuel purchased and placed in the fuel tanks of an aircraft outside the state, even though the gasoline may be consumed within this state.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 7. Minnesota Statutes 2016, section 296A.09, subdivision 5, is amended to read:



Subd. 5. **Tax not on consumption.** The taxes imposed by subdivisions 1 and 2 are expressly declared not to be a tax upon consumption of gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub> or special fuel by an aircraft.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 8. Minnesota Statutes 2016, section 296A.09, subdivision 6, is amended to read:

Subd. 6. **Exemptions.** The provisions of subdivisions 1 and 2 do not apply to gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub> or jet fuel purchased by an ambulance service licensed under chapter 144E.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 9. Minnesota Statutes 2016, section 296A.15, subdivision 1, is amended to read:

Subdivision 1. **Monthly gasoline report; shrinkage allowance.** (a) Except as provided in paragraph (e), on or before the 23rd day of each month, every person who is required to pay a gasoline tax shall file with the commissioner a report, in the form and manner prescribed by the commissioner, showing the number of gallons of petroleum products received by the reporter during the preceding calendar month, and other information the commissioner may require. A written report is deemed to have been filed as required in this subdivision if postmarked on or before the 23rd day of the month in which the tax is payable.

(b) The number of gallons of gasoline must be reported in United States standard liquid gallons, 231 cubic inches, except that the commissioner may upon written application and for cause shown permit the distributor to report the number of gallons of gasoline as corrected to a temperature of 60-degrees Fahrenheit. If the application is granted, all gasoline covered in the application and allowed by the commissioner must continue to be reported by the distributor on the adjusted basis for a period of one year from the date of the granting of the application. The number of gallons of petroleum products other than gasoline must be reported as originally invoiced. Each report must show separately the number of gallons of aviation gasoline received by the reporter during each calendar month and the number of gallons of gasoline sold to a dealer of gasoline used as a substitute for aviation fuel during each calendar month.

(c) Each report must also include the amount of gasoline tax on gasoline received by the reporter during the preceding month. In computing the tax a deduction of 2.5 percent of the quantity of gasoline received by a distributor shall be made for evaporation and loss. At the time of reporting, the reporter shall submit satisfactory evidence that one-third of the 2.5 percent deduction has been credited or paid to dealers on quantities sold to them.

(d) Each report shall contain a confession of judgment for the amount of the tax shown due to the extent not timely paid.

(e) Under certain circumstances and with the approval of the commissioner, taxpayers may be allowed to file reports annually.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 10. Minnesota Statutes 2016, section 296A.15, subdivision 4, is amended to read:

Subd. 4. **Failure to use or sell for intended purpose; report required.** (a) Any person who buys gasoline from a dealer of gasoline used as a substitute for aviation gasoline, or buys aviation gasoline or special fuel for aircraft use and who has paid the excise taxes due directly or indirectly through the amount of the tax being included in the price, or otherwise, and uses said gasoline or special fuel in motor vehicles or knowingly sells it to any person for use in motor vehicles shall, on or before the 23rd day of the month following that in which such gasoline or special fuel was so used or sold, report the fact of the use or sale to the commissioner in the form and manner prescribed by the commissioner.

(b) Any person who buys gasoline other than aviation gasoline and who has paid the motor vehicle gasoline excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline, or otherwise, who knowingly sells such gasoline to any person to be used for the purpose of producing or generating power for propelling aircraft, or who receives, stores, or withdraws from storage gasoline to be used for that purpose, shall, on or before the 23rd day of the month following that in which such gasoline was so sold, stored, or withdrawn from storage, report the fact of the sale, storage, or withdrawal from storage to the commissioner in the form and manner prescribed by the commissioner.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 11. Minnesota Statutes 2016, section 296A.17, subdivision 1, is amended to read:

Subdivision 1. **Aviation refund requirements.** Any person claiming to be entitled to any refund or credit provided for in subdivision 3 shall receive the refund or credit upon filing with the commissioner a claim in such form and manner prescribed by the commissioner. The claim shall set forth, among other things, the total number of gallons of gasoline used as a substitute for aviation gasoline, aviation gasoline, or special fuel for aircraft use upon which the claimant has directly or indirectly paid the excise tax provided for in this chapter, during the calendar year, which has been received, stored, or withdrawn from storage by the claimant in this state and not sold or otherwise disposed of to others. All claims for refunds under this subdivision shall be made on or before April 30 following the end of the calendar year for which the refund is claimed.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 12. Minnesota Statutes 2016, section 296A.17, subdivision 2, is amended to read:

Subd. 2. **Claim for refund; aviation tax.** (a) Any person who buys gasoline used as a substitute for aviation gasoline, aviation gasoline, or special fuel for aircraft use and who has paid the excise taxes directly or indirectly through the amount of the tax being included in the price, or otherwise, who does not use it in motor vehicles or receive, sell, store, or withdraw it from storage for the purpose of producing or generating power for propelling aircraft, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim in the form and manner

prescribed by the commissioner. The claim shall state the total amount of the gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, or special fuel for aircraft use purchased and used by the applicant, and shall state when and for what purpose it was used. On being satisfied that the claimant is entitled to payment, the commissioner shall approve the claim and transmit it to the commissioner of management and budget. The postmark on the envelope in which a written claim is mailed determines the date of filing.

(b) If a claim contains an error in preparation in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner.

(c) An applicant who files a claim that is false or fraudulent, is subject to the penalties provided in section 296A.23 for knowingly and willfully making a false claim.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 13. Minnesota Statutes 2016, 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 gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, or special fuel for aircraft use provided for by this chapter and either paid the airflight property tax under section 270.072 or is an aerial applicator with a category B, general aerial license, under section 18B.33, shall, as to all such gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, 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~~ gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, or special fuel up to 50,000 gallons, all but five cents per gallon;

(2) on each gallon of ~~such~~ gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, 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~~ gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, 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~~ gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, or special fuel above 200,000, all but one-half cent per gallon.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 14. Minnesota Statutes 2016, section 296A.18, subdivision 1, is amended to read:

Subdivision 1. **Intent; gasoline use.** All gasoline received in this state and all gasoline produced in or brought into this state except aviation gasoline, gasoline sold to a dealer of gasoline used as a

substitute for aviation gasoline, and marine gasoline shall be determined to be intended for use in motor vehicles in this state.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 15. Minnesota Statutes 2016, section 296A.18, subdivision 8, is amended to read:

Subd. 8. **Airports.** The revenues derived from the excise taxes on gasoline used as a substitute for aviation gasoline, aviation gasoline<sub>2</sub>, and on special fuel received, sold, stored, or withdrawn from storage as substitutes for aviation gasoline, shall be paid into the state treasury and credited to the state airports fund. There is hereby appropriated such sums as are needed to carry out the provisions of this subdivision.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 16. Minnesota Statutes 2016, section 296A.19, subdivision 1, is amended to read:

Subdivision 1. **Retention.** All distributors, dealers, special fuel dealers, bulk purchasers, dealers of gasoline used as a substitute for aviation gasoline, and all users of special fuel shall keep a true and accurate record of all purchases, transfers, sales, and use of petroleum products and special fuel, including copies of all sales tickets issued, in a form and manner approved by the commissioner, and shall retain all such records for 3-1/2 years.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 17. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to read:

Subd. 6a. **Bulk nicotine.** "Bulk nicotine" means any vapor product that contains a solution having a concentration of 50 milligrams of nicotine per milliliter or greater.

**EFFECTIVE DATE.** This section is effective January 1, 2018.

Sec. 18. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to read:

Subd. 6b. **Consumable material.** "Consumable material" means any vapor product that contains nicotine in a solution having a concentration of less than 50 milligrams of nicotine per milliliter.

**EFFECTIVE DATE.** This section is effective January 1, 2018.

Sec. 19. Minnesota Statutes 2016, 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; 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, vapor products, 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 January 1, 2018.

Sec. 20. Minnesota Statutes 2016, section 297F.01, is amended by adding a subdivision to read:

Subd. 24. **Vapor products.** "Vapor products" means any noncombustible product that employs a heating element, power source, electronic circuit, or other electronic, chemical, or mechanical means, regardless of shape or size, that can be used to produce vapor from nicotine in a solution or other form. Vapor products includes any electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device and any vapor cartridge or other container of bulk nicotine or consumable material in a solution or other form that is intended to be used with or in an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device.

**EFFECTIVE DATE.** This section is effective January 1, 2018.

Sec. 21. Minnesota Statutes 2016, 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 rate of ~~141.5~~ 152 mills, or ~~14.15~~ 15.2 cents, on each cigarette.

**EFFECTIVE DATE.** This section is effective January 1, 2018.

Sec. 22. Minnesota Statutes 2016, section 297F.05, subdivision 3, is amended to read:

Subd. 3. **Rates; tobacco products.** (a) Except as provided in ~~subdivision~~ subdivisions 3a and 3b, 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 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 January 1, 2018.

Sec. 23. Minnesota Statutes 2016, section 297F.05, is amended by adding a subdivision to read:

**Subd. 3b. Rates; vapor products.** (a) A tax is imposed upon all vapor products in this state and upon any person engaged in business as a tobacco product distributor. The tax imposed under this subdivision is imposed at the time the tobacco products distributor:

(1) brings, or causes to be brought, into this state vapor products for sale;

(2) makes, manufactures, or fabricates vapor products in this state, not otherwise taxed under this subdivision, for sale in this state; or

(3) ships or transports vapor products to retailers in this state to be sold by those retailers.

(b) For vapor products that contain bulk nicotine, the rate of tax is 300 percent of the wholesale sales price of the vapor product.

(c) For vapor products that contain consumable material, the rate of tax is 45 percent of the wholesale sales price of the vapor product.

**EFFECTIVE DATE.** This section is effective January 1, 2018.

Sec. 24. Minnesota Statutes 2016, section 297F.05, is amended by adding a subdivision to read:

**Subd. 4b. Use tax; vapor products.** A tax is imposed upon the use or storage by consumers of all vapor products in this state, and upon such consumers, at the rate of 300 percent of the wholesale sales price of a vapor product containing bulk nicotine, and 45 percent of the wholesale sales price of a vapor product containing consumable material.

**EFFECTIVE DATE.** This section is effective January 1, 2018.

Sec. 25. Minnesota Statutes 2016, section 297H.04, subdivision 2, is amended to read:

**Subd. 2. Rate.** (a) Commercial generators that generate nonmixed municipal solid waste shall pay a solid waste management tax of 60 cents per noncompacted cubic yard of periodic waste collection capacity purchased by the generator, based on the size of the container for the nonmixed municipal solid waste, the actual volume, or the weight-to-volume conversion schedule in paragraph (c). However, the tax must be calculated by the waste management service provider using the same method for calculating the waste management service fee so that both are calculated according to container capacity, actual volume, or weight.

(b) Notwithstanding section 297H.02, a residential generator that generates nonmixed municipal solid waste shall pay a solid waste management tax in the same manner as provided in paragraph (a).

(c) The weight-to-volume conversion schedule for:

(1) construction debris as defined in section 115A.03, subdivision 7, is ~~one ton equals 3.33 cubic yards, or \$2 per ton~~ equal to 60 cents per cubic yard. The commissioner of revenue, after consultation with the commissioner of the Pollution Control Agency, shall determine and may publish by notice a conversion schedule for construction debris;

(2) industrial waste as defined in section 115A.03, subdivision 13a, is equal to 60 cents per cubic yard. The commissioner of revenue after consultation with the commissioner of the Pollution Control Agency, shall determine, and may publish by notice, a conversion schedule for various industrial wastes; and

(3) infectious waste as defined in section 116.76, subdivision 12, and pathological waste as defined in section 116.76, subdivision 14, is 150 pounds equals one cubic yard, or 60 cents per 150 pounds.

**EFFECTIVE DATE.** This section is effective for sales and purchases made after June 30, 2017.

Sec. 26. **REPEALER.**

(a) Minnesota Statutes 2016, section 297F.05, subdivision 1a, is repealed.

(b) Minnesota Rules, part 8125.1300, subpart 3, is repealed.

**EFFECTIVE DATE.** This section is effective January 1, 2017.

## ARTICLE 7

### MINERALS

Section 1. Minnesota Statutes 2016, section 298.24, is amended by adding a subdivision to read:

**Subd. 5. TEDF; deposits redirected.** (a) For concentrates produced by a plant subject to a reimbursement agreement dated September 9, 2008, by and among Itasca County, Essar Global Limited, and Minnesota Steel Industries LLC, the provisions of sections 298.227 and 298.28, subdivision 9a, do not apply to the plant's production.

(b) All amounts not deposited in the taconite economic development fund as a result of paragraph (a) must be deposited in the Douglas J. Johnson economic protection trust fund created under section 298.292.

(c) The provisions of this subdivision expire upon certification by the commissioner of employment and economic development that all requirements of the reimbursement agreement, as specified in paragraph (a), are satisfied.

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

Sec. 2. Minnesota Statutes 2016, section 298.28, subdivision 3, is amended to read:

Subd. 3. **Cities; towns.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, ~~three~~ 3.25 cents per taxable ton for distributions in ~~2009~~ 2017 and subsequent years must be allocated for distribution to (1) towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b); and (2) the following unorganized territories in St. Louis County and Itasca County: 56-17; 58-22; 59-16; 59-21; 60-18; and 60-19. For ~~distribution in 2010 through 2014 and for distribution~~ distributions in 2018 and subsequent years, the ~~three-cent~~ 3.25-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available under this paragraph ~~will~~ must be distributed to eligible towns and eligible unorganized territories on a per capita basis, provided that no town or unorganized territory may receive more than \$50,000 in any year under this paragraph. Any amount of the distribution that exceeds the \$50,000 limitation for a town or unorganized territory under this paragraph must be redistributed on a per capita basis among the other eligible towns and eligible unorganized territories, to whose distributions do not exceed \$50,000. The amount available to unorganized territories in St. Louis County and Itasca County may be held by the county and combined for public infrastructure projects for the specified unorganized territories.

**EFFECTIVE DATE.** This section is effective for distributions beginning in 2017 and thereafter.

Sec. 3. Minnesota Statutes 2016, section 298.28, subdivision 5, is amended to read:

Subd. 5. **Counties.** (a) 21.05 cents per taxable ton for distributions in 2015 through 2023, and 26.05 cents per taxable ton for distributions beginning in 2024, is allocated to counties to be distributed, based upon certification by the commissioner of revenue, under paragraphs (b) to (d).



(b) 10.525 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to paragraph (c). The apportionment formula prescribed in subdivision 2 is the basis for the distribution.

(c) ~~If 1.0 cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) shall be paid to a county that received a distribution under this section in 2000 because there was located in the county an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a different county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to paragraph (b) and imposed on and collected from such taxpayer shall be paid to the county in which the power plant is located.~~

(d) 10.525 cents per taxable ton for distributions in 2015 through 2023, and 15.525 cents per taxable ton for distributions beginning in 2024, shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in subdivision 2.

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

Sec. 4. Minnesota Statutes 2016, section 298.28, subdivision 7a, is amended to read:

Subd. 7a. **Iron Range school consolidation and cooperatively operated school account.** (a) The following amounts must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in the Iron Range school consolidation and cooperatively operated school account that is hereby created:

(1)(i) for distributions in 2015 through 2023, ten cents per taxable ton of the tax imposed under section 298.24; and

(ii) for distributions beginning in 2024, five cents per taxable ton of the tax imposed under section 298.24;

(2) the amount as determined under section 298.17, paragraph (b), clause (3);

(3)(i) for distributions in 2015, an amount equal to two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund;

(ii) for distributions in 2016, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for distribution years 2015 and 2016, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund; and

(iii) for distributions in 2017 and thereafter, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section

298.24, subdivision 1, for distribution years 2015, 2016, and 2017, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund; and

(4) any other amount as provided by law.

(b) Expenditures from this account shall be made only to provide disbursements to assist school districts with the payment of bonds that were issued for qualified school projects, or for any other school disbursement as approved by the Iron Range Resources and Rehabilitation Board. For purposes of this section, "qualified school projects" means school projects within the taconite assistance area as defined in section 273.1341, that were (1) approved, by referendum, after April 3, 2006; and (2) approved by the commissioner of education pursuant to section 123B.71.

(c) Beginning in fiscal year 2019, the disbursement to school districts for payments for bonds issued under section 123A.482, subdivision 9, must be increased each year to offset any reduction in debt service equalization aid that the school district qualifies for in that year, under section 123B.53, subdivision 6, compared with the amount the school district qualified for in fiscal year 2018.

(d) No expenditure under this section shall be made unless approved by seven members of the Iron Range Resources and Rehabilitation Board.

**EFFECTIVE DATE.** This section is effective for distributions beginning in 2018 and thereafter.

Sec. 5. Laws 2010, chapter 216, section 58, as amended by Laws 2010, chapter 347, article 7, section 1, and Laws 2010, chapter 389, article 7, section 20, is amended to read:

**Sec. 58. 2010 DISTRIBUTIONS ONLY.**

For distributions in 2010 only, a special fund is established to receive the sum of the following amounts that otherwise would be allocated 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 specific purposes:

(1) 0.764 cent per ton must be paid to Northern Minnesota Dental to provide incentives for at least two dentists to establish dental practices in high-need areas of the taconite tax relief area;

(2) 0.955 cent per ton must be paid to the city of Virginia for repairs and geothermal heat at the Olcott Park Greenhouse/Virginia Commons project;

(3) 0.796 cent per ton must be paid to the city of Virginia for health and safety repairs at the Miners Memorial;

(4) 1.114 cents per ton must be paid to the city of Eveleth for the reconstruction of Highway 142/Grant and Park Avenues;

(5) 0.478 cent per ton must be paid to the Greenway Joint Recreation Board for upgrades and capital improvements to the public arena in Coleraine;

(6) 0.796 cent per ton must be paid to the city of Calumet for water treatment and pumphouse modifications;

(7) 0.159 cent per ton must be paid to the city of Bovey for residential and commercial claims for water damage due to water and flood-related damage caused by the Canisteo Pit;

(8) 0.637 cent per ton must be paid to the city of Nashwauk for a community and child care center;

(9) 0.637 cent per ton must be paid to the city of Keewatin for water and sewer upgrades;

(10) 0.637 cent per ton must be paid to the city of Marble for the city hall and library project;

(11) 0.955 cent per ton must be paid to the city of Grand Rapids for extension of water and sewer services for Lakewood Housing;

(12) 0.159 cent per ton must be paid to the city of Grand Rapids for exhibits at the Children's Museum;

(13) 0.637 cent per ton must be paid to the city of Grand Rapids for Block 20/21 soil corrections. This amount must be matched by local sources;

(14) 0.605 cent per ton must be paid to the city of Aitkin for three water loops;

(15) 0.048 cent per ton must be paid to the city of Aitkin for signage;

(16) 0.159 cent per ton must be paid to Aitkin County for a trail;

(17) 0.637 cent per ton must be paid to the city of Cohasset for the Beiers Road railroad crossing;

(18) 0.088 cent per ton must be paid to the town of Clinton for expansion and striping of the community center parking lot;

(19) 0.398 cent per ton must be paid to the city of Kinney for water line replacement;

(20) 0.796 cent per ton must be paid to the city of Gilbert for infrastructure improvements, milling, and overlay for Summit Street between Alaska Avenue and Highway 135;

(21) 0.318 cent per ton must be paid to the city of Gilbert for sanitary sewer main replacements and improvements in the Northeast Lower Alley area;

(22) 0.637 cent per ton must be paid to the town of White for replacement of the Stepetz Road culvert;

(23) 0.796 cent per ton must be paid to the city of Buhl for reconstruction of Sharon Street and associated infrastructure;

(24) 0.796 cent per ton must be paid to the city of Mountain Iron for site improvements at the Park Ridge development;

(25) 0.796 cent per ton must be paid to the city of Mountain Iron for infrastructure and site preparation for its renewable and sustainable energy park;

(26) 0.637 cent per ton must be paid to the city of Biwabik for sanitary sewer improvements;

(27) 0.796 cent per ton must be paid to the city of Aurora for alley and road rebuilding for the Summit Addition;

(28) 0.955 cent per ton must be paid to the city of Silver Bay for bioenergy facility improvements;

(29) 0.318 cent per ton must be paid to the city of Grand Marais for water and sewer infrastructure improvements;

(30) 0.318 cent per ton must be paid to the city of Orr for airport, water, and sewer improvements;

(31) 0.716 cent per ton must be paid to the city of Cook for street and bridge improvements and land purchase, provided that if the city sells or otherwise disposes of any of the land purchased with the money provided under this clause within a period of ~~ten~~ five years after it was purchased, the city must transfer a portion of the proceeds of the sale equal to the amount of the purchase price paid from the money provided under this clause to the commissioner of Iron Range Resources and Rehabilitation for deposit in the taconite environmental protection fund to be used for the purposes of the fund under Minnesota Statutes, section 298.223;

(32) 0.955 cent per ton must be paid to the city of Ely for street, water, and sewer improvements;

(33) 0.318 cent per ton must be paid to the city of Tower for water and sewer improvements;

(34) 0.955 cent per ton must be paid to the city of Two Harbors for water and sewer improvements;

(35) 0.637 cent per ton must be paid to the city of Babbitt for water and sewer improvements;

(36) 0.096 cent per ton must be paid to the township of Duluth for infrastructure improvements;

(37) 0.096 cent per ton must be paid to the township of Tofte for infrastructure improvements;

(38) 3.184 cents per ton must be paid to the city of Hibbing for sewer improvements;

(39) 1.273 cents per ton must be paid to the city of Chisholm for NW Area Project infrastructure improvements;

(40) 0.318 cent per ton must be paid to the city of Chisholm for health and safety improvements at the athletic facility;

(41) 0.796 cent per ton must be paid to the city of Hoyt Lakes for residential street improvements;

(42) 0.796 cent per ton must be paid to the Bois Forte Indian Reservation for infrastructure related to a housing development;

(43) 0.159 cent per ton must be paid to Balkan Township for building improvements;

(44) 0.159 cent per ton must be paid to the city of Grand Rapids for a grant to a nonprofit for a signage kiosk;

(45) 0.318 cent per ton must be paid to the city of Crane Lake for sanitary sewer lines and adjacent development near County State-Aid Highway 24; and

(46) 0.159 cent per ton must be paid to the city of Chisholm to rehabilitate historic wall infrastructure around the athletic complex.

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

**Sec. 6. CLARIFYING AUTHORITY TO USE PREVIOUSLY DISTRIBUTED TACONITE TAX PROCEEDS.**

The commissioner of Iron Range Resources and Rehabilitation may use any unspent amounts allocated under Minnesota Statutes 2014, section 298.2961, subdivision 5, clause (19), remaining as of May 22, 2016, for the specific purposes identified in that section. Notwithstanding Minnesota Statutes, section 298.28, subdivision 11, paragraph (a), or any other law to the contrary, interest accrued on this amount shall also be distributed to the recipient. Amounts under this section are available until expended and do not lapse or cancel under Minnesota Statutes, section 16A.28.

**EFFECTIVE DATE.** This section is effective retroactively from May 22, 2016.

## ARTICLE 8

### LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2016, section 469.1763, subdivision 1, is amended to read:

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

(b) "Activities" means acquisition of property, clearing of land, site preparation, soils correction, removal of hazardous waste or pollution, installation of utilities, construction of public or private improvements, and other similar activities, but only to the extent that tax increment revenues may be spent for such purposes under other law.

(c) "Third party" means an entity other than (1) the person receiving the benefit of assistance financed with tax increments, or (2) the municipality or the development authority or other person substantially under the control of the municipality.

(d) "Revenues derived from tax increments paid by properties in the district" means only tax increment as defined in section 469.174, subdivision 25, clause (1), and does not include tax increment as defined in section 469.174, subdivision 25, clauses ~~(2), (3), and (4)~~ to (5).

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

Sec. 2. Minnesota Statutes 2016, section 469.1763, subdivision 2, is amended to read:

Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes

of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The ~~revenue~~ revenues derived from tax increments ~~for~~ paid by properties in the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code; and

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market value of single-family homes in that municipality; or

(B) \$200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or \$125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period has expired.

(e) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

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

Sec. 3. Minnesota Statutes 2016, section 469.1763, subdivision 3, is amended to read:

Subd. 3. **Five-year rule.** (a) Revenues derived from tax increments paid by properties in the district are considered to have been expended on an activity within the district under subdivision 2 only if one of the following occurs:

(1) before or within five years after certification of the district, the revenues are actually paid to a third party with respect to the activity;

(2) bonds, the proceeds of which must be used to finance the activity, are issued and sold to a third party before or within five years after certification, the revenues are spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance, reasonably expected to be spent before the end of the later of (i) the five-year period, or (ii) a reasonable temporary period within the meaning of the use of that term under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably required reserve or replacement fund;

(3) binding contracts with a third party are entered into for performance of the activity before or within five years after certification of the district and the revenues are spent under the contractual obligation;

(4) costs with respect to the activity are paid before or within five years after certification of the district and the revenues are spent to reimburse a party for payment of the costs, including interest on unreimbursed costs; or

(5) expenditures are made for housing purposes as permitted by subdivision 2, paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted by subdivision 2, paragraph (e).

(b) For purposes of this subdivision, bonds include subsequent refunding bonds if the original refunded bonds meet the requirements of paragraph (a), clause (2).

(c) For a redevelopment district or a renewal and renovation district certified after June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph (a) are extended to ten years after certification of the district. For a redevelopment district certified after April 20, 2009, and before June 30, 2012, the five-year periods described in paragraph (a) are extended to eight

years after certification of the district. This extension is provided primarily to accommodate delays in development activities due to unanticipated economic circumstances.

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

Sec. 4. Minnesota Statutes 2016, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** (a) The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so.

(b) Not later than 60 days after money is transferred, advanced, or spent, whichever is earliest, the loan or advance must be authorized; by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is authorized; before money is transferred, advanced, or spent, whichever is earliest.

(c) The resolution may generally grant to the municipality or the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The resolution may be adopted before or after the adoption of the tax increment financing plan or the creation of the tax increment financing district from which the advance or loan is to be repaid.

(d) The terms and conditions for repayment of the loan must be provided in writing and. The written terms and conditions may be in any form, but must include, at a minimum, the principal amount, the interest rate, and maximum term. Written terms may be modified or amended in writing by the municipality or the authority before the latest decertification of any tax increment financing district from which the interfund loan is to be repaid. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09 are from time to time adjusted. Loans or advances may be structured as draw-down or line-of-credit obligations of the lending fund.

(e) The authority shall report in the annual report submitted pursuant to section 469.175, subdivision 6:

(1) the amount of any interfund loan or advance made in a calendar year; and

(2) any amendment of an interfund loan or advance made in a calendar year.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

Sec. 5. Laws 2008, chapter 154, article 9, section 21, subdivision 2, is amended to read:

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, economic development district, soil condition district, or a soil deficiency district established by the city or a development authority of the city in 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 80 percent of the acreage of the project area (excluding street and railroad right of way) are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of residential or commercial buildings or infrastructure;

(2) soils or terrain that requires substantial filling in order to permit the development of commercial or residential 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) through (5), a parcel is deemed to be characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is deemed to be characterized by substandard buildings if the buildings occupy at least 30 percent of the area of the parcel.

(d) The four-year rule under Minnesota Statutes, section 469.176, subdivision 6, is extended to nine years for any district. The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for any district, and section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding anything to the contrary in 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) Increments spent for any infrastructure costs, whether inside a district or outside a district but within the project area, are deemed to satisfy the requirements of paragraph (f) and Minnesota Statutes, section 469.176, subdivisions 4b, 4c, and 4j.

(h) Increments from any district may not be used to pay the costs of landfill closure or public infrastructure located on the following parcels within the plat known as Burnsville Amphitheater: Lot 1, Block 1; Lots 1 and 2, Block 2; and Outlots A, B, C and D.

(i) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires on December 31, ~~2018~~ 2020.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Burnsville and compliance with the requirements of Minnesota Statutes, section 645.021.

Sec. 6. Laws 2009, chapter 88, article 5, section 17, as amended by Laws 2010, chapter 382, section 84, is amended to read:

**Sec. 17. SEAWAY PORT AUTHORITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

(a) If the Seaway Port Authority of Duluth adopts a tax increment financing plan and the governing body of the city of Duluth approves the plan for the tax increment financing district consisting of one or more parcels identified as: 010-2730-00010; 010-2730-00020; 010-2730-00040; 010-2730-00050; 010-2730-00070; 010-2730-00080; 010-2730-00090; 010-2730-00100; 010-02730-00120; 010-02730-00130; 010-02730-00140; 010-2730-00160; 010-2730-00180; 010-2730-00200; 010-2730-00300; 010-02730-00320; 010-2746-01250; 010-2746-1330; 010-2746-01340; 010-2746-01350; 010-2746-1440; 010-2746-1380; 010-2746-01490; 010-2746-01500; 010-2746-01510; 010-2746-01520; 010-2746-01530; 010-2746-01540; 010-2746-01550; 010-2746-01560; 010-2746-01570; 010-2746-01580; 010-2746-01590; 010-3300-4560; 010-3300-4565; 010-3300-04570; 010-3300-04580; 010-3300-04640; 010-3300-04645; and 010-3300-04650, the five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of the tax increment financing district, must be considered to be met if the activities are undertaken within five years after the date all qualifying parcels are delisted from the Federal Superfund list.

(b) The requirements of Minnesota Statutes, section 469.1763, subdivision 4, beginning in the sixth year following certification of the district requirement, will begin in the sixth year following the date all qualifying parcels are delisted from the Federal Superfund list.

(c) The action required under Minnesota Statutes, section 469.176, subdivision 6, are satisfied if the action is commenced within four years after the date all qualifying parcels are delisted from the Federal Superfund list and evidence of the action required is submitted to the county auditor by February 1 of the fifth year following the year in which all qualifying parcels are delisted from the Federal Superfund list.

(d) For purposes of this section, "qualifying parcels" means United States Steel parcels listed in paragraph (a) and shown by the Minnesota Pollution Control Agency as part of the USS Site (USEPA OU 02) that are included in the tax increment financing district.

(e) In addition to the reporting requirements of Minnesota Statutes, section 469.175, subdivision 5, the Seaway Port Authority of Duluth shall report the status of all parcels listed in paragraph (a) and shown as part of the USS Site (USEPA OU 02). The status report must show the parcel numbers, the listed or delisted status, and if delisted, the delisting date.

(f) Notwithstanding Minnesota Statutes, section 469.178, subdivision 7, or any other law to the contrary, the Seaway Port Authority of Duluth may establish an interfund loan program before approval of the tax increment financing plan for or the establishment of the district authorized by this section. The authority may make loans under this program and the proceeds of the loans may be used for any permitted use of increments under this law or Minnesota Statutes, section 469.176, for the district, and may be repaid with increments from the district established under this section. This subdivision applies to any action authorized by the Seaway Port Authority of Duluth on or after March 25, 2010.

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

Sec. 7. Laws 2014, chapter 308, article 6, section 9, is amended to read:

**Sec. 9. CITY OF MAPLE GROVE; TAX INCREMENT FINANCING DISTRICT.**

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

(b) "City" means the city of Maple Grove.

(c) "Project area" means all or a portion of the area in the city commencing at a point 130 feet East and 120 feet North of the southwest corner of the Southeast Quarter of Section 23, Township 119, Range 22, Hennepin County, said point being on the easterly right-of-way line of Hemlock Lane; thence northerly along said easterly right-of-way line of Hemlock Lane to a point on the west line of the east one-half of the Southeast Quarter of section 23, thence south along said west line a distance of 1,200 feet; thence easterly to the east line of Section 23, 1,030 feet North from the southeast corner thereof; thence South 74 degrees East 1,285 feet; thence East a distance of 1,000 feet; thence North 59 degrees West a distance of 650 feet; thence northerly to a point on the northerly right-of-way line of 81st Avenue North, 650 feet westerly measured at right angles, from the east line of the Northwest Quarter of Section 24; thence North 13 degrees West a distance of 795 feet; thence West to the west line of the Southeast Quarter of the Northwest Quarter of Section 24; thence North 55 degrees West to the south line of the Northwest Quarter of the Northwest Quarter of Section 24; thence West along said south line to the east right-of-way line of Zachary Lane; thence North along the east right-of-way line of Zachary Lane to the southwest corner of Lot 1, Block 1, Metropolitan Industrial Park 5th Addition; thence East along the south line of said Lot 1 to the northeast corner of Outlot A, Metropolitan Industrial Park 5th Addition; thence South along the east line of said Outlot A and its southerly extension to the south right-of-way line of County State-Aid Highway (CSAH) 109; thence easterly along the south right-of-way line of CSAH 109 to the east line of the Northwest Quarter of the Northeast Quarter of Section 24; thence South along said east line to the north line of the South Half of the Northeast Quarter of Section 24; thence East along said north line to the westerly right-of-way line of Jefferson Highway North; thence southerly along

the westerly right-of-way line of Jefferson Highway to the centerline of CSAH 130; thence continuing South along the west right-of-way line of Pilgrim Lane North to the westerly extension of the north line of Outlot A, Park North Fourth Addition; thence easterly along the north line of Outlot A, Park North Fourth Addition to the northeast corner of said Outlot A; thence southerly along the east line of said Outlot A to the southeast corner of said Outlot A; thence easterly along the south line of Lot 1, Block 1, Park North Fourth Addition to the westerly right-of-way line of State Highway 169; thence southerly, southwesterly, westerly, and northwesterly along the westerly right-of-way line of State Highway 169 and the northerly right-of-way line of Interstate 694 to its intersection with the southerly extension of the easterly right-of-way line of Zachary Lane North; thence northerly along the easterly right-of-way line of Zachary Lane North and its northerly extension to the north right-of-way line of CSAH 130; thence westerly, southerly, northerly, southwesterly, and northwesterly to the point of beginning and there terminating, provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph, and may include any additional property necessary to cause the property included in the tax increment financing district to consist of complete parcels.

(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 80 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, clauses (1) to (7), (11), and (12), 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.

(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 80 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 require 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 70 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 eight years for any district, and Minnesota Statutes, section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding any provision to the contrary in Minnesota Statutes, section 469.1763, subdivision 2, paragraph (a), not more than 40 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;

(2) 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; and

(3) any parcel acquired with increments from the district must be sold at no less than their fair market value.

(g) Increments spent for any infrastructure costs, whether inside a district or outside a district but within the project area, are deemed to satisfy the requirements of Minnesota Statutes, section 469.176, subdivision 4j.

(h) The authority to approve tax increment financing plans to establish tax increment financing districts under this section expires June 30, 2020.

(i) Notwithstanding the restrictions in paragraph (f), clause (2), the city may use increments from a soil deficiency district to acquire parcels and for other infrastructure costs either inside or outside of the district, but within the project area, if the acquisition or infrastructure is for a qualified development. For purposes of this paragraph, a development is a qualified development only if all of the following requirements are satisfied:

(1) the city finds, by resolution, that the land acquisition and infrastructure are undertaken primarily to serve the development;

(2) the city has a binding, written commitment and adequate financial assurances from the developer that the development will be constructed; and

(3) the development does not consist of retail trade or housing improvements.

**EFFECTIVE DATE.** This section is effective upon approval by the governing body of the city of Maple Grove and its compliance with the requirements of Minnesota Statutes, section 645.021.

**Sec. 8. CITY OF ANOKA; TIF DISTRICT.**

For purposes of Minnesota Statutes, section 469.1763, subdivision 3, paragraph (c), the city of Anoka's Greens of Anoka redevelopment tax increment financing district is deemed to be certified on June 29, 2012, rather than its actual certification date of July 2, 2012, and the provisions of Minnesota Statutes, section 469.1763, subdivisions 3 and 4, apply as if the district were certified on that date.

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

**Sec. 9. CITY OF EDINA; APPROVAL OF 2014 SPECIAL LAW.**

Notwithstanding the provisions of Minnesota Statutes, section 645.021, subdivision 3, the chief clerical officer of the city of Edina may file the city's certificate of its approval of Laws 2014, chapter 308, article 6, section 8, by June 30, 2016, and, if the certificate is so filed and the requirements of Minnesota Statutes, section 645.021, subdivision 3, are otherwise complied with, the special law is deemed approved, and all actions taken by the city prior to the effective date of this section in reliance on Laws 2014, chapter 308, article 6, section 8, are deemed consistent with Laws 2014, chapter 308, article 6, section 8, and this act.

**EFFECTIVE DATE.** This section is effective retroactively from June 30, 2016, without local approval as an amendment to the provisions of Laws 2014, chapter 308, article 6, section 8.

**Sec. 10. CITY OF COON RAPIDS; TAX INCREMENT FINANCING.**

Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Coon Rapids may collect tax increment from District 6-1 Port Riverwalk through December 31, 2038.

**EFFECTIVE DATE.** This section is effective upon compliance by the governing bodies of the city of Coon Rapids, Anoka County, and Independent School District No. 11 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

**Sec. 11. CITY OF COTTAGE GROVE; TAX INCREMENT FINANCING.**

The requirement 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, is considered to be met for Tax Increment Financing District No. 1-12 (Gateway North), administered by the Cottage Grove Economic Development Authority, if the activities are undertaken prior to January 1, 2017.

**EFFECTIVE DATE.** This section is effective upon compliance by the chief clerical officer of the governing body of the city of Cottage Grove with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. **CITY OF NORTHFIELD; TAX INCREMENT FINANCING.**

The requirement 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, is considered to be met for the Riverfront Tax Increment Financing District in the city of Northfield, if the activities are undertaken prior to July 12, 2017.

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

Sec. 13. **CITY OF RICHFIELD; EXTENSION OF DISTRICT.**

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1b, or any other law to the contrary, the city of Richfield and the Housing and Redevelopment Authority in and for the city of Richfield may elect to extend the duration limit of the redevelopment tax increment financing district known as the Cedar Avenue Tax Increment Financing District established by Laws 2005, chapter 152, article 2, section 25, by ten years.

**EFFECTIVE DATE.** This section is effective upon compliance by the city of Richfield, Hennepin County, and Independent School District No. 280 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2; and 645.021, subdivisions 2 and 3.

Sec. 14. **CITY OF ST. PAUL; TIF AUTHORITY.**

(a) For purposes of computing the duration limits under Minnesota Statutes, section 469.176, subdivision 1b, the housing and redevelopment authority of the city of St. Paul may waive receipt of increment for the Ford Site Redevelopment Tax Increment Financing District. This authority is limited to the first four years of increment or increments derived from taxes payable in 2023, whichever occurs first.

(b) If the city elects to waive receipt of increment under paragraph (a), for purposes of applying any limits based on when the district was certified under Minnesota Statutes, section 469.176, subdivision 6, or 469.1763, the date of certification for the district is deemed to be January 2 of the property tax assessment year for which increment is first received under the waiver.

**EFFECTIVE DATE.** This section is effective retroactively from July 1, 2016, without local approval under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

## ARTICLE 9

### PUBLIC FINANCE

Section 1. Minnesota Statutes 2016, 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, provided that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years. 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. 2. Minnesota Statutes 2016, section 383B.117, subdivision 2, is amended to read:

Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and without public referendum, issue capital notes within existing debt limits for the purpose of purchasing ambulance and other medical equipment, road construction or maintenance equipment, public safety equipment and other capital equipment having an expected useful life at least equal to the term of the notes issued. The notes shall be payable in not more than ten years and shall be issued on terms and in a manner as the board determines, provided that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years. The total principal amount of the notes issued for any fiscal year shall not exceed one percent of the total annual budget for that year and shall be issued solely for the purchases authorized in this subdivision. A tax levy shall be made for the payment of the principal and interest on such notes as in the case of bonds. For purposes of this subdivision, "equipment" includes computer hardware and software, whether bundled with machinery or equipment or unbundled. For purposes of this subdivision, the term "medical equipment" includes computer hardware and software and other intellectual property for use in medical diagnosis, medical procedures, research, record keeping, billing, and other hospital applications, together with application development services and training related to the use of the computer hardware and software and other intellectual property, all without regard to their useful life. For purposes of determining the amount of capital notes which the county may issue in any year, the budget of the county and Hennepin Healthcare System, Inc. shall be combined and the notes issuable under this subdivision shall be in addition to obligations issuable under section 373.01, subdivision 3.

Sec. 3. Minnesota Statutes 2016, 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, provided that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years. 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. 4. Minnesota Statutes 2016, 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, provided, however, that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years.

(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. 5. Minnesota Statutes 2016, 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 estimated market value of the general jurisdiction governmental unit whose general obligation is pledged, or (2) ~~\$3,000,000~~ \$5,000,000. 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. 6. Minnesota Statutes 2016, section 469.101, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** An economic development authority may create and define the boundaries of economic development districts at any place or places within the city, except that the district boundaries must be contiguous, and may use the powers granted in sections 469.090 to 469.108 to carry out its purposes. First the authority must hold a public hearing on the matter. At least ten days before the hearing, the authority shall publish notice of the hearing in a ~~daily~~ newspaper of general circulation in the city. Also, the authority shall find that an economic development district is proper and desirable to establish and develop within the city.

Sec. 7. Minnesota Statutes 2016, section 473.39, is amended by adding a subdivision to read:

Subd. 1u. **Obligations.** (a) 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 \$82,100,000 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. Of this authorization, after July 1, 2016, the council may issue certificates of indebtedness, bonds, or other obligations in an amount not exceeding \$40,100,000, and after July 1, 2017, the council may issue certificates of indebtedness, bonds, or other obligations in an additional amount not exceeding \$42,000,000.

(b) This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

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

Sec. 8. Minnesota Statutes 2016, 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~~ a majority 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. 9. Minnesota Statutes 2016, section 475.60, subdivision 2, is amended to read:

Subd. 2. **Requirements waived.** The requirements as to public sale shall not apply:

(1) to obligations issued under the provisions of a home rule charter or of a law specifically authorizing a different method of sale, or authorizing them to be issued in such manner or on such terms and conditions as the governing body may determine;

(2) to obligations sold by an issuer in an amount not exceeding the total sum of \$1,200,000 in any 12-month period;

(3) to obligations issued by a governing body other than a school board in anticipation of the collection of taxes or other revenues appropriated for expenditure in a single year, if sold in accordance with the most favorable of two or more proposals solicited privately;

(4) to obligations sold to any board, department, or agency of the United States of America or of the state of Minnesota, in accordance with rules or regulations promulgated by such board, department, or agency;

(5) to obligations issued to fund pension and retirement fund liabilities under section 475.52, subdivision 6, obligations issued with tender options under section 475.54, subdivision 5a, crossover refunding obligations referred to in section 475.67, subdivision 13, and any issue of obligations comprised in whole or in part of obligations bearing interest at a rate or rates which vary periodically referred to in section 475.56;

(6) to obligations to be issued for a purpose, in a manner, and upon terms and conditions authorized by law, if the governing body of the municipality, on the advice of bond counsel or special tax counsel, determines that interest on the obligations cannot be represented to be excluded from gross income for purposes of federal income taxation;

(7) to obligations issued in the form of an installment purchase contract, lease purchase agreement, or other similar agreement;

(8) to obligations sold under a bond reinvestment program; and

(9) if the municipality has retained an independent ~~financial~~ municipal advisor, obligations which the governing body determines shall be sold by private negotiation.

## ARTICLE 10

### IRON RANGE RESOURCES AND REHABILITATION

Section 1. Minnesota Statutes 2016, section 15.38, subdivision 7, is amended to read:

Subd. 7. **Iron Range resources and rehabilitation Board.** After seeking a recommendation from the Iron Range Resources and Rehabilitation Board, the commissioner of Iron Range resources and rehabilitation Board may purchase insurance it considers the commissioner deems necessary and appropriate to insure facilities operated by the board.

Sec. 2. Minnesota Statutes 2016, section 116J.424, is amended to read:

#### **116J.424 IRON RANGE RESOURCES AND REHABILITATION BOARD CONTRIBUTION.**

The commissioner of ~~the Iron Range resources and rehabilitation Board with approval by the board,~~ may provide an equal match for any loan or equity investment made for a project located in the tax relief area defined in section 273.134, paragraph (b), by the Minnesota 21st century fund

created by section 116J.423. The match may be in the form of a loan or equity investment, notwithstanding whether the fund makes a loan or equity investment. The state shall not acquire an equity interest because of an equity investment or loan ~~by the board under this section and the board at its sole discretion~~ commissioner, after consultation with the Iron Range Resources and Rehabilitation Board, shall have the sole discretion to decide what interest ~~the board~~ acquires in a project. The commissioner of employment and economic development may require a commitment from the ~~board~~ commissioner to make the match prior to disbursing money from the fund.

Sec. 3. Minnesota Statutes 2016, section 216B.161, subdivision 1, is amended to read:

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

(b) "Area development rate" means a rate schedule established by a utility that provides customers within an area development zone service under a base utility rate schedule, except that charges may be reduced from the base rate as agreed upon by the utility and the customer consistent with this section.

(c) "Area development zone" means a contiguous or noncontiguous area designated by an authority or municipality for development or redevelopment and within which one of the following conditions exists:

(1) obsolete buildings not suitable for improvement or conversion or other identified hazards to the health, safety, and general well-being of the community;

(2) buildings in need of substantial rehabilitation or in substandard condition; or

(3) low values and damaged investments.

(d) "Authority" means a rural development financing authority established under sections 469.142 to 469.151; a housing and redevelopment authority established under sections 469.001 to 469.047; a port authority established under sections 469.048 to 469.068; an economic development authority established under sections 469.090 to 469.108; a redevelopment agency as defined in sections 469.152 to 469.165; the commissioner of Iron Range resources and rehabilitation, acting after consultation with the board established under section 298.22; a municipality that is administering a development district created under sections 469.124 to 469.133 or any special law; a municipality that undertakes a project under sections 469.152 to 469.165, except a town located outside the metropolitan area as defined in section 473.121, subdivision 2, or with a population of 5,000 persons or less; or a municipality that exercises the powers of a port authority under any general or special law.

(e) "Municipality" means a city, however organized, and, with respect to a project undertaken under sections 469.152 to 469.165, "municipality" has the meaning given in sections 469.152 to 469.165, and, with respect to a project undertaken under sections 469.142 to 469.151 or a county or multicounty project undertaken under sections 469.004 to 469.008, also includes any county.

Sec. 4. Minnesota Statutes 2016, section 276A.01, subdivision 8, is amended to read:

Subd. 8. **Municipality.** "Municipality" means a city, town, or township located in whole or part within the area. If a municipality is located partly within and partly without the area, the references in sections 276A.01 to 276A.09 to property or any portion thereof subject to taxation or taxing jurisdiction within the municipality are to the property or portion thereof that is located in that portion of the municipality within the area, except that the fiscal capacity of the municipality must be computed upon the basis of the valuation and population of the entire municipality. A municipality shall be excluded from the area if its municipal comprehensive zoning and planning policies conscientiously exclude most commercial-industrial development, for reasons other than preserving an agricultural use. The commissioner of Iron Range resources and rehabilitation Board and the commissioner of revenue shall jointly make this determination annually and shall notify those municipalities that are ineligible to participate in the tax base sharing program provided in this chapter for the following year. Before making the joint determination, the commissioner of Iron Range resources and rehabilitation shall seek a recommendation from the Iron Range Resources and Rehabilitation Board.

Sec. 5. Minnesota Statutes 2016, section 276A.01, subdivision 17, is amended to read:

Subd. 17. **School fund allocation.** (a) "School fund allocation" means an amount up to 25 percent of the areawide levy certified by the commissioner of Iron Range resources and rehabilitation, after seeking a recommendation from the Iron Range Resources and Rehabilitation Board, to be used for the purposes of the Iron Range school consolidation and cooperatively operated school account under section 298.28, subdivision 7a.

(b) The allocation under paragraph (a) shall only be made after the commissioner of Iron Range resources and rehabilitation, after seeking a recommendation from the Iron Range Resources and Rehabilitation Board, has certified by June 30 that the Iron Range school consolidation and cooperatively operated account has insufficient funds to make payments as authorized under section 298.28, subdivision 7a.

Sec. 6. Minnesota Statutes 2016, section 282.38, subdivision 1, is amended to read:

Subdivision 1. **Development.** In any county where the county board by proper resolution sets aside funds for forest development pursuant to section 282.08, clause (5), item (i), or section 459.06, subdivision 2, the commissioner of Iron Range resources and rehabilitation ~~with the approval of the,~~ after seeking a recommendation from the Iron Range Resources and Rehabilitation Board, may upon request of the county board assist said county in carrying out any project for the long range development of its forest resources through matching of funds or otherwise.

Sec. 7. Minnesota Statutes 2016, section 298.001, subdivision 8, is amended to read:

Subd. 8. **Commissioner.** "Commissioner" means the commissioner of revenue of the state of Minnesota, except that when used in sections 298.22 to 298.227, and 298.291 to 298.298, "commissioner" means the commissioner of Iron Range resources and rehabilitation.

Sec. 8. Minnesota Statutes 2016, section 298.22, subdivision 1, is amended to read:

Subdivision 1. **The Office of the Commissioner of Iron Range Resources and Rehabilitation.** (a) The Office of the Commissioner of Iron Range Resources and Rehabilitation is created as an agency in the executive branch of state government. The governor shall appoint the commissioner

of Iron Range resources and rehabilitation under section 15.06. The commissioner may expend amounts appropriated to the commissioner or the board for projects after submitting the expenditure to the board for a recommendation under subdivision 1a.

(b) The commissioner may hold other positions or appointments that are not incompatible with duties as commissioner of Iron Range resources and rehabilitation. The commissioner may appoint a deputy commissioner. All expenses of the commissioner, including the payment of staff and other assistance as may be necessary, must be paid out of the amounts appropriated by section 298.28 or otherwise made available by law to the commissioner. Notwithstanding chapters 16A, 16B, and 16C, the commissioner may utilize contracting options available under section 471.345 when the commissioner determines it is in the best interest of the agency. The agency is not subject to sections 16E.016 and 16C.05.

(c) When the commissioner determines that distress and unemployment exists or may exist in the future in any county by reason of the removal of natural resources or a possibly limited use of natural resources in the future and any resulting decrease in employment, the commissioner may use whatever amounts of the appropriation made to the commissioner of revenue in section 298.28 that are determined to be necessary and proper in the development of the remaining resources of the county and in the vocational training and rehabilitation of its residents, except that the amount needed to cover cost overruns awarded to a contractor by an arbitrator in relation to a contract awarded by the commissioner or in effect after July 1, 1985, is appropriated from the general fund. For the purposes of this section, "development of remaining resources" includes, but is not limited to, the promotion of tourism.

Sec. 9. Minnesota Statutes 2016, section 298.22, subdivision 1a, is amended to read:

Subd. 1a. **Iron Range Resources and Rehabilitation Board.** The Iron Range Resources and Rehabilitation Board consists of the state senators and representatives elected from state senatorial or legislative districts in which one-third or more of the residents reside in a taconite assistance area as defined in section 273.1341. One additional state senator shall also be appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration. All expenditures and projects made by the commissioner shall first be submitted to the board ~~for approval.~~ The board shall recommend approval or disapproval or modification of the expenditures and projects. The expenses of the board shall be paid by the state from the funds raised pursuant to this section. Members of the board may be reimbursed for expenses in the manner provided in sections 3.099, subdivision 1, and 3.101, and may receive per diem payments during the interims between legislative sessions in the manner provided in section 3.099, subdivision 1.

The members shall be appointed in January of every odd-numbered year, and shall serve until January of the next odd-numbered year. Vacancies on the board shall be filled in the same manner as original members were chosen.

Sec. 10. Minnesota Statutes 2016, section 298.22, subdivision 5a, is amended to read:

Subd. 5a. **Forest trust.** The commissioner, ~~upon approval by~~ after requesting a recommendation from the board, may purchase forest lands in the taconite assistance area defined in under section 273.1341 with funds specifically authorized for the purchase. The acquired forest lands must be held in trust for the benefit of the citizens of the taconite assistance area as the Iron Range Miners'



Memorial Forest. The forest trust lands shall be managed and developed for recreation and economic development purposes. The commissioner, ~~upon approval by~~ after requesting a recommendation from the board, may sell forest lands purchased under this subdivision if the ~~board finds~~ commissioner determines that the sale advances the purposes of the trust. Proceeds derived from the management or sale of the lands and from the sale of timber or removal of gravel or other minerals from these forest lands shall be deposited into an Iron Range Miners' Memorial Forest account that is established within the state financial accounts. Funds may be expended from the account ~~upon approval by~~ after the commissioner has sought a recommendation from the board, to purchase, manage, administer, convey interests in, and improve the forest lands. ~~With approval by~~ After the commissioner has sought a recommendation from the board, money in the Iron Range Miners' Memorial Forest account may be transferred into the corpus of the Douglas J. Johnson economic protection trust fund established under sections 298.291 to 298.294. The property acquired under the authority granted by this subdivision and income derived from the property or the operation or management of the property are exempt from taxation by the state or its political subdivisions while held by the forest trust.

Sec. 11. Minnesota Statutes 2016, section 298.22, subdivision 6, is amended to read:

Subd. 6. **Private entity participation.** After seeking a recommendation from the board, the commissioner may acquire an equity interest in any project for which ~~the commissioner~~ provides funding. The commissioner may establish, participate in the management of, and dispose of the assets of charitable foundations, nonprofit limited liability companies, and nonprofit corporations associated with any project for which it provides funding, including specifically, but without limitation, a corporation within the meaning of section 317A.011, subdivision 6.

Sec. 12. Minnesota Statutes 2016, section 298.22, subdivision 8, is amended to read:

Subd. 8. **Spending priority.** In making or ~~approving~~ recommending any expenditures on programs or projects, the commissioner and the board shall give the highest priority to programs and projects that target relief to those areas of the taconite assistance area as defined in section 273.1341, that have the largest percentages of job losses and population losses directly attributable to the economic downturn in the taconite industry since the 1980s. The commissioner and the board shall compare the 1980 population and employment figures with the 2000 population and employment figures, and shall specifically consider the job losses in 2000 and 2001 resulting from the closure of LTV Steel Mining Company, in making or ~~approving~~ recommending expenditures consistent with this subdivision, as well as the areas of residence of persons who suffered job loss for which relief is to be targeted under this subdivision. The commissioner may lease, for a term not exceeding 50 years and upon the terms determined by the commissioner ~~and approved~~ after seeking review by the board, surface and mineral interests owned or acquired by the state of Minnesota acting by and through the office of the commissioner of Iron Range resources and rehabilitation within those portions of the taconite assistance area affected by the closure of the LTV Steel Mining Company facility near Hoyt Lakes. The payments and royalties from these leases must be deposited into the fund established in section 298.292. This subdivision supersedes any other conflicting provisions of law and does not preclude the commissioner ~~and the board~~ from making expenditures for programs and projects in other areas after seeking review by the board.

Sec. 13. Minnesota Statutes 2016, section 298.22, subdivision 10, is amended to read:

Subd. 10. **Sale or privatization of functions.** The commissioner of Iron Range resources and rehabilitation may not sell or privatize the Ironworld Discovery Center or Giants Ridge Golf and Ski Resort without ~~prior approval by~~ first seeking a recommendation from the board.

Sec. 14. Minnesota Statutes 2016, section 298.22, subdivision 11, is amended to read:

Subd. 11. **Budgeting.** The commissioner of Iron Range resources and rehabilitation shall annually prepare a budget for operational expenditures, programs, and projects, and submit it to the Iron Range Resources and Rehabilitation Board for a recommendation. After the budget is approved by ~~the board and~~ the governor, the commissioner may spend money in accordance with the approved budget.

Sec. 15. Minnesota Statutes 2016, section 298.221, is amended to read:

**298.221 RECEIPTS FROM CONTRACTS; APPROPRIATION.**

(a) Except as provided in paragraph (c), all money paid to the state of Minnesota pursuant to the terms of any contract entered into by the state under authority of section 298.22 and any fees which may, in the discretion of the commissioner of Iron Range resources and rehabilitation, be charged in connection with any project pursuant to that section as amended, shall be deposited in the state treasury to the credit of the Iron Range Resources and Rehabilitation Board account in the special revenue fund and are hereby appropriated for the purposes of section 298.22.

(b) Notwithstanding section 16A.013, merchandise may be accepted by the commissioner of the Iron Range Resources and Rehabilitation Board for payment of advertising contracts if the commissioner determines that the merchandise can be used for special event prizes or mementos at facilities operated by the board. Nothing in this paragraph authorizes the commissioner or a member of the board to receive merchandise for personal use.

(c) All fees charged by the commissioner in connection with public use of the state-owned ski and golf facilities at the Giants Ridge Recreation Area and all other revenues derived by the commissioner from the operation or lease of those facilities and from the lease, sale, or other disposition of undeveloped lands at the Giants Ridge Recreation Area must be deposited into an Iron Range Resources and Rehabilitation Board account that is created within the state enterprise fund. All funds deposited in the enterprise fund account are appropriated to the commissioner to be expended, ~~subject to approval by~~ after seeking a recommendation from the board, as follows:

(1) to pay costs associated with the construction, equipping, operation, repair, or improvement of the Giants Ridge Recreation Area facilities or lands;

(2) to pay principal, interest and associated bond issuance, reserve, and servicing costs associated with the financing of the facilities; and

(3) to pay the costs of any other project authorized under section 298.22.

Sec. 16. Minnesota Statutes 2016, section 298.2211, subdivision 3, is amended to read:

Subd. 3. **Project approval.** All projects authorized by this section shall be submitted by the commissioner to the Iron Range Resources and Rehabilitation Board for ~~approval by~~ a

recommendation from the board. Prior to the commencement of a project involving the exercise by the commissioner of any authority of sections 469.174 to 469.179, the governing body of each municipality in which any part of the project is located and the county board of any county containing portions of the project not located in an incorporated area shall by majority vote approve or disapprove the project. Any project approved by the ~~board~~ commissioner and the applicable governing bodies, if any, together with detailed information concerning the project, its costs, the sources of its funding, and the amount of any bonded indebtedness to be incurred in connection with the project, shall be transmitted to the governor, who shall approve, disapprove, or return the proposal for additional consideration within 30 days of receipt. No project authorized under this section shall be undertaken, and no obligations shall be issued and no tax increments shall be expended for a project authorized under this section until the project has been approved by the governor.

Sec. 17. Minnesota Statutes 2016, section 298.2213, subdivision 4, is amended to read:

Subd. 4. **Project approval.** After seeking a recommendation from the board and, the commissioner shall by August 1 each year prepare a list of projects to be funded from the money appropriated in this section with necessary supporting information including descriptions of the projects, plans, and cost estimates. A project must not be approved by the ~~board~~ commissioner unless ~~the commissioner finds that:~~

(1) the project will materially assist, directly or indirectly, the creation of additional long-term employment opportunities;

(2) the prospective benefits of the expenditure exceed the anticipated costs; and

(3) in the case of assistance to private enterprise, the project will serve a sound business purpose.

Each project must be approved by the ~~board and the~~ commissioner of Iron Range resources and rehabilitation. The list of projects must be submitted to the governor, who shall, by November 15 of each year, approve, disapprove, or return for further consideration, each project. The money for a project may be spent only upon approval of the project by the governor. The ~~board~~ commissioner may submit supplemental projects for approval at any time, after seeking a recommendation from the board.

Sec. 18. Minnesota Statutes 2016, section 298.2213, subdivision 5, is amended to read:

Subd. 5. **Advisory committees.** ~~Before submission to the board of a proposal for a project for expenditure of money appropriated under this section,~~ The commissioner of Iron Range resources and rehabilitation shall appoint a technical advisory committee consisting of at least seven persons who are knowledgeable in areas related to the objectives of the proposal. If the project involves investment in a scientific research proposal, at least four of the committee members must be knowledgeable in the specific scientific research area relating to the project. Members of the committees must be compensated as provided in section 15.059, subdivision 3. The ~~board~~ commissioner shall not act on a proposal for a request for expenditure of money appropriated under this section until it has received the commissioner has sought review from the board of the evaluation and recommendations of the technical advisory committee.

Sec. 19. Minnesota Statutes 2016, section 298.2213, subdivision 6, is amended to read:

Subd. 6. **Use of repayments and earnings.** Principal and interest received in repayment of loans made under this section must be deposited in the ~~state treasury and are appropriated to the board for the purposes of this section~~ northeast Minnesota economic development fund account in the special revenue fund in the state treasury. The commissioner of Iron Range resources and rehabilitation must seek a recommendation from the Iron Range Resources and Rehabilitation Board for any use of funds appropriated under this section.

Sec. 20. Minnesota Statutes 2016, section 298.223, subdivision 1, is amended to read:

Subdivision 1. **Creation; purposes.** A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within the taconite assistance area defined in section 273.1341, that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(1) to initiate investigations into matters the Iron Range Resources and Rehabilitation Board determines are in need of study and which will determine the environmental problems requiring remedial action;

(2) reclamation, restoration, or reforestation of mine lands not otherwise provided for by state law;

(3) local economic development projects but only if those projects are approved by the commissioner after seeking a recommendation of the projects from the board, and public works, including construction of sewer and water systems located within the taconite assistance area defined in section 273.1341;

(4) monitoring of mineral industry related health problems among mining employees; and

(5) local public works projects under section 298.227, paragraph (c).

Sec. 21. Minnesota Statutes 2016, section 298.223, subdivision 2, is amended to read:

Subd. 2. **Administration.** (a) The taconite area environmental protection fund shall be administered by the commissioner of the Iron Range Resources and Rehabilitation Board. The commissioner shall by September 1 of each year submit to the board a list of projects to be funded from the taconite area environmental protection fund, with such supporting information including description of the projects, plans, and cost estimates as may be necessary.

(b) Each year no less than one-half of the amounts deposited into the taconite environmental protection fund must be used for public works projects, including construction of sewer and water systems, as specified under subdivision 1, clause (3). After seeking a recommendation from the Iron Range Resources and Rehabilitation Board, the commissioner may waive the requirements of this paragraph.

(c) ~~Upon approval by the board,~~ The list of projects approved by the commissioner under this subdivision, after the commissioner has sought review of the projects by the board, shall be submitted to the governor by November 1 of each year. By December 1 of each year, the governor shall approve

or disapprove, or return for further consideration, each project. Funds for a project may be expended only upon approval of the project by the ~~board~~ commissioner and the governor. The commissioner may submit supplemental projects ~~to the board and for approval from the governor for approval~~ after seeking review of the supplemental projects from the board at any time.

Sec. 22. Minnesota Statutes 2016, section 298.227, is amended to read:

**298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

(a) An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the Iron Range Resources and Rehabilitation Board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The District 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for workforce development and associated public facility improvement, or for acquisition of plant and stationary mining equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure equal to the amount of the distribution to be used for the same purpose beginning with distributions in 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 commissioner, after seeking a recommendation from 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 commissioner, after seeking a recommendation from 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 commissioner of Iron Range resources and rehabilitation, after seeking a recommendation from 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.

Sec. 23. Minnesota Statutes 2016, section 298.28, subdivision 7a, is amended to read:

Subd. 7a. **Iron Range school consolidation and cooperatively operated school account.** (a) The following amounts must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in the Iron Range school consolidation and cooperatively operated school account that is hereby created:

(1)(i) for distributions in 2015 through 2023, ten cents per taxable ton of the tax imposed under section 298.24; and

(ii) for distributions beginning in 2024, five cents per taxable ton of the tax imposed under section 298.24;

(2) the amount as determined under section 298.17, paragraph (b), clause (3);

(3)(i) for distributions in 2015, an amount equal to two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund;

(ii) for distributions in 2016, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for distribution years 2015 and 2016, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund; and

(iii) for distributions in 2017, an amount equal to two-thirds of the sum of the increased tax proceeds attributable to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, for distribution years 2015, 2016, and 2017, with the remaining one-third to be distributed to the Douglas J. Johnson economic protection trust fund; and

(4) any other amount as provided by law.

(b) Expenditures from this account may be approved as ongoing annual expenditures and shall be made only to provide disbursements to assist school districts with the payment of bonds that were issued for qualified school projects, or for any other school disbursement as approved by the commissioner of Iron Range resources and rehabilitation after the commissioner of Iron Range resources and rehabilitation has sought review of the expenditures by the Iron Range Resources and Rehabilitation Board. For purposes of this section, "qualified school projects" means school projects within the taconite assistance area as defined in section 273.1341, that were (1) approved, by referendum, after April 3, 2006; and (2) approved by the commissioner of education pursuant to section 123B.71.

(c) Beginning in fiscal year 2019, the disbursement to school districts for payments for bonds issued under section 123A.482, subdivision 9, must be increased each year to offset any reduction in debt service equalization aid that the school district qualifies for in that year, under section 123B.53, subdivision 6, compared with the amount the school district qualified for in fiscal year 2018.

(d) No expenditure under this section shall be made unless approved by ~~seven members of the~~ commissioner of Iron Range resources and rehabilitation after seeking review of the expenditure from the Iron Range Resources and Rehabilitation Board.

Sec. 24. Minnesota Statutes 2016, section 298.28, subdivision 9d, is amended to read:

Subd. 9d. **Iron Range higher education account.** Five cents per taxable ton must be allocated to the Iron Range Resources and Rehabilitation Board to be deposited in an Iron Range higher education account that is hereby created, to be used for higher education programs conducted at educational institutions in the taconite assistance area defined in section 273.1341. The Iron Range Higher Education committee under section 298.2214, and the ~~Iron Range Resources and Rehabilitation Board~~ commissioner of Iron Range resources and rehabilitation must approve all expenditures from the account, after seeking review and recommendation of the expenditures from the Iron Range Resources and Rehabilitation Board.

Sec. 25. Minnesota Statutes 2016, section 298.292, subdivision 2, is amended to read:

Subd. 2. **Use of money.** Money in the Douglas J. Johnson economic protection trust fund may be used for the following purposes:

(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan to a private enterprise shall be no less than the lesser of eight percent or an interest rate three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved;

(2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211;

(3) to pay in periodic payments or in a lump-sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources;

(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the Douglas J. Johnson economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related to the entity in which the investment is made or to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the limitations under this clause, the amount of investments made by an investor other than the Douglas J. Johnson economic protection trust fund is the sum of all investments made in the venture capital fund or enterprise during the period beginning one year before the date of the investment by the Douglas J. Johnson economic protection trust fund; and

(5) to purchase forest land in the taconite assistance area defined in section 273.1341 to be held and managed as a public trust for the benefit of the area for the purposes authorized in section 298.22, subdivision 5a. Property purchased under this section may be sold by the commissioner ~~upon approval by~~ after seeking a recommendation from the board. The net proceeds must be deposited in the trust fund for the purposes and uses of this section.

Money from the trust fund shall be expended only in or for the benefit of the taconite assistance area defined in section 273.1341.

Sec. 26. Minnesota Statutes 2016, section 298.296, subdivision 1, is amended to read:

Subdivision 1. **Project approval.** (a) The commissioner of Iron Range resources and rehabilitation, after seeking a recommendation from the board and commissioner, shall by August 1 of each year prepare a list of projects to be funded from the Douglas J. Johnson economic protection trust with necessary supporting information including description of the projects, plans, and cost estimates. These projects shall be consistent with the priorities established in section 298.292 and shall not be approved by the ~~board commissioner~~ unless if the commissioner, after seeking a recommendation from the board, finds that:

(~~a~~) (1) the project will materially assist, directly or indirectly, the creation of additional long-term employment opportunities;

(~~b~~) (2) the prospective benefits of the expenditure exceed the anticipated costs; and

(~~c~~) (3) in the case of assistance to private enterprise, the project will serve a sound business purpose.



(b) Each project must be approved by ~~over one-half of all of the members of the board~~ and the commissioner of Iron Range resources and rehabilitation after seeking a recommendation from the board for the project. The list of projects shall be submitted to the governor, who shall, by November 15 of each year, approve or disapprove, or return for further consideration, each project. The money for a project may be expended only upon approval of the project by the governor. The ~~board~~ commissioner may submit a supplemental ~~projects~~ project for approval at any time after seeking a recommendation for the project from the board.

Sec. 27. Minnesota Statutes 2016, section 298.296, subdivision 2, is amended to read:

Subd. 2. **Expenditure of funds.** (a) Before January 1, 2028, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust.

(b) Additionally, upon recommendation by the commissioner after seeking a recommendation from the board, up to \$13,000,000 from the corpus of the trust may be made available for use as provided in subdivision 4, and up to \$10,000,000 from the corpus of the trust may be made available for use as provided in section 298.2961.

(c) Additionally, an amount equal to 20 percent of the value of the corpus of the trust on May 18, 2002, not including the funds authorized in paragraph (b), plus the amounts made available under section 298.28, subdivision 4, and Laws 2002, chapter 377, article 8, section 17, may be expended on projects. Funds may be expended for projects under this paragraph only if the project:

(1) is for the purposes established under section 298.292, subdivision 1, clause (1) or (2); and

(2) is approved by ~~two-thirds of all of the members of~~ the commissioner after seeking a recommendation from the board.

No money made available under this paragraph or paragraph (d) can be used for administrative or operating expenses of the Iron Range Resources and Rehabilitation Board or expenses relating to any facilities owned or operated by the board on May 18, 2002.

(d) Upon recommendation by ~~a unanimous vote of all members~~ the commissioner after seeking a unanimous recommendation of the board, amounts in addition to those authorized under paragraphs (a), (b), and (c) may be expended on projects described in section 298.292, subdivision 1.

(e) Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

(f) Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be

deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

(g) Additionally, notwithstanding section 298.293, upon the approval of the commissioner of Iron Range resources and rehabilitation, after seeking a recommendation from the board, money from the corpus of the trust may be expanded to purchase forest lands within the taconite assistance area as provided in sections 298.22, subdivision 5a, and 298.292, subdivision 2, clause (5).

Sec. 28. Minnesota Statutes 2016, section 298.296, subdivision 4, is amended to read:

Subd. 4. **Temporary loan authority.** (a) After seeking a recommendation from the board, the commissioner of Iron Range resources and rehabilitation may ~~recommend that~~ use up to \$7,500,000 from the corpus of the trust may be used for loans, loan guarantees, grants, or equity investments as provided in this subdivision. The money would be available for loans for construction and equipping of facilities constituting (1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent; or (2) a new mine or minerals processing plant for any mineral subject to the net proceeds tax imposed under section 298.015. A loan or loan guarantee under this paragraph may not exceed \$5,000,000 for any facility.

(b) Additionally, ~~the board~~ the commissioner of Iron Range resources and rehabilitation must reserve the first \$2,000,000 of the net interest, dividends, and earnings arising from the investment of the trust after June 30, 1996, to be used for grants, loans, loan guarantees, or equity investments for the purposes set forth in paragraph (a). This amount must be reserved until it is used as described in this subdivision.

(c) Additionally, ~~the board~~ the commissioner may recommend that up to \$5,500,000 from the corpus of the trust may be used for additional grants, loans, loan guarantees, or equity investments for the purposes set forth in paragraph (a).

(d) The commissioner of Iron Range resources and rehabilitation, after seeking a recommendation from the board, may require that ~~it~~ the board receive an equity percentage in any project to which it contributes under this section.

Sec. 29. Minnesota Statutes 2016, section 298.2961, subdivision 2, is amended to read:

Subd. 2. **Projects; approval.** (a) Projects funded must be for:

(1) environmentally unique reclamation projects; or

(2) pit or plant repairs, expansions, or modernizations other than for a value added iron products plant.

(b) ~~To be proposed by the board, a project must be approved by~~ Before the commissioner may propose a project, the commissioner must seek a recommendation from the board. The money for a project may be spent only upon approval of the project by the governor. ~~The board commissioner may submit a supplemental projects project for approval at any time after seeking a recommendation for the project from the board.~~

(c) The ~~board~~ commissioner may require that ~~the board~~ receive an equity percentage in any project to which it contributes under this section.

Sec. 30. Minnesota Statutes 2016, section 298.2961, subdivision 4, is amended to read:

Subd. 4. **Grant and loan fund.** (a) A fund is established to receive distributions under section 298.28, subdivision 9b, and to make grants or loans as provided in this subdivision. Any grant or loan made under this subdivision must first be approved by the commissioner after seeking a recommendation from the board, established under section 298.22.

(b) All distributions received in 2009 and subsequent years are allocated for projects under section 298.223, subdivision 1.

Sec. 31. Minnesota Statutes 2016, section 298.298, is amended to read:

#### **298.298 LONG-RANGE PLAN.**

Consistent with the policy established in sections 298.291 to 298.298, the Iron Range Resources and Rehabilitation Board shall prepare and present to the governor and the legislature by December 31, 2006, a long-range plan for the use of the Douglas J. Johnson economic protection trust fund for the economic development and diversification of the taconite assistance area defined in section 273.1341. No project shall be approved recommended by the Iron Range Resources and Rehabilitation Board which if the board finds that the project is not consistent with the goals and objectives established in the long-range plan.

Sec. 32. Minnesota Statutes 2016, section 298.46, subdivision 2, is amended to read:

Subd. 2. **Unmined iron ore; valuation petition.** When in the opinion of the duly constituted authorities of a taxing district there are in existence reserves of unmined iron ore located in such district, these authorities may petition the commissioner of Iron Range resources and rehabilitation Board for authority to petition the county assessor to verify the existence of such reserves and to ascertain the value thereof by drilling in a manner consistent with established engineering and geological exploration methods, in order that such taxing district may be able to forecast in a proper manner its future economic and fiscal potentials. The commissioner of Iron Range resources and rehabilitation may grant the authority to petition after seeking a recommendation from the Iron Range Resources and Rehabilitation Board.

#### **Sec. 33. IRON RANGE RESOURCES AND REHABILITATION BOARD; EARLY SEPARATION INCENTIVE PROGRAM AUTHORIZATION.**

(a) "Commissioner" as used in this section means the commissioner of the Iron Range Resources and Rehabilitation Board unless otherwise specified.

(b) Notwithstanding any law to the contrary, the commissioner, in consultation with the commissioner of management and budget, shall offer a targeted early separation incentive program for employees of the commissioner who have attained the age of 60 years or who have received credit for at least 30 years of allowable service under the provisions of Minnesota Statutes, chapter 352. The commissioner shall also offer a targeted separation incentive program for employees of

the commissioner whose positions are in support of operations at Giants Ridge and will be eliminated if the agency no longer directly manages Giants Ridge operations.

(c) The early separation incentive program may include one or more of the following:

(1) employer-paid postseparation health, medical, and dental insurance until age 65; and

(2) cash incentives that may, but are not required to be, used to purchase additional years of service credit through the Minnesota State Retirement System, to the extent that the purchases are otherwise authorized by law.

(d) The commissioner shall establish eligibility requirements for employees to receive an incentive.

(e) The commissioner, consistent with the established program provisions under paragraph (b), and with the eligibility requirements under paragraph (f), may designate specific programs or employees as eligible to be offered the incentive program.

(f) Acceptance of the offered incentive must be voluntary on the part of the employee and must be in writing. The incentive may only be offered at the sole discretion of the commissioner.

(g) The cost of the incentive is payable solely by funds made available to the commissioner by law, but only on prior approval of the expenditures by the commissioner, after seeking a recommendation from the Iron Range Resources and Rehabilitation Board.

(h) Unilateral implementation of this section by the commissioner is not an unfair labor practice under Minnesota Statutes, chapter 179A.

**EFFECTIVE DATE.** This section is effective the day following final enactment. This section is repealed July 30, 2018.

Sec. 34. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall identify and propose necessary changes to Minnesota Statutes and Minnesota Rules that are consistent with the goals of this act to (i) transfer discretionary approval authority for all expenditures and projects from the Iron Range Resources and Rehabilitation Board to the commissioner of Iron Range resources and rehabilitation, and (ii) provide that the commissioner must, in good faith, seek the review and recommendation of the board, as required, before exercising approval authority. The revisor shall submit the proposal, in a form ready for introduction, during the 2017 regular legislative session to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over taxes.

## ARTICLE 11

### SUSTAINABLE FOREST INCENTIVE ACT MODIFICATIONS

Section 1. Minnesota Statutes 2016, section 290C.01, is amended to read:

#### **290C.01 PURPOSE.**

It is the policy of this state to promote sustainable forest resource management on the state's public and private lands. ~~Recognizing that The state's private forests comprise approximately one-half of the state forest land resources, that healthy and robust forest land provides significant benefits to the state of Minnesota, and that ad.~~ These forests play a critical role in protecting water quality and soil resources, and provide extensive wildlife habitat, diverse recreational experiences, and significant forest products that support the state's economy. Ad valorem property taxes represent a significant annual cost that can discourage long-term forest management investments. In order to foster silviculture investments and retain these forests for their economic and ecological benefits, this chapter, hereafter referred to as the "Sustainable Forest Incentive Act," is enacted to encourage the state's private forest landowners to make a long-term commitment to sustainable forest management.

Sec. 2. Minnesota Statutes 2016, section 290C.02, subdivision 1, is amended to read:

Subdivision 1. **Application.** When used in sections 290C.01 to ~~290C.11~~ 290C.13, the terms in this section have the meanings given them.

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

Sec. 3. Minnesota Statutes 2016, section 290C.02, subdivision 3, is amended to read:

Subd. 3. **Claimant.** (a) "Claimant" means:

(1) a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act;

(2) a purchaser or grantee if property enrolled in the program was sold or transferred after the original application was filed and prior to the annual incentive payment being made; or

(3) an owner of land previously covered by an auxiliary forest contract that automatically qualifies for inclusion in the Sustainable Forest Incentive Act program pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2.

~~The purchaser or grantee must notify the commissioner in writing of the sale or transfer of the property.~~ (b) Owners of land that qualifies for inclusion pursuant to section 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing of the expiration of the auxiliary forest contract or land trade with a governmental unit and submit an application to the commissioner by ~~August 15~~ July 1 in order to be eligible to receive a payment by October 1 of that same year. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04.

~~(b)~~ (c) No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person is eligible to claim the payments provided under sections 290C.01 to ~~290C.11~~ 290C.13. In the case of property sold or transferred, the former owner and the purchaser or grantee must determine between them which person is eligible to claim the payments provided under sections 290C.01 to ~~290C.11~~ 290C.13. The owners, transferees, or grantees must notify the commissioner in writing which person is eligible to claim the payments.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2018 and thereafter.

Sec. 4. Minnesota Statutes 2016, 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.14~~ 209C.13, 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, (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)~~ (iv) land improved with a structure;<sub>2</sub> pavement, other than a paved trail under easement, lease, or terminable license to the state of Minnesota or a political subdivision; sewer;<sub>2</sub> campsite;<sub>2</sub> 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 applications made in 2018 and thereafter.

Sec. 5. Minnesota Statutes 2016, 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 or enrolling any land that is subject to a conservation easement funded under section 97A.056, or a comparable permanent easement conveyed to a governmental or nonprofit entity 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;

(7) the claimant has registered the forest management plan under clause (2) with the commissioner of natural resources, who has determined that the land meets qualifications for enrollment; and

(8) no portion of the parcel containing the enrolled land is classified as class 2c managed forest land.

(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.

(c) The commissioner of natural resources shall annually provide county assessors verification information regarding plan registration under paragraph (a), clause (7), on a timely basis.

(d) A minimum of three acres must be excluded from enrolled land when the land is improved with a structure that is not a minor, ancillary, and nonresidential structure.

(e) If land does not meet the definition of forest land in section 290C.02, subdivision 6, because the land is:

(1) enrolled in a state or federal conservation reserve or easement program under sections 103F.501 to 103F.531;

(2) subject to the Minnesota agricultural property tax under section 273.111; or

(3) subject to agricultural land preservation controls or restrictions as defined in section 40A.02, or the Metropolitan Agricultural Preserves Act under chapter 473H, the entire tax parcel that contains the land is not eligible to be enrolled in the program.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2018 and thereafter.

Sec. 6. Minnesota Statutes 2016, section 290C.04, is amended to read:

**290C.04 APPLICATIONS.**

(a) A landowner may apply to enroll forest land for the sustainable forest incentive program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by ~~September 30~~ October 31 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the ~~commissioner~~ commissioners of revenue and natural resources and must include the information the ~~commissioner deems~~ commissioners deem necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the claimant's Social Security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, ~~and~~ (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter, and (viii) a registration number for the forest management plan, issued by the commissioner of natural resources. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years unless the claimant requests termination of the covenant after a reduction in payments due to changes in the payment formula under section 290C.07 or as a result of executive action, the amount of payment a claimant is eligible to receive under section 290C.07 is reduced or limited. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land. The commissioner of natural resources shall record the area eligible for enrollment into the Sustainable Forest Incentive Act as electronic geospatial data, as defined in section 16E.30, subdivision 10.

(b) The commissioner shall provide by electronic means data sufficient for the commissioner of natural resources to determine whether the applicant qualifies for enrollment. The commissioner must make the data available within 30 days of receipt of the application filed by the claimant or by October 1, whichever is sooner. The commissioner of natural resources must notify the commissioner whether the applicant qualifies for enrollment within 30 days of the data being available, and if the applicant qualifies for enrollment, the commissioner of natural resources shall specify the number of qualifying acres per tax parcel.

~~(b) In all cases,~~ (c) The commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section 290C.13.

~~(c)~~ (d) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

~~(d)~~ (e) The Social Security numbers collected from individuals under this section are private data as provided in section 13.355. The federal business tax registration number and date of birth data collected under this section are also private data on individuals or nonpublic data, as defined in section 13.02, subdivisions 9 and 12, but may be shared with county assessors for purposes of



tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2018 and thereafter.

Sec. 7. Minnesota Statutes 2016, section 290C.05, is amended to read:

**290C.05 ANNUAL CERTIFICATION AND MONITORING.**

(a) On or before ~~July 1~~ May 15 of each year, beginning with the year after the original claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. For purposes of this section, the original claimant is the person that filed the first application under section 290C.04 to enroll the land in the program current property owner on record, or the person designated by the owners in the case of multiple ownership. The claimant must sign and return the certification, attesting to the commissioner by July 1 of that same year, and (1) attest that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year (2) provide a report in the form and manner determined by the commissioner of natural resources describing the management practices that have been carried out on the enrolled property during the prior year. If the claimant does not return an annual certification form by the due date, the provisions in section 290C.11 apply. The commissioner of natural resources must verify that the claimant meets program requirements.

(b) The commissioner must provide the certification form and annual report described in paragraph (a), clause (2), to the commissioner of natural resources by August 1.

(c) The commissioner of natural resources must conduct annual monitoring of a subset of claimants, excluding land also enrolled in a conservation easement program. Claimants will be selected for monitoring based on reported violations, annual certification, and random selections. Monitoring will be conducted on ten percent of claimants as of July 1 of each year. Monitoring may include, but is not limited to, a site visit by a Department of Natural Resources or contracted forester. The commissioner of natural resources must develop a monitoring form to record the monitoring data.

**EFFECTIVE DATE.** Paragraphs (a) and (b) are effective for certifications and applications due in 2018 and thereafter. Paragraph (c) is effective July 1, 2019.

Sec. 8. Minnesota Statutes 2016, section 290C.055, is amended to read:

**290C.055 LENGTH OF COVENANT.**

(a) ~~The covenant remains in effect for a minimum of eight years.~~ Claimants enrolling any land that is subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity must enroll their land under a covenant with a minimum duration of eight years. All other claimants may choose to enroll their land under a covenant with a minimum duration of eight, 20, or 50 years. ~~If land is removed the claimant requests removal of land~~ from the program before it has been enrolled for ~~four years~~ one-half the

number of years of the covenant's duration, the covenant remains in effect for ~~eight years~~ the entire duration of the covenant from the date recorded.

(b) If land that has been enrolled for ~~four years~~ one-half the number of years of the covenant's minimum duration 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, 11th, or 26th calendar year for the eight-, 20-, or 50-year minimum covenant, respectively, 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~~ (i) if there is a reduction in payments due to changes in the payment formula under section 290C.07; or (ii) if, as a result of executive action, the amount of payment a claimant is eligible to receive under section 290C.07 is reduced or limited.

**EFFECTIVE DATE.** This section is effective for certifications and applications in 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, 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 for each acre of enrolled land, excluding any acre improved with a paved trail under easement, lease, or terminable license to the state of Minnesota or a political subdivision. The payment shall equal \$7 per acre for each acre enrolled in the sustainable forest incentive program, a percentage of the property tax that would be paid on the land determined by using the previous year's statewide average total tax rate for all taxes levied within townships and unorganized territories, the estimated market value per acre as calculated in section 290C.06, and a class rate of one percent as follows: (1) for claimants enrolling land that is subject to a conservation easement funded under section 97A.056 or a comparable permanent easement conveyed to a governmental or nonprofit entity before May 31, 2013, 25 percent; (2) for claimants enrolling land that is not subject to a conservation easement under an eight-year covenant, 65 percent; (3) for claimants enrolling land that is not subject to a conservation easement under a 20-year covenant, 90 percent; and (4) for claimants enrolling land that is not subject to a conservation easement under a 50-year covenant, 115 percent.

(b) The calculated payment shall not be less than the payment received in 2017 and shall not increase or decrease by more than ten percent relative to the payment received for the previous year.

(c) In addition to the payments provided under this section, a claimant enrolling more than 1,920 acres shall be allowed an additional payment per acre equal to the amount prescribed in paragraph (a), clause (1), for all acres of enrolled land on which public access is allowed, as required under section 290C.03, paragraph (a), clause (6), excluding any land subject to a conservation easement funded under section 97A.056, or a permanent easement conveyed to a governmental or nonprofit entity that is required to allow for public access under section 290C.03, paragraph (a), clause (6).

**EFFECTIVE DATE.** This section is effective for calculations made in 2018 and thereafter.

Sec. 10. Minnesota Statutes 2016, section 290C.08, subdivision 1, is amended to read:

Subdivision 1. **Annual payment.** An incentive payment for each acre of enrolled land will be made annually to each claimant in the amount determined under section 290C.07. By September 15 of each year, the commissioner of natural resources will certify to the commissioner the eligibility of each claimant to receive a payment. The incentive payment shall be paid by the commissioner on or before October 1 each year based on the certifications due ~~August 15~~ July 1 of that year. Interest at the annual rate determined under section 270C.40 shall be included with any incentive payment not paid by the later of October 1 of the year the certification was due, or 45 days after the completed certification was returned or filed if the commissioner accepts a certification filed after ~~August 15~~ July 1 of the taxes payable year as the resolution of an appeal.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2018 and thereafter.

Sec. 11. Minnesota Statutes 2016, section 290C.10, is amended to read:

#### **290C.10 WITHDRAWAL PROCEDURES.**

~~An approved claimant~~ (a) The current owner of land enrolled under the sustainable forest incentive program for a minimum of ~~four years~~ one-half the number of years of the covenant's minimum duration may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth, 11th, or 26th calendar year for the eight-, 20-, or 50-year respective minimum covenant that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the land's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

(b) Notwithstanding paragraph (a), on request of the claimant, the commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty when the state of Minnesota, any local government unit, or any other entity which has the power of eminent domain acquires title or possession to the land for a public purpose ~~notwithstanding the provisions of this section.~~ In the case of ~~such an eligible acquisition under this paragraph,~~ the commissioner shall

execute and acknowledge a document releasing the land acquired by the state, local government unit, or other entity from the covenant.

(c) Notwithstanding paragraph (a), upon request of the claimant, the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty when a government or nonprofit entity acquires a permanent conservation easement on the enrolled property and the conservation easement is at least as restrictive as the covenant required under section 290C.04. The commissioner of natural resources must notify the commissioner of lands acquired under this paragraph that are eligible for withdrawal. In the case of an eligible easement acquisition under this paragraph, the commissioner shall execute and acknowledge a document releasing the land subject to the easement from the covenant.

(d) Notwithstanding paragraph (a), upon request of the claimant, the commissioner shall allow early withdrawal from the Sustainable Forest Incentive Act without penalty for land that is subject to fee or easement acquisition or lease to the state of Minnesota or a political subdivision of the state for the public purpose of a paved trail. The commissioner of natural resources must notify the commissioner of lands acquired under this paragraph that are eligible for withdrawal. In the case of an eligible fee or easement acquisition or lease under this paragraph, the commissioner shall execute and acknowledge a document releasing the land subject to fee or easement acquisition or lease by the state or political subdivision of the state.

(e) All other enrolled land must remain in the program.

**EFFECTIVE DATE.** The amendments to paragraphs (c) and (d) are effective the day following final enactment. The amendments to paragraphs (a), (b), and (e) are effective for notifications made in 2018 and thereafter.

Sec. 12. **[290C.101] TRANSFER OF OWNERSHIP.**

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

(b) "New owner" means a prospective purchaser or grantee.

(c) "Owner" means a grantor or seller.

Subd. 2. **Notification to commissioner.** (a) An owner must notify the commissioner if the owner transfers any or all of the owner's land enrolled in the sustainable forest incentive program to one or more new owners within 60 days of the transfer of title to the property. The notification must include the legal descriptions of the transferred property, the tax parcel numbers, and the name and address of the new owner. If transfer of ownership is a result of the death of the claimant, the provisions of section 290C.12 shall apply.

(b) Upon notification, the commissioner shall inform the new owner of the restrictions of the covenant required by section 290C.04 and the withdrawal procedures under section 290C.10. In order for the new owner to receive payments pursuant to this chapter, the new owner must file an application and register a new forest management plan with the commissioner of natural resources within two years from the date the title of the property was transferred to remain eligible.

Subd. 3. **Termination of enrollment.** The commissioner will terminate enrollment according to the procedure in section 290C.10 for failure of the new owner to register a forest management plan within the time period in subdivision 2, paragraph (b).

**EFFECTIVE DATE.** This section is effective July 1, 2017.

Sec. 13. Minnesota Statutes 2016, section 290C.11, is amended to read:

**290C.11 PENALTIES FOR REMOVAL.**

(a) If the commissioner determines that land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, or upon notification by the commissioner of natural resources that land enrolled is in violation of the conditions for enrollment, the commissioner shall notify the ~~claimant~~ current owner of the land of the intent to remove all the tax parcel of the enrolled land where the violation has occurred from the sustainable forest incentive program. The penalties described under paragraph (c) apply. The ~~claimant~~ current owner has 60 days to appeal this determination under the provisions of section 290C.13.

(b) If the commissioner determines the land is to be removed from the sustainable forest incentive program due to the construction or addition of an improvement to the property, the ~~claimant~~ owner of the tax parcel that is in violation is liable for payment to the commissioner in the amount equal to: (1) the payments ~~received~~ issued related to the enrolled tax parcel under this chapter for the ~~previous four-year period~~ number of years the land has been bound by covenant, or half the covenant length, whichever is less, plus interest; and (2) 25 percent of the estimated market value of the property as reclassified under section 273.13 due to the structure being on the tax parcel, as determined by the assessor.

(c) If the commissioner of natural resources determines that the land is used for purposes other than forestry purposes, the commissioner of natural resources shall notify the commissioner of revenue, who shall notify the current owner of the tax parcel that is in violation that the current owner is liable to the commissioner in an amount equal to: (1) 30 percent of the estimated market value as property reclassified under section 273.13, due to the change in use, as determined by the assessor; and (2) the payments issued related to the enrolled tax parcel under this chapter for the number of years the land has been bound by covenant, or half the covenant length, whichever is less, plus interest.

(d) The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

**EFFECTIVE DATE.** This section is effective for certifications and applications due in 2018 and thereafter.

Sec. 14. Minnesota Statutes 2016, section 290C.13, subdivision 6, is amended to read:

Subd. 6. **Determination of appeal.** On the basis of applicable law and available information, the commissioner shall determine the validity, if any, in whole or in part, of the appeal and notify the claimant of the decision. This notice must be in writing and contain the basis for the determination.

The commissioner shall consult with the commissioner of natural resources when an appeal relates to the use of the property for forestry or nonforestry purposes and for appeals related to forest management plans.

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

Sec. 15. Laws 2016, chapter 187, section 5, the effective date, is amended to read:

**EFFECTIVE DATE.** This section is effective for orders and notices dated after ~~September 30, 2015~~ December 31, 2017.

**EFFECTIVE DATE.** This section is effective retroactively from September 30, 2015.

Sec. 16. **SUSTAINABLE FOREST INCENTIVE ACT; TRANSITION PROVISION.**

(a) For lands enrolled in the Sustainable Forest Incentive Act on December 31, 2017, the owner of enrolled lands may elect through May 15, 2019, and without penalty, to change the length of a covenant, if eligible, under Minnesota Statutes, section 290C.055. The owner of enrolled land must provide notice to the Department of Revenue of its intent to change the length of its covenant.

(b) For lands enrolled in the Sustainable Forest Incentive Act on May 15, 2016, the owner of enrolled land must comply with the changes made in the act by certifications due in 2018, as required under Minnesota Statutes, section 290C.05.

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

Sec. 17. **ADMINISTRATIVE APPROPRIATION.**

\$600,000 in fiscal year 2017 is appropriated from the general fund to the commissioner of natural resources for administering Minnesota Statutes, chapter 290C, and section 477A.19. The funding base for administering Minnesota Statutes, chapter 290C, and section 477A.19, in fiscal year 2018 and thereafter is \$600,000.

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

Sec. 18. **REPEALER.**

Minnesota Statutes 2016, section 290C.02, subdivisions 5 and 9, are repealed.

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

## ARTICLE 12

### MISCELLANEOUS

Section 1. Minnesota Statutes 2016, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of management and budget determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner

of management and budget must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches \$350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches ~~\$1,596,522,000~~ \$1,930,388,000;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve; and

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, by the same amount.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) The commissioner of management and budget shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

**EFFECTIVE DATE.** This section is effective July 1, 2017.

**Sec. 2. [116J.952] NEW MARKETS GRANT PROGRAM.**

**Subdivision 1. Grant program established.** The commissioner shall award new markets grants for qualified low-income community investments as specified under this section. The commissioner shall adopt rules to establish criteria for determining grant eligibility.

**Subd. 2. Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Applicant" means a qualified community development entity as defined in paragraph (h).

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

(d) "Greater Minnesota" means the area of the state that excludes the metropolitan area, as defined in section 473.121, subdivision 2.

(e) "Internal Revenue Code" has the meaning given in section 290.01, subdivision 31.

(f) "Qualified active low-income community business" has the meaning given in section 45D of the Internal Revenue Code. The term does not include:

(1) any trade or business engaged in insurance, banking, lending, lobbying, political consulting, or leisure; or

(2) any trade or business activity consisting of the operation of any private or commercial golf course, country club, suntan facility, hot tub facility, massage parlor, race track, or other facility used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(g) "Low-income communities" as defined in section 45D of the Internal Revenue Code and applied to any term or requirement used in this section or an incorporated provision of federal law includes the area of any home rule charter or statutory city that:

(1) is located in greater Minnesota;

(2) has a population, as defined in section 477A.011, subdivision 3, of 500 or more; and

(3) has net tax capacity of property, classified as class 3 under section 273.13, of less than \$500 per capita for property taxes assessed in 2015, payable in 2016, including the city's distribution net tax capacity and excluding its contribution net tax capacity under chapter 276A.

(h) "Qualified community development entity" has the meaning given in section 45D of the Internal Revenue Code, provided that the entity has direct lending experience serving businesses in disadvantaged communities in the state and a primary mission of economic development.

(i) "Qualified low-income community investment" means any capital or equity investment in, or loan to, any qualified active low-income community business.

Subd. 3. **Grant awards.** The commissioner shall award grants to qualified community development entities based on a competitive review of applications received by the commissioner using criteria established in subdivision 4.

Subd. 4. **Application.** (a) The commissioner shall develop an application form requiring information necessary to evaluate the benefits to Minnesota from awarding the grants.

(b) Prior to awarding grants to an applicant under this subdivision, the commissioner shall consider the following:

(1) whether the qualified community development entity has demonstrated experience providing capital or technical assistance to disadvantaged businesses or communities in the state;

(2) the extent to which an applicant demonstrates direct experience in asset and risk management and in fulfilling government compliance requirements;

(3) the extent to which an applicant demonstrates a capitalization strategy that ensures that the economic benefit of the grant allocation remains in the state;

(4) the extent to which the applicant establishes standards for wages and benefits exceeding federal poverty guidelines and includes a means by which to monitor and measure ongoing compliance with those standards;



(5) the financial contributions expected to be made to the project from nonstate sources; and

(6) any other criteria the commissioner deems necessary.

Subd. 5. **Annual reporting by community development entities.** A community development entity that has been awarded a grant must submit an annual report to the commissioner within 180 days after the end of the fiscal year. The report must include information on investments made in the preceding year, including but not limited to the following:

(1) the types of industries, identified by the North American Industry Classification System Code, in which a qualified low-income community investment was made;

(2) the names of the counties in which the qualified active low-income community businesses are located which received qualified low-income community investments;

(3) the number of jobs created and retained by qualified active low-income community businesses receiving qualified low-income community investments, including verification that the average wages and benefits paid to full-time employees, based on an hourly wage for a 40-hour work week, meet or exceed 105 percent of the federal poverty income guidelines for a family of four; and

(4) other information and documentation required by the commissioner to verify continued certification as a qualified community development entity under United States Code, title 26, section 45D.

Subd. 6. **Application fees; fund created.** The qualified community development entity must submit a nonrefundable application fee at the time the application is submitted equal to the amount published in the Minnesota new markets grant program application. The commissioner may allow up to 25 percent of the fee to be submitted up to 180 days following the grant award and up to 25 percent of the fee to be submitted up to 270 days following the grant award. Application fees are deposited in the new markets grant program administration account in the special revenue fund.

Subd. 7. **Administrative fees.** Upon the issuance of a qualified low-income community investment by a qualified community development entity, an administrative fee in an amount determined by the commissioner and published in the grant agreement must be deposited in the new markets grant program administration account in the special revenue fund.

Subd. 8. **Administrative expenses.** Amounts in the new markets grant program administration account are appropriated annually to the commissioner for administrative expenses related to administering the new markets grant program in this section.

Subd. 9. **Annual report.** Beginning in 2019 and ending in 2023, the commissioner shall annually, by January 15, report to the chairs and ranking minority members of the legislative committees on economic development on the implementation of the grant program, including an evaluation of the success and economic impact of the program in the state. The report must include:

(1) the number of women-owned and minority-owned businesses assisted by the grants;

(2) the number of greater Minnesota-located businesses assisted by the grants and the amount of that assistance;

(3) the number of metropolitan area-located businesses assisted by the grants and the amount of that assistance;

(4) the number of jobs created by the grants including the number of women and minorities obtaining jobs; and

(5) the number of jobs created by the grants located in greater Minnesota and in the metropolitan area.

Subd. 10. **Expiration.** This section expires the earlier of July 1, 2024, or when the last of the grant funds have been awarded. The commissioner must issue the rules for the implementation of this section to allow commencement of grant awards by January 1, 2018.

**EFFECTIVE DATE.** This section is effective January 1, 2017.

Sec. 3. **[270C.22] TAX TIME SAVINGS GRANT PROGRAM.**

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

(b) "Financial capability services" means any of the following:

(1) assistance with opening a savings or transactional account that meets the Federal Deposit Insurance Corporation's model safe accounts template standards;

(2) assistance with depositing all or part of a tax refund into a savings or transactional account;

(3) assistance with obtaining and reviewing a consumer report or credit score, as those terms are defined in United States Code, title 15, section 1681a;

(4) assistance with obtaining and reviewing a banking history report;

(5) financial coaching, or referral to financial coaching services, as provided in section 256E.35, subdivision 4a;

(6) National Foundation for Credit Counseling certified consumer credit and debt counseling or referral to these services;

(7) enrollment in a matched or incentivized savings program, including the provision of matching or incentive funds;

(8) assistance with purchasing federal retirement savings bonds, as described in Code of Federal Regulations, title 31, part 347, or referral to a certified financial planner, registered investment adviser, licensed insurance producer or agent, or a registered securities broker-dealer representative for private sector retirement options; or

(9) assistance with purchasing a Series I United States Savings Bond with all or part of a tax refund.

(c) "Transactional account" means a traditional demand deposit account or a general purpose reloadable prepaid card offered by a bank or credit union.

(d) "TCE" means the Tax Counseling for the Elderly program established by the Internal Revenue Service.

(e) "VITA" means the Volunteer Income Tax Assistance program established by the Internal Revenue Service.

Subd. 2. **Creation.** The commissioner of revenue shall establish a tax time savings grant program to make grants to one or more nonprofit organizations to fund the integration of financial capability services into the delivery of taxpayer assistance services funded by grants under section 270C.21.

Subd. 3. **Qualified applicant.** To be eligible to receive a grant under the tax time savings grant program, an applicant must:

(1) qualify under section 501(c)(3) of the Internal Revenue Code and be registered with the Internal Revenue Service as part of either the VITA or TCE programs; and

(2) commit to dedicate at least one staff or volunteer position to coordinate financial capability services at a VITA or TCE program site and to offer VITA or TCE program participants free assistance with the initiation through completion of:

(i) opening a savings and a transactional account that meet the Federal Deposit Insurance Corporation's model safe accounts template standards;

(ii) depositing all or part of a tax refund into a savings or transactional account; and

(iii) purchasing a Series I United States Savings Bond with all or part of a tax refund.

Subd. 4. **Conflict of interest.** (a) No applicant may receive direct compensation from a bank, credit union, other financial services provider, or vendor in exchange for the applicant offering to program participants the products or services of that bank, credit union, other financial services provider, or vendor.

(b) No applicant may receive funding from a bank, credit union, other financial services provider, or vendor that is contingent on the applicant offering products or services of that bank, credit union, other financial services provider, or vendor to program participants.

(c) An applicant may receive funding from a bank, credit union, other financial services provider, or vendor that is not in exchange for or contingent upon the applicant offering products or services of that bank, credit union, other financial services provider, or vendor to program participants.

Subd. 5. **Permitted use of grant funds.** (a) A grant recipient may use grant funds to dedicate a staff or volunteer position to coordinate financial capability services at a VITA or TCE site and to offer VITA or TCE program participants free assistance with the initiation through completion of:

(1) opening a savings and a transactional account that meet the Federal Deposit Insurance Corporation's model safe accounts template standards;

(2) depositing all or part of a tax refund into a savings or transactional account; and

(3) purchasing a Series I United States Savings Bond with all or part of a tax refund.

(b) A grant recipient who offers all of the financial capability services enumerated in paragraph (a) may also use grant funds to provide one or more additional financial capability services to VITA or TCE program participants at no cost to the participant.

Sec. 4. Minnesota Statutes 2016, section 271.08, subdivision 1, is amended to read:

Subdivision 1. **Written order.** The Tax Court, except in Small Claims Division, shall determine every appeal by written order containing findings of fact and the decision of the tax court. A memorandum of the grounds of the decision shall be appended. Notice of the entry of the order and of the substance of the decision shall be mailed to all parties. A motion for rehearing, which includes a motion for amended findings of fact, conclusions of law, or a new trial, must be served by the moving party within ~~45~~ 30 days after mailing of the notice by the court as specified in this subdivision, and the motion must be heard within ~~30~~ 60 days thereafter, unless the time for hearing is extended by the court within the ~~30-day~~ 60-day period for good cause shown.

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

Sec. 5. Minnesota Statutes 2016, section 271.21, subdivision 2, is amended to read:

Subd. 2. **Jurisdiction.** At the election of the taxpayer, the Small Claims Division shall have jurisdiction only in the following matters:

(a) cases involving valuation, assessment, or taxation of real or personal property, if:

(i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property;

(ii) only one parcel is included in the petition, the entire parcel is classified as homestead class 1a or 1b under section 273.13, and the parcel contains no more than one dwelling unit;

(iii) the entire property is classified as agricultural homestead class 2a or 1b under section 273.13; or

(iv) the assessor's estimated market value of the property included in the petition is less than \$300,000; or

(b) any case not involving valuation, assessment, or taxation of real and personal property in which the amount in controversy does not exceed ~~\$5,000~~ \$15,000, including penalty and interest.

**EFFECTIVE DATE.** This section is effective for cases filed after March 31, 2017.

Sec. 6. **[289A.14] USE OF AUTOMATED SALES SUPPRESSION DEVICES.**

(a) For the purposes of sections 289A.60, subdivision 32; 289A.63, subdivision 12; and 609.5316, subdivision 3, the following terms have the meanings given.

(b) "Automated sales suppression device" or "zapper" means a software program, carried on any tangible medium, or accessed through any other means, that falsifies the electronic records of electronic cash registers and other point-of-sale systems including, but not limited to, transaction data and transaction reports.

(c) "Electronic cash register" means a device that keeps a register or supporting documents through the means of an electronic device or computer system designed to record transaction data for the purpose of computing, compiling, or processing retail sales transaction data in whatever manner.

(d) "Phantom-ware" means a hidden preinstalled, or later-installed programming option embedded in the operating system of an electronic cash register or hardwired into the electronic cash register that can be used to create a virtual second electronic cash register or may eliminate or manipulate transaction records that may or may not be preserved in digital formats to represent the true or manipulated record of transactions in the electronic cash register.

(e) "Transaction data" includes items purchased by a customer; the price of each item; the taxability determination for each item; a segregated tax amount for each of the taxed items; the date and time of the purchase; the name, address, and identification number of the vendor; and the receipt or invoice number of the transaction.

(f) "Transaction report" means a report that includes but is not limited to the sales, taxes collected, media totals, and discount voids at an electronic cash register that is printed on cash register tape at the end of a day or shift, or a report documenting every action at an electronic cash register that is stored electronically.

**EFFECTIVE DATE.** This section is effective for activities enumerated in Minnesota Statutes, 289A.60, subdivision 32, or section 289A.63, subdivision 12, that occur after December 31, 2016.

Sec. 7. Minnesota Statutes 2016, section 289A.60, is amended by adding a subdivision to read:

Subd. 32. **Sales suppression.** (a) A person who:

(1) sells;

(2) transfers;

(3) develops;

(4) manufactures; or

(5) possesses with the intent to sell or transfer an automated sales suppression device, zapper, phantom-ware, or similar device capable of being used to commit tax fraud or suppress sales is liable for a civil penalty calculated under paragraph (b).

(b) The amount of the civil penalty equals the greater of (1) \$2,000, or (2) the total amount of all taxes and penalties due that are attributable to the use of any automated sales suppression device, zapper, phantom-ware, or similar device facilitated by the sale, transfer, development, or manufacture of the automated sales suppression device, zapper, phantom-ware, or similar device by the person.

(c) The definitions in section 289A.14 apply to this subdivision.

**EFFECTIVE DATE.** This section is effective for activities enumerated that occur after December 31, 2016.

Sec. 8. Minnesota Statutes 2016, section 289A.63, is amended by adding a subdivision to read:

Subd. 12. **Felony.** (a) A person who knowingly:

(1) sells;

(2) purchases;

(3) installs;

(4) transfers;

(5) possesses;

(6) develops;

(7) manufactures;

(8) accesses; or

(9) uses an automated sales suppression device, zapper, phantom-ware, or similar device knowing that the device or phantom-ware is capable of being used to commit tax fraud or suppress sales is guilty of a felony and may be sentenced to imprisonment for not more than five years or to a payment of a fine of not more than \$10,000, or both.

(b) An automated sales suppression device, zapper, phantom-ware, and any other device containing an automated sales suppression, zapper, or phantom-ware device or software is contraband and subject to forfeiture under section 609.5316.

(c) The definitions in section 289A.14 apply to this subdivision.

**EFFECTIVE DATE.** This section is effective for activities enumerated that occur after December 31, 2016.

Sec. 9. Minnesota Statutes 2016, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not

deduct any business depreciation expenses for the use of a portion of the homestead, or does not deduct expenses under section 280A of the Internal Revenue Code for a business operated in the home, in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 17 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

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

**EFFECTIVE DATE.** This section is effective for refunds based on rent paid after December 31, 2015, and property taxes payable after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 469.169, is amended by adding a subdivision to read:

**Subd. 20. Additional allocation; 2016.** In addition to the tax reductions in subdivisions 12 to 19, \$3,000,000 is allocated 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 under this subdivision may be used for tax reductions under sections 469.171, 469.1732, and 469.1734, 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.

**EFFECTIVE DATE.** This section is effective retroactively from July 1, 2016.

Sec. 11. Minnesota Statutes 2016, section 609.5316, subdivision 3, is amended to read:

**Subd. 3. Weapons, telephone cloning paraphernalia, automated sales suppression devices, and bullet-resistant vests.** Weapons used are contraband and must be summarily forfeited to the appropriate agency upon conviction of the weapon's owner or possessor for a controlled substance crime; for any offense of this chapter or chapter 624, or for a violation of an order for protection under section 518B.01, subdivision 14. Bullet-resistant vests, as defined in section 609.486, worn or possessed during the commission or attempted commission of a crime are contraband and must be summarily forfeited to the appropriate agency upon conviction of the owner or possessor for a controlled substance crime or for any offense of this chapter. Telephone cloning paraphernalia used in a violation of section 609.894, and automated sales suppression devices, phantom-ware, and other devices containing an automated sales suppression or phantom-ware device or software used in

violation of sections 289A.60, subdivision 32, or 289A.63, subdivision 12, are contraband and must be summarily forfeited to the appropriate agency upon a conviction.

**EFFECTIVE DATE.** This section is effective for activities enumerated in section 289A.60, subdivision 32, or 289A.63, subdivision 12, that occur after December 31, 2016.

Sec. 12. **EXTENSION OF TIME FOR APPROVAL OF SPECIAL LAW PROVISIONS.**

For purposes of any special law authority provided by this act that requires approval by the governing body of a local government unit under Minnesota Statutes, section 469.1782 or 645.021, the required time for approval and filing with the secretary of state under those provisions is extended to April 1, 2017.

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

Sec. 13. **APPROPRIATIONS.**

Subdivision 1. **New markets grant program.** \$30,000,000 in fiscal year 2017 is appropriated from the general fund to the commissioner of employment and economic development for the new markets grant program under Minnesota Statutes, section 116J.952. This appropriation is a onetime appropriation and is available until June 30, 2024. The commissioner may award grants of up to \$10,000,000 per fiscal year.

Subd. 2. **Department of Revenue.** \$5,000,000 in fiscal year 2018 is appropriated from the general fund to the commissioner of revenue for administering this act. The funding base for this appropriation in fiscal year 2019 and thereafter is \$2,000,000.

Subd. 3. **Tax time savings grant program.** (a) \$400,000 is appropriated in fiscal year 2018 from the general fund to the commissioner of revenue to make grants under the tax time savings grant program under Minnesota Statutes, section 270C.22. Of this amount, up to five percent may be used for the administration of the tax time savings grant program.

(b) The base funding for the grant program authorized under paragraph (a) is \$400,000 each year.

Subd. 4. **Taxpayer assistance grants.** (a) \$400,000 is appropriated in fiscal year 2018 from the general fund to the commissioner of revenue for the provision of taxpayer assistance grants under Minnesota Statutes, section 270C.21, in addition to the current base funding for the program. Of the amount appropriated under this paragraph and the current base funding for the provision of taxpayer assistance grants, up to five percent may be used for the administration of the taxpayer assistance grants program.

(b) Beginning in fiscal year 2018, the total base funding for the program under paragraph (a) is \$800,000 each year. This amount includes the base funding of \$400,000 each year established in Laws 2015, chapter 77, article 1, section 14, subdivision 2, paragraph (a).

Subd. 5. **Local government grants.** (a) The following amounts are appropriated in fiscal year 2017 only from the general fund to the commissioner of revenue for grants that shall be paid by March 31, 2017, and allocated as follows:



(1) \$1,200,000 to the city of Madelia;

(2) \$465,000 to the city of Hibbing; and

(3) \$52,288 to Stearns County.

(b) The following amounts are appropriated in fiscal year 2017 only from the general fund to the commissioner of revenue for grants that shall be paid by June 30, 2017, and allocated as follows:

(1) \$3,000,000 to Mahnomen County. Of this amount, \$1,000,000 must be paid from the county to the White Earth Band of Ojibwe and \$1,000,000 must be used for the Mahnomen Health Center;

(2) \$1,130,000 to Hennepin County. Of this amount, \$730,000 must be used for the North Branch Library EMERGE Career and Technology Center, and \$400,000 must be used for the Cedar Riverside Opportunity Center; and

(3) \$150,000 to the city of Lilydale.

(c) All of the appropriations under this subdivision are onetime and are not added to the base budget.

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

Sec. 14. **APPROPRIATION CANCELLATION.**

All unspent funds, estimated to be \$7,100,000, for a grant or forgivable loan to Hoyt Lakes pursuant to Laws 2014, chapter 312, article 2, section 2, subdivision 6, are canceled to the Minnesota minerals 21st century fund on June 1, 2017.

### ARTICLE 13

#### DEPARTMENT POLICY AND TECHNICAL PROVISIONS; INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2016, section 289A.08, subdivision 11, is amended to read:

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

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

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

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

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

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

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

Sec. 2. Minnesota Statutes 2016, section 289A.08, subdivision 16, is amended to read:

Subd. 16. **Tax refund or return preparers; electronic filing; paper filing fee imposed.** (a) A "tax refund or return preparer," as defined in section 289A.60, ~~subdivision 13, paragraph (f),~~ who is a tax return preparer for purposes of section 6011(e) of the Internal Revenue Code, and who reasonably expects to prepare more than ten Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns for the prior ~~calendar~~ year must file all Minnesota individual income, corporate franchise, S corporation, partnership, or fiduciary income tax returns prepared for that ~~calendar~~ year by electronic means.

(b) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

(c) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph (b), a paper filing fee of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 3. Minnesota Statutes 2016, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, ~~along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1;~~ must be filed with the commissioner on or before ~~February 28~~ January 31 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner ~~in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. An employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 25 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. For statements issued for wages paid in 2011 and after, the threshold is ten. All statements issued for withholding required under section 290.92 are aggregated for purposes of determining whether the electronic submission threshold is met. The commissioner shall prescribe the content, format, and manner of the statement pursuant to section 270C.30.~~

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

**EFFECTIVE DATE.** This section is effective for statements required to be sent to the commissioner after December 31, 2017, except that the date change in paragraph (d) is effective for wages paid after December 31, 2016.

Sec. 4. Minnesota Statutes 2016, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; Reporting exempt interest and 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, or any person receiving \$10 or more of exempt interest or exempt-interest dividends and paying as nominee to an individual who is a resident of Minnesota, must make a return indicating the amount of the exempt interest or 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~~ recipient by February 15 of the year following the year of the payment. The return provided to the ~~shareholder~~ recipient must include a clear statement, in the form prescribed by the commissioner, that the exempt interest or exempt-interest dividends must be included in the computation of Minnesota taxable income. By June 1 of each year, the ~~regulated investment company~~ payor must file a copy of the return with the commissioner.

(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 290.0131, subdivision 2, paragraph (b).

(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.

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

**EFFECTIVE DATE.** This section is effective for reports required to be filed after December 31, 2017.

Sec. 5. Minnesota Statutes 2016, section 289A.18, is amended by adding a subdivision to read:

**Subd. 2a. Annual withholding returns; eligible employers.** (a) An employer who deducts and withholds an amount required to be withheld by section 290.92 may file an annual return and make an annual payment of the amount required to be deducted and withheld for that calendar year if the employer has received a notification under paragraph (b). The ability to elect to file an annual return continues through the year following the year where an employer is required to deduct and withhold more than \$500.

(b) The commissioner is authorized to determine which employers are eligible to file an annual return and to notify employers who newly qualify to file an annual return because the amount an employer is required to deduct and withhold for that calendar year is \$500 or less based on the most recent period of four consecutive quarters for which the commissioner has compiled data on that employer's withholding tax for that period. At the time of notification, eligible employers may still decide to file returns and make deposits quarterly. An employer who decides to file returns and make deposits quarterly is required to make all returns and deposits required by this chapter and, notwithstanding paragraph (a), is subject to all applicable penalties for failing to do so.

(c) If, at the end of any calendar month other than the last month of the calendar year, the aggregate amount of undeposited tax withheld by an employer who has elected to file an annual return exceeds \$500, the employer must deposit the aggregate amount with the commissioner within 30 days of the end of the calendar month.

(d) If an employer who has elected to file an annual return ceases to pay wages for which withholding is required, the employer must file a final return and deposit any undeposited tax within 30 days of the end of the calendar month following the month in which the employer ceased paying wages.

(e) An employer not subject to paragraph (c) or (d) who elects to file an annual return must file the return and pay the tax not previously deposited before February 1 of the year following the year in which the tax was withheld.

(f) A notification to an employer regarding eligibility to file an annual return under Minnesota Rules, part 8092.1400, is considered a notification under paragraph (a).

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 6. Minnesota Statutes 2016, 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) Except as provided in section 289A.18, subdivision 2a, 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 \$10,000 or more in a fiscal year ending June 30, the employer must remit each required deposit for wages paid in all subsequent calendar 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 taxable years beginning after December 31, 2016.

Sec. 7. Minnesota Statutes 2016, section 289A.31, subdivision 1, is amended to read:

Subdivision 1. **Individual income, fiduciary income, mining company, corporate franchise, and entertainment taxes.** (a) Individual income, fiduciary income, mining company, and corporate franchise taxes, and interest and penalties, must be paid by the taxpayer upon whom the tax is imposed, except in the following cases:

(1) The tax due from a decedent for that part of the taxable year in which the decedent died during which the decedent was alive and the taxes, interest, and penalty due for the prior years must be paid by the decedent's personal representative, if any. If there is no personal representative, the taxes, interest, and penalty must be paid by the transferees, as defined in section 270C.58, subdivision 3, to the extent they receive property from the decedent;

(2) The tax due from an infant or other incompetent person must be paid by the person's guardian or other person authorized or permitted by law to act for the person;

(3) The tax due from the estate of a decedent must be paid by the estate's personal representative;

(4) The tax due from a trust, including those within the definition of a corporation, as defined in section 290.01, subdivision 4, must be paid by a trustee; and

(5) The tax due from a taxpayer whose business or property is in charge of a receiver, trustee in bankruptcy, assignee, or other conservator, must be paid by the person in charge of the business or property so far as the tax is due to the income from the business or property.

(b) Entertainment taxes are the joint and several liability of the entertainer and the entertainment entity. The payor is liable to the state for the payment of the tax required to be deducted and withheld under section 290.9201, subdivision 7, and is not liable to the entertainer for the amount of the payment.

(c) The ~~tax~~ taxes imposed under ~~section~~ sections 289A.35 and 290.0922 on partnerships ~~is~~ are the joint and several liability of the partnership and the general partners.

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

Sec. 8. Minnesota Statutes 2016, section 289A.35, is amended to read:

**289A.35 ASSESSMENTS ON RETURNS.**

(a) The commissioner may audit and adjust the taxpayer's computation of federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a return has been filed, the commissioner shall enter the liability reported on the return and may make any audit or investigation that is considered necessary.

(b) Upon petition by a taxpayer, and when the commissioner determines that it is in the best interest of the state, the commissioner may allow S corporations and partnerships to receive orders of assessment issued under section 270C.33, subdivision 4, on behalf of their owners, and to pay liabilities shown on such orders. In such cases, the owners' liability must be calculated using the method provided in section 289A.08, subdivision 7, paragraph (b).

(c) A taxpayer may petition the commissioner for the use of the method described in paragraph (b) after the taxpayer is notified that an audit has been initiated and before an order of assessment has been issued.

(d) A determination of the commissioner under paragraph (b) to grant or deny the petition of a taxpayer cannot be appealed to the Tax Court or any other court.

~~(b)~~ (e) The commissioner may audit and adjust the taxpayer's computation of tax under chapter 291. In the case of a return filed pursuant to section 289A.10, the commissioner shall notify the estate no later than nine months after the filing date, as provided by section 289A.38, subdivision 2, whether the return is under examination or the return has been processed as filed.

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

Sec. 9. Minnesota Statutes 2016, section 289A.60, subdivision 28, is amended to read:

Subd. 28. **Preparer identification number.** Any Minnesota ~~individual~~ income tax return or claim for refund prepared by a "tax refund or return preparer" as defined in subdivision 13, paragraph (f), shall bear the identification number the preparer is required to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund or return preparer who prepares a Minnesota ~~individual income tax~~ return required by section 289A.08, subdivisions 1, 2, 3, and 7; or 289A.12, subdivision 3, or claim for refund and fails to include the required number on the return or claim is subject to a penalty of \$50 for each failure.

**EFFECTIVE DATE.** This section is effective for taxable years beginning after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 290.0672, subdivision 1, is amended to read:

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

(b) "Long-term care insurance" means a policy that:

(1) qualifies for a deduction under section 213 of the Internal Revenue Code, disregarding the 7.5 percent adjusted gross income test; or meets the requirements given in section 62A.46; or provides similar coverage issued under the laws of another jurisdiction; and

(2) has a lifetime long-term care benefit limit of not less than \$100,000; and

(3) has been offered in compliance with the inflation protection requirements of section 62S.23.

(c) "Qualified beneficiary" means the taxpayer or the taxpayer's spouse.

(d) "Premiums deducted in determining federal taxable income" means the lesser of (1) long-term care insurance premiums that qualify as deductions under section 213 of the Internal Revenue Code; and (2) the total amount deductible for medical care under section 213 of the Internal Revenue Code.

**EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning after December 31, 2012.

Sec. 11. Minnesota Statutes 2016, section 290.068, subdivision 2, is amended to read:

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

(a) "Qualified research expenses" means (i) qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code, except it does not include expenses incurred for qualified research or basic research conducted outside the state of Minnesota pursuant to section 41(d) and (e) of the Internal Revenue Code; and (ii) contributions to a nonprofit corporation established and operated pursuant to the provisions of chapter 317A for the purpose of promoting the establishment and expansion of business in this state, provided the contributions are invested by the nonprofit corporation for the purpose of providing funds for small, technologically innovative enterprises in Minnesota during the early stages of their development.

(b) "Qualified research" means qualified research as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the state of Minnesota.

(c) "Base amount" means base amount as defined in section 41(c) of the Internal Revenue Code, except that the average annual gross receipts and aggregate gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in ~~clauses~~ paragraphs (a) and (b) shall apply.

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

Sec. 12. Minnesota Statutes 2016, section 290.17, subdivision 2, is amended to read:

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

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, the work of



the employee is performed within it; all other income from such sources is treated as income from sources without this state.

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

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

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

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

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

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

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

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

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

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

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

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

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

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

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

Sec. 13. Minnesota Statutes 2016, section 290.31, subdivision 1, is amended to read:

Subdivision 1. **Partners, not partnership, subject to tax.** Except as provided under section 289A.35, paragraph (b), a partnership as such shall not be subject to the income tax imposed by this chapter, but is subject to the tax imposed under section 290.0922. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

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

Sec. 14. Minnesota Statutes 2016, section 290A.19, is amended to read:

**290A.19 OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE.**

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead must furnish a certificate of rent paid to a person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves before December 31, the owner or managing agent may give the certificate to the renter at the time of moving, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate must be made available to the renter before February 1 of the year following the year in which the rent was paid. The owner or managing agent must retain a duplicate of each certificate or an equivalent record showing the same information for a period of three years. The duplicate or other record must be made available to the commissioner upon request.

(b) The commissioner may require the owner or managing agent, through a simple process, to furnish to the commissioner on or before March 1 a copy of each certificate of rent paid furnished to a renter for rent paid in the prior year, in the content, format, and manner prescribed by the commissioner pursuant to section 270C.30. Prior to implementation, the commissioner, after

consulting with representatives of owners or managing agents, shall develop an implementation and administration plan for the requirements of this paragraph that attempts to minimize financial burdens, administration and compliance costs, and takes into consideration existing systems of owners and managing agents.

(c) For the purposes of this section, "owner" includes a park owner as defined under section 327C.01, subdivision 6, and "property" includes a lot as defined under section 327C.01, subdivision 3.

**EFFECTIVE DATE.** This section is effective for certificates of rent paid furnished to a renter for rent paid after December 31, 2016.

Sec. 15. Minnesota Statutes 2016, section 291.016, subdivision 2, is amended to read:

Subd. 2. **Additions.** The following amounts, to the extent deducted in computing or otherwise excluded from the federal taxable estate, must be added in computing the Minnesota taxable estate:

(1) the amount of the deduction for state death taxes allowed under section 2058 of the Internal Revenue Code;

(2) the amount of the deduction for foreign death taxes allowed under section 2053(d) of the Internal Revenue Code; and

(3) the aggregate amount of taxable gifts as defined in section 2503 of the Internal Revenue Code, made by the decedent within three years of the date of death. For purposes of this clause, the amount of the addition equals the value of the gift under section 2512 of the Internal Revenue Code and excludes any value of the gift included in the federal estate.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2013.

Sec. 16. Minnesota Statutes 2016, section 291.016, subdivision 3, is amended to read:

Subd. 3. **Subtraction.** The following amounts, to the extent included in computing the federal taxable estate, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

(1) the value of property subject to an election under section 291.03, subdivision 1d; and

(2) 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 the result of \$5,000,000 minus the amount for the year of death listed in ~~clauses (1) to (5)~~ items (i) to (v), whichever is less, may be subtracted in computing the Minnesota taxable estate but must not reduce the Minnesota taxable estate to less than zero:

~~(1)~~ (i) \$1,200,000 for estates of decedents dying in 2014;

~~(2)~~ (ii) \$1,400,000 for estates of decedents dying in 2015;

~~(3)~~ (iii) \$1,600,000 for estates of decedents dying in 2016;

~~(4)~~ (iv) \$1,800,000 for estates of decedents dying in 2017; and

~~(5)~~ (v) \$2,000,000 for estates of decedents dying in 2018 and thereafter.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 17. Minnesota Statutes 2016, 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. 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.

(5) The property does not ~~consist of~~ include:

(i) cash;

(ii) cash equivalents;

(iii) publicly traded securities; or

(iv) any assets not used in the operation of the trade or business.

(6) For property consisting of shares of stock or other ownership interests in an entity, the value of ~~cash, cash equivalents, publicly traded securities, or assets not used in the operation of the trade or business held by the corporation or other entity~~ items described in clause (5) 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 ~~excluded in the valuation of the decedent's interest in the entity.~~

~~(6)~~ (7) 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.

~~(7)~~ (8) 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)~~ (9) 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. 18. Minnesota Statutes 2016, 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 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).

(d) This subdivision shall not apply as a result of any of the following:

(1) a portion of qualified farm property consisting of less than one-fifth of the acreage of the property is reclassified as class 2b property under section 273.13, subdivision 23, and the qualified heir has not substantially altered the reclassified property during the three-year holding period;

(2) a portion of qualified farm property classified as 2a property at the death of the decedent pursuant to section 273.13, subdivision 23, paragraph (a), consisting of a residence, garage, and immediately surrounding one acre of land is reclassified as 4bb property during the three-year holding period, and the qualified heir has not substantially altered the property; or

(3) acquisition of title or possession of the qualified property by a federal, state, or local government unit, or any other entity with the power of eminent domain for a public purpose, as defined in section 117.025, subdivision 11, within the three-year holding period.

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after June 30, 2011.

Sec. 19. **REPEALER.**

(a) Minnesota Rules, part 8092.1400, is repealed.

(b) Minnesota Rules, part 8092.2000, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective for taxable years beginning after December 31, 2016, except that notifications from the Department of Revenue to employers regarding eligibility to file an annual return for taxes withheld in calendar year 2016 remain in force. Paragraph (b) is effective the day following final enactment.

## ARTICLE 14

### DEPARTMENT POLICY AND TECHNICAL PROVISIONS; SPECIAL TAXES AND SALES TAXES

Section 1. Minnesota Statutes 2016, section 69.021, subdivision 5, is amended to read:

Subd. 5. **Calculation of state aid.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by ~~town and farmers'~~ township mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report.

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(d) In addition to the amount for apportionment of police state aid under paragraph (b), each year \$100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

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

Sec. 2. Minnesota Statutes 2016, section 289A.38, subdivision 6, is amended to read:

Subd. 6. **Omission in excess of 25 percent.** Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if:

(1) the taxpayer omits from gross income an amount properly includable in it that is in excess of 25 percent of the amount of gross income stated in the return;

(2) the taxpayer omits from a sales, use, or withholding tax return, or a return for a tax imposed under section 295.52, an amount of taxes in excess of 25 percent of the taxes reported in the return; or

(3) the taxpayer omits from the gross estate assets in excess of 25 percent of the gross estate reported in the return.

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

Sec. 3. Minnesota Statutes 2016, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) ~~town and farmers'~~ township mutual insurance companies;

(6) cooperatives organized under chapter 308A or 308B that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and

(7) a qualified business as defined under section 469.310, subdivision 11, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

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

Sec. 4. Minnesota Statutes 2016, section 295.54, subdivision 2, is amended to read:

Subd. 2. **Pharmacy refund.** A pharmacy may claim an annual refund against the total amount of tax, if any, the pharmacy owes during that calendar year under section 295.52, subdivision 4. The refund shall equal the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage specified in section 295.52, subdivision 3. If the amount of the refund exceeds the tax liability of the pharmacy under section 295.52, subdivision 4, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as ~~provided under section 295.55, subdivision 5~~ prescribed by the commissioner, on or before March 15 of the year following the calendar year the legend drugs were delivered outside Minnesota. ~~The refund must be claimed within 18 months from the date the drugs were delivered outside of Minnesota~~ shall not be allowed if the initial claim for refund is filed more than one year after the original due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return if a return is due or the date of the actual claim for refund, whichever is later.

**EFFECTIVE DATE.** This section is effective for qualifying legend drugs delivered outside Minnesota after December 31, 2015.

Sec. 5. Minnesota Statutes 2016, section 296A.01, is amended by adding a subdivision to read:

Subd. 9a. **Bulk storage or bulk storage facility.** "Bulk storage" or "bulk storage facility" means a single property, or contiguous or adjacent properties used for a common purpose and owned or operated by the same person, on or in which are located one or more stationary tanks that are used singularly or in combination for the storage or containment of more than 1,100 gallons of petroleum.

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

Sec. 6. Minnesota Statutes 2016, section 296A.01, subdivision 33, is amended to read:

Subd. 33. **Motor fuel.** "Motor fuel" means a liquid or gaseous form of fuel, regardless of its composition or properties, used to propel a motor vehicle.

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

Sec. 7. Minnesota Statutes 2016, section 296A.01, subdivision 42, is amended to read:

Subd. 42. **Petroleum products.** "Petroleum products" means all of the products defined in subdivisions 2, 7, 8, 8a, 8b, 10, 14, 16, 19, 20, 22 to 26, 28, 32, and 35.

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

Sec. 8. Minnesota Statutes 2016, section 296A.07, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** There is imposed an excise tax on gasoline, gasoline blended with ethanol, and agricultural alcohol gasoline used in producing and generating power for propelling



motor vehicles used on the public highways of this state. The tax is imposed on the first licensed distributor who received the product in Minnesota. For purposes of this section, gasoline is defined in section 296A.01, subdivisions ~~8b~~, 10, 18, 20, 23, 24, 25, 32, and 34. The tax is payable at the time and in the form and manner prescribed by the commissioner. The tax is payable at the rates specified in subdivision 3, subject to the exceptions and reductions specified in section 296A.17.

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

Sec. 9. Minnesota Statutes 2016, 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)~~ (1) property which is subject to an ad valorem property tax;

~~(3)~~ (2) property described in section 272.02, subdivision 9, clauses (a) to (d);

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

~~(5)~~ (4) specified digital products, or other digital products, transferred electronically.

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

Sec. 10. Minnesota Statutes 2016, 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 aircraft with a gross maximum takeoff 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 December 31, 2017.

Sec. 11. Minnesota Statutes 2016, section 297A.82, subdivision 4a, is amended to read:

Subd. 4a. **Deposit in state airports fund.** Tax revenue, including interest and penalties, 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. For purposes of this subdivision, "revenue" does not include the revenue, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under article XI, section 15, of the Minnesota Constitution.

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

Sec. 12. Minnesota Statutes 2016, section 297E.02, subdivision 7, is amended to read:

Subd. 7. **Untaxed gambling product.** (a) In addition to penalties or criminal sanctions imposed by this chapter, a person, organization, or business entity possessing or selling a pull-tab, electronic pull-tab game, raffle board, or tipboard upon which the tax imposed by this chapter has not been paid is liable for a tax of six percent of the ideal gross of each pull-tab, electronic pull-tab game, raffle board, or tipboard. The tax on a partial deal must be assessed as if it were a full deal.

(b) In addition to penalties and criminal sanctions imposed by this chapter, a person (1) not licensed by the board who conducts bingo, linked bingo, electronic linked bingo, raffles, or paddlewheel games, or (2) who conducts gambling prohibited under sections 609.75 to 609.763, other than activities subject to tax under section 297E.03, is liable for a tax of six percent of the gross receipts from that activity.

(c) The tax ~~must~~ may be assessed by the commissioner. An assessment must be considered a jeopardy assessment or jeopardy collection as provided in section 270C.36. The commissioner shall assess the tax based on personal knowledge or information available to the commissioner. The commissioner shall mail to the taxpayer at the taxpayer's last known address, or serve in person, a written notice of the amount of tax, demand its immediate payment, and, if payment is not immediately made, collect the tax by any method described in chapter 270C, except that the

commissioner need not await the expiration of the times specified in chapter 270C. The tax assessed by the commissioner is presumed to be valid and correctly determined and assessed. The burden is upon the taxpayer to show its incorrectness or invalidity. The tax imposed under this subdivision does not apply to gambling that is exempt from taxation under subdivision 2.

(d) A person, organization, or business entity conducting gambling activity under this subdivision must file monthly tax returns with the commissioner, in the form required by the commissioner. The returns must be filed on or before the 20th day of the month following the month in which the gambling activity occurred. The tax imposed by this section is due and payable at the time when the returns are required to be filed.

(e) Notwithstanding any law to the contrary, neither the commissioner nor a public employee may reveal facts contained in a tax return filed with the commissioner of revenue as required by this subdivision, nor can any information contained in the report or return be used against the tax obligor in any criminal proceeding, unless independently obtained, except in connection with a proceeding involving taxes due under this section, or as provided in section 270C.055, subdivision 1. However, this paragraph does not prohibit the commissioner from publishing statistics that do not disclose the identity of tax obligors or the contents of particular returns or reports. Any person violating this paragraph is guilty of a gross misdemeanor.

**EFFECTIVE DATE.** This section is effective for games played or purchased after June 30, 2017.

Sec. 13. Minnesota Statutes 2016, section 297H.06, subdivision 2, is amended to read:

Subd. 2. **Materials.** The tax is not imposed upon charges to generators of mixed municipal solid waste or upon the volume of nonmixed municipal solid waste for waste management services to manage the following materials:

(1) mixed municipal solid waste and nonmixed municipal solid waste generated outside of Minnesota;

(2) recyclable materials that are separated for recycling by the generator, collected separately from other waste, and recycled, to the extent the price of the service for handling recyclable material is separately itemized on a bill to the generator;

(3) recyclable nonmixed municipal solid waste that is separated for recycling by the generator, collected separately from other waste, delivered to a waste facility for the purpose of recycling, and recycled;

(4) industrial waste, when it is transported to a facility owned and operated by the same person that generated it;

(5) mixed municipal solid waste from a recycling facility that separates or processes recyclable materials and reduces the volume of the waste by at least 85 percent, provided that the exempted waste is managed separately from other waste;

(6) recyclable materials that are separated from mixed municipal solid waste by the generator, collected and delivered to a waste facility that recycles at least 85 percent of its waste, and are

collected with mixed municipal solid waste that is segregated in leakproof bags, provided that the mixed municipal solid waste does not exceed five percent of the total weight of the materials delivered to the facility and is ultimately delivered to a waste facility identified as a preferred waste management facility in county solid waste plans under section 115A.46;

(7) source-separated compostable ~~waste materials~~, if the ~~waste is~~ materials are delivered to a facility exempted as described in this clause. To initially qualify for an exemption, a facility must apply for an exemption in its application for a new or amended solid waste permit to the Pollution Control Agency. The first time a facility applies to the agency it must certify in its application that it will comply with the criteria in items (i) to (v) and the commissioner of the agency shall so certify to the commissioner of revenue who must grant the exemption. The facility must annually apply to the agency for certification to renew its exemption for the following year. The application must be filed according to the procedures of, and contain the information required by, the agency. The commissioner of revenue shall grant the exemption if the commissioner of the Pollution Control Agency finds and certifies to the commissioner of revenue that based on an evaluation of the composition of incoming waste and residuals and the quality and use of the product:

(i) generators separate materials at the source;

(ii) the separation is performed in a manner appropriate to the technology specific to the facility that:

(A) maximizes the quality of the product;

(B) minimizes the toxicity and quantity of ~~residuals~~ rejects; and

(C) provides an opportunity for significant improvement in the environmental efficiency of the operation;

(iii) the operator of the facility educates generators, in coordination with each county using the facility, about separating the waste to maximize the quality of the waste stream for technology specific to the facility;

(iv) process ~~residuals~~ rejects do not exceed 15 percent of the weight of the total material delivered to the facility; and

(v) the final product is accepted for use;

(8) waste and waste by-products for which the tax has been paid; and

(9) daily cover for landfills that has been approved in writing by the Minnesota Pollution Control Agency.

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

Sec. 14. Minnesota Statutes 2016, section 297I.05, subdivision 2, is amended to read:

Subd. 2. ~~Town and farmers'~~ **Township mutual insurance.** A tax is imposed on ~~town and farmers'~~ township mutual insurance companies. The rate of tax is equal to one percent of gross

premiums less return premiums on all direct business received by the insurer or agents of the insurer in Minnesota, in cash or otherwise, during the year.

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

Sec. 15. Minnesota Statutes 2016, section 297I.10, subdivision 1, is amended to read:

Subdivision 1. **Cities of the first class.** (a) The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in a city of the first class, or by its agents for it, in cash or otherwise.

(b) By July 31 and December 31 of each year, the commissioner ~~of management and budget~~ shall pay to each city of the first class a warrant for an amount equal to the total amount of the surcharge on the premiums collected within that city since the previous payment.

(c) The treasurer of the city shall place the money received under this subdivision in a special account or fund to defray all or a portion of the employer contribution requirement of public employees police and fire plan coverage for city firefighters.

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

Sec. 16. Minnesota Statutes 2016, section 297I.10, subdivision 3, is amended to read:

Subd. 3. **Appropriation.** The amount necessary to make the payments required under this section is appropriated to the commissioner ~~of management and budget~~ from the general fund.

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

Sec. 17. Minnesota Statutes 2016, section 298.01, subdivision 4c, is amended to read:

Subd. 4c. **Special deductions; net operating loss.** ~~(a)~~ For purposes of determining taxable income under subdivision 4, the provisions of sections 290.0133, subdivisions 7 and 9, and 290.0134, subdivisions 7 and 9, are not used to determine taxable income.

~~(b) The amount of net operating loss incurred in a taxable year beginning before January 1, 1990, that may be carried over to a taxable year beginning after December 31, 1989, is the amount of net operating loss carryover determined in the calculation of the hypothetical corporate franchise tax under Minnesota Statutes 1988, sections 298.40 and 298.402.~~

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

## ARTICLE 15

### DEPARTMENT OF REVENUE TECHNICAL AND POLICY; PROPERTY TAX PROVISIONS

Section 1. Minnesota Statutes 2016, section 13.51, subdivision 2, is amended to read:

Subd. 2. **Income property assessment data.** The following data collected by political subdivisions and the state from individuals or business entities concerning income properties are classified as private or nonpublic data pursuant to section 13.02, subdivisions 9 and 12:

- (a) detailed income and expense figures;
- (b) average vacancy factors;
- (c) verified net rentable areas or net usable areas, whichever is appropriate;
- (d) anticipated income and expenses;
- (e) projected vacancy factors; and
- (f) lease information.

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

Sec. 2. Minnesota Statutes 2016, section 270.071, subdivision 2, is amended to read:

Subd. 2. **Air commerce.** ~~(a)~~ "Air commerce" means the transportation by aircraft of persons or property for hire in interstate, intrastate, or international transportation on regularly scheduled flights or on intermittent or irregularly timed flights by airline companies and includes transportation by any airline company making three or more flights in or out of Minnesota, or within Minnesota, during a calendar year.

~~(b) "Air commerce" includes but is not limited to an intermittent or irregularly timed flight, a flight arranged at the convenience of an airline and the person contracting for the transportation, or a charter flight. It includes any airline company making three or more flights in or out of Minnesota during a calendar year.~~

~~(c) "Air commerce" does not include casual transportation for hire by aircraft commonly owned and used for private air flight purposes if the person furnishing the transportation does not hold out to be engaged regularly in transportation for hire.~~

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 3. Minnesota Statutes 2016, section 270.071, subdivision 7, is amended to read:

Subd. 7. **Flight property.** "Flight property" means all aircraft and flight equipment used in connection therewith, including spare flight equipment. Flight property also includes computers and computer software used in operating, controlling, or regulating aircraft and flight equipment. Flight property does not include aircraft with a maximum takeoff weight of less than 30,000 pounds.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 4. Minnesota Statutes 2016, section 270.071, subdivision 8, is amended to read:

Subd. 8. **Person.** "Person" means any an individual, ~~corporation, firm, copartnership, company, or association,~~ and includes any guardian, trustee, executor, administrator, receiver, conservator, or

any person acting in any fiduciary capacity therefor trust, estate, fiduciary, partnership, company, corporation, limited liability company, association, governmental unit or agency, public or private organization of any kind, or other legal entity.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 5. Minnesota Statutes 2016, section 270.071, is amended by adding a subdivision to read:

**Subd. 10. Intermittent or irregularly timed flights.** "Intermittently or irregularly timed flights" means any flight in which the departure time, departure location, and arrival location are specifically negotiated with the customer or the customer's representative, including but not limited to charter flights.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 6. Minnesota Statutes 2016, section 270.072, subdivision 2, is amended to read:

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

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 7. Minnesota Statutes 2016, section 270.072, subdivision 3, is amended to read:

**Subd. 3. Report by airline company.** (a) Each year, on or before July 1, every airline company engaged in air commerce in this state shall file with the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from is exempt from filing because its activities do not constitute air commerce as defined herein.

(b) The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

**EFFECTIVE DATE.** The amendment to paragraph (a) is effective for reports filed in 2018 and thereafter. The amendment adding paragraph (b) is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2016, section 270.072, is amended by adding a subdivision to read:

**Subd. 3a. Commissioner filed reports.** If an airline company fails to file a report required by subdivision 3, the commissioner may, from information in the commissioner's possession or obtainable by the commissioner, make and file a report for the airline company, or may issue a notice of net tax capacity and tax under section 270.075, subdivision 2.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 9. Minnesota Statutes 2016, section 270.12, is amended by adding a subdivision to read:

**Subd. 6. Reassessment orders.** If the State Board of Equalization determines that a considerable amount of property has been undervalued or overvalued compared to like property such that the assessment is grossly unfair or inequitable, the State Board of Equalization may, pursuant to its responsibilities under subdivisions 2 and 3, issue orders to the county assessor to reassess all or any part of a parcel in a county.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 10. Minnesota Statutes 2016, section 270C.89, subdivision 1, is amended to read:

Subdivision 1. **Initial report.** Each county assessor shall file by April 1 with the commissioner a copy of the abstract that will be acted upon by the local and county boards of review. The abstract must list the real and personal property in the county itemized by assessment districts. The assessor of each county in the state shall file with the commissioner, within ten working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board. The information must be filed in the manner prescribed by the commissioner. ~~It must be accompanied by a printed or typewritten copy of the proceedings of the appropriate board.~~

**EFFECTIVE DATE.** This section is effective for county boards of appeal and equalization meetings held in 2018 and thereafter.

Sec. 11. Minnesota Statutes 2016, section 272.02, subdivision 9, is amended to read:

Subd. 9. **Personal property; exceptions.** Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of (1) an electric generating, transmission, or distribution system ~~or~~; (2) a pipeline system transporting or distributing ~~water, gas, crude oil, or petroleum~~ products; or (3) mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;



(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

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

Sec. 12. Minnesota Statutes 2016, section 272.029, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same ~~calendar year~~ 12-month period as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

**EFFECTIVE DATE.** This section is effective for reports filed in 2018 and thereafter.

Sec. 13. Minnesota Statutes 2016, section 272.029, is amended by adding a subdivision to read:

**Subd. 8. Extension.** The commissioner may, for good cause, extend the time for filing the report required by subdivision 4. The extension must not exceed 15 days.

**EFFECTIVE DATE.** This section is effective for reports filed in 2018 and thereafter.

Sec. 14. Minnesota Statutes 2016, section 273.061, subdivision 7, is amended to read:

**Subd. 7. Division of duties between local and county assessor.** The duty of the duly appointed local assessor shall be to view and appraise the value of all property as provided by law, but all the book work shall be done by the county assessor, or the assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided. If directed by the county assessor, the local assessor ~~shall~~ **must** perform the duties enumerated in subdivision 8, clause (16), **and must enter construction and valuation data into the records in the manner prescribed by the county assessor.**

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 15. Minnesota Statutes 2016, section 273.08, is amended to read:

#### **273.08 ASSESSOR'S DUTIES.**

The assessor shall actually view, and determine the market value of each tract or lot of real property listed for taxation, including the value of all improvements and structures thereon, at maximum intervals of five years and shall enter the value opposite each description. **When directed by the county assessor, local assessors must enter construction and valuation data into the records in the manner prescribed by the county assessor.**

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 16. Minnesota Statutes 2016, section 273.121, is amended by adding a subdivision to read:

**Subd. 3. Compliance.** A county assessor, or a city assessor having the powers of a county assessor, who does not comply with the timely notice requirement under subdivision 1 must:

**(1) mail an additional valuation notice to each person who was not provided timely notice; and**

**(2) convene a supplemental local board of appeal and equalization or local review session no sooner than ten days after sending the additional notices required by clause (1).**

**EFFECTIVE DATE.** This section is effective for valuation notices sent in 2018 and thereafter.

Sec. 17. Minnesota Statutes 2016, section 273.13, subdivision 22, is amended to read:

**Subd. 22. Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to

be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$500,000 of market value of class 1a property has a net classification rate of one percent of its market value; and the market value of class 1a property that exceeds \$500,000 has a classification rate of 1.25 percent of its market value.

(b) Class 1b property includes homestead real estate or homestead manufactured homes used for the purposes of a homestead by:

(1) any person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse;

(2) any person who is permanently and totally disabled or by the disabled person and the disabled person's spouse; or

(3) the surviving spouse of a permanently and totally disabled veteran homesteading a property classified under this paragraph for taxes payable in 2008.

Property is classified and assessed under clause (2) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph, and that the property is not eligible for the valuation exclusion under subdivision 34.

Property is classified and assessed under paragraph (b) only if the commissioner of revenue or the county assessor certifies that the homestead occupant satisfies the requirements of this paragraph.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$50,000 market value of class 1b property has a net classification rate of .45 percent of its market value. The remaining market value of class 1b property ~~has a classification rate using the rates for~~ is classified as class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real and personal property that abuts public water as defined in section 103G.005, subdivision 15, and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation, partnership, or limited liability company. For purposes of this paragraph, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. Class 1c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 1c property must provide recreational activities such as the rental of ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina services, launch services, or guide services; or sell bait and fishing

tackle. Any unit in which the right to use the property is transferred to an individual or entity by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even though it may remain available for rent. A camping pad offered for rent by a property that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental agreement, as long as the use of the camping pad does not exceed 250 days. If the same owner owns two separate parcels that are located in the same township, and one of those properties is classified as a class 1c property and the other would be eligible to be classified as a class 1c property if it was used as the homestead of the owner, both properties will be assessed as a single class 1c property; for purposes of this sentence, properties are deemed to be owned by the same owner if each of them is owned by a limited liability company, and both limited liability companies have the same membership. The portion of the property used as a homestead is class 1a property under paragraph (a). The remainder of the property is classified as follows: the first \$600,000 of market value is tier I, the next \$1,700,000 of market value is tier II, and any remaining market value is tier III. The classification rates for class 1c are: tier I, 0.50 percent; tier II, 1.0 percent; and tier III, 1.25 percent. Owners of real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes in which all or a portion of the property was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c, 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 as class 1c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located must be designated as class 3a commercial. The owner of property desiring designation as class 1c property must provide guest registers or other records demonstrating that the units for which class 1c 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 1c.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

The market value of class 1d property has the same classification rates as class 1a property under paragraph (a).

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

Sec. 18. Minnesota Statutes 2016, section 273.33, subdivision 1, is amended to read:

Subdivision 1. **Listing and assessment in county.** The personal property of express, stage and transportation companies, and of pipeline companies engaged in the business of transporting ~~natural gas, gasoline, crude oil, or other petroleum~~ **natural gas** products, except as otherwise provided by law, shall be listed and assessed in the county, town or district where the same is usually kept.

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

Sec. 19. Minnesota Statutes 2016, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting ~~natural gas, gasoline, crude oil, or other petroleum~~ **gas** products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing ~~gas~~ **gas** products to consumers at retail nor to pipelines used by the owner thereof to supply ~~natural gas or other petroleum~~ **gas** products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the ~~natural gas or other petroleum~~ **gas** products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of ~~gas~~ **gas** products actually transported over such pipeline that is not used for the owner's own consumption. On or before August 1, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located. If the commissioner determines that the amount of personal property assessment certified on or before August 1 is in error, the commissioner may issue a corrected certification on or before October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

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

Sec. 20. Minnesota Statutes 2016, section 273.372, subdivision 1, is amended to read:

Subdivision 1. **Scope.** (a) As provided in this section, an appeal by a utility or railroad company concerning property for which the commissioner of revenue has provided the city or county assessor with valuations by order, or for which the commissioner has recommended values to the city or county assessor, must be brought against the commissioner, ~~and not against~~ and not on the county or taxing district where the property is located. Service must be made on the commissioner only, and not on the county or taxing district.

(b) This section governs administrative appeals and appeals to court of a claim that utility or railroad operating property has been partially, unfairly, or unequally assessed, or assessed at a valuation greater than its real or actual value, misclassified, or that the property is exempt. This section applies only to property described in sections 270.81, subdivision 1, 273.33, 273.35, 273.36, and 273.37, and only with regard to taxable net tax capacities that have been provided to the city or

county by the commissioner and which have not been changed by city or county. If the taxable net tax capacity being appealed is not the taxable net tax capacity established by the commissioner, or if the appeal claims that the tax rate applied against the parcel is incorrect, or that the tax has been paid, this section does not apply.

**EFFECTIVE DATE.** This section is effective for appeals of valuations made in assessment year 2018 and thereafter.

Sec. 21. Minnesota Statutes 2016, section 273.372, subdivision 2, is amended to read:

Subd. 2. **Contents and filing of petition.** (a) In all appeals to court that are required to be brought against the commissioner under this section, the petition initiating the appeal must be served on the commissioner and must be filed with the Tax Court in Ramsey County, as provided in paragraph (b) or (c).

(b) If the appeal to court is from an order of the commissioner, it must be brought under chapter 271 and filed within the time period prescribed in section 271.06, subdivision 2, except that when the provisions of this section conflict with chapter 271 or 278, this section prevails. In addition, the petition must include all the parcels encompassed by that order which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt. For this purpose, an order of the commissioner is either (1) a certification or notice of value by the commissioner for property described in subdivision 1, or (2) the final determination by the commissioner of either an administrative appeal conference or informal administrative appeal described in subdivision 4.

(c) If the appeal is from the tax that results from implementation of the commissioner's order, certification, or recommendation, it must be brought under chapter 278, and the provisions in that chapter apply, except that service shall be on the commissioner only and not on the local officials specified in section 278.01, subdivision 1, and if any other provision of this section conflicts with chapter 278, this section prevails. In addition, the petition must include either all the utility parcels or all the railroad parcels in the state in which the petitioner claims an interest and which the petitioner claims have been partially, unfairly, or unequally assessed, assessed at a valuation greater than their real or actual value, misclassified, or are exempt.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 22. Minnesota Statutes 2016, 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.

(b) Companies ~~that must submit reports under section 270.82 must submit file~~ a written request ~~to for an appeal with the commissioner for a conference within ten 30 days after the notice date of the commissioner's valuation certification or other notice to the company, or by June 15, whichever is earlier.~~ For purposes of this section, the term "notice date" means the date of the valuation certification, commissioner's order, recommendation, or other notice.

~~(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. The appeal need not be in any particular form but must contain the following information:~~

- (1) name and address of the company;
- (2) the date;
- (3) its Minnesota identification number;
- (4) the assessment year or period involved;
- (5) the findings in the valuation that the company disputes;
- (6) a summary statement specifying its reasons for disputing each item; and
- (7) the signature of the company's duly authorized agent or representative.

(d) When requested in writing and within the time allowed for filing an administrative appeal, the commissioner may extend the time for filing an appeal for a period of not more than 15 days from the expiration of the time for filing the appeal.

~~(d)~~ (e) The commissioner shall conduct the conference either in person or by telephone 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 request for an appeal. Within 60 30 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 subject to chapter 14.

~~(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 for assessment year 2018 and thereafter.

Sec. 23. Minnesota Statutes 2016, section 273.372, is amended by adding a subdivision to read:

**Subd. 5. Agreement determining valuation.** When it appears to be in the best interest of the state, the commissioner may settle any matter under consideration regarding an appeal filed under this section. The agreement must be in writing and signed by the commissioner and the company or the company's authorized representative. The agreement is final and conclusive, and except upon a showing of fraud, malfeasance, or misrepresentation of a material fact, the case may not be reopened as to the matters agreed upon.

**EFFECTIVE DATE.** This section is effective for assessment year 2018 and thereafter.

Sec. 24. Minnesota Statutes 2016, section 273.372, is amended by adding a subdivision to read:

Subd. 6. **Dismissal of administrative appeal.** If a taxpayer files an administrative appeal from an order of the commissioner and also files an appeal to the tax court for that same order of the commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make the determination of appeal under subdivision 4.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2017.

Sec. 25. **[273.88] EQUALIZATION OF PUBLIC UTILITY STRUCTURES.**

After making the apportionment provided in Minnesota Rules, part 8100.0600, the commissioner must equalize the values of the operating structures to the level accepted by the State Board of Equalization if the appropriate sales ratio for each county, as conducted by the Department of Revenue pursuant to section 270.12, subdivision 2, clause (6), is outside the range accepted by the State Board of Equalization. The commissioner must not equalize the value of the operating structures if the sales ratio determined pursuant to this subdivision is within the range accepted by the State Board of Equalization.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2017.

Sec. 26. Minnesota Statutes 2016, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town board of a town, or the council or other governing body of a city, is the local board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when ~~the board or~~ the local board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a local board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet either at a central location within the county or at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract



or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20. A board member shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board. The county assessor shall enter all changes made by the board.

(f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 27. Minnesota Statutes 2016, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

(8) The board may not make an individual market value adjustment or classification change that would benefit property if the owner or other person having control over the property has refused the assessor access to inspect the property and the interior of any buildings or structures as provided in section 273.20.

**EFFECTIVE DATE.** This section is effective for county board of appeal and equalization meetings in 2018 and thereafter.

Sec. 28. Minnesota Statutes 2016, section 274.135, subdivision 3, is amended to read:

Subd. 3. **Proof of compliance; transfer of duties.** (a) Any county that conducts county boards of appeal and equalization meetings must provide proof to the commissioner by ~~December 1, 2009, and each year thereafter,~~ February 1 that it is in compliance with the requirements of subdivision 2. ~~Beginning in 2009,~~ This notice must also verify that there was a quorum of voting members at each meeting of the board of appeal and equalization in the ~~current~~ previous year. A county that does not comply with these requirements is deemed to have transferred its board of appeal and equalization powers to the special board of equalization appointed pursuant to section 274.13, subdivision 2, beginning with the following year's assessment and continuing unless the powers are reinstated under paragraph (c). A county that does not comply with the requirements of subdivision 2 and has not appointed a special board of equalization shall appoint a special board of equalization before the following year's assessment.

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process must take place in April and May.

(c) A county board whose powers are transferred to the special board of equalization under this subdivision may be reinstated by resolution of the county board and upon proof of compliance with the requirements of subdivision 2. The resolution and proofs must be provided to the commissioner by ~~December~~ February 1 in order to be effective for the ~~following~~ current year's assessment.

(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the county where the property is located \$500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner

must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

**EFFECTIVE DATE.** This section is effective for county boards of appeal and equalization meetings held in 2017 and thereafter.

Sec. 29. Minnesota Statutes 2016, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **Proposed levy.** (a) Notwithstanding any law or charter to the contrary, on or before September 30, each county and each home rule charter or statutory city shall certify to the county auditor the proposed property tax levy for taxes payable in the following year.

(b) Notwithstanding any law or charter to the contrary, on or before September 15, each town and each special taxing district shall adopt and certify to the county auditor a proposed property tax levy for taxes payable in the following year. For towns, the final certified levy shall also be considered the proposed levy.

(c) On or before September 30, each school district that has not mutually agreed with its home county to extend this date shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. Each school district that has agreed with its home county to delay the certification of its proposed property tax levy must certify its proposed property tax levy for the following year no later than October 7. The school district shall certify the proposed levy as:

(1) a specific dollar amount by school district fund, broken down between voter-approved and non-voter-approved levies and between referendum market value and tax capacity levies; or

(2) the maximum levy limitation certified by the commissioner of education according to section 126C.48, subdivision 1.

(d) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by the date specified in paragraph (a), the city shall be deemed to have certified its levies for those taxing jurisdictions.

(e) For purposes of this section, "special taxing district" means a special taxing district as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and Common School Districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

(f) At the meeting at which a taxing authority, other than a town, adopts its proposed tax levy under this subdivision, the taxing authority shall announce the time and place of ~~its~~ any subsequent regularly scheduled meetings at which the budget and levy will be discussed and at which the public will be allowed to speak. The time and place of those meetings must be included in the proceedings or summary of proceedings published in the official newspaper of the taxing authority under section 123B.09, 375.12, or 412.191.

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

Sec. 30. Minnesota Statutes 2016, section 275.62, subdivision 2, is amended to read:

Subd. 2. **Local governments required to report.** For purposes of this section, "local governmental unit" means a county, home rule charter or statutory city with a population greater than 2,500, ~~a town with a population greater than 5,000, or a home rule charter or statutory city or town that receives a distribution from the taconite municipal aid account in the levy year.~~

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

Sec. 31. Minnesota Statutes 2016, section 278.01, subdivision 1, is amended to read:

Subdivision 1. **Determination of validity.** (a) Any person having personal property, or any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the (1) city, or (2) county, or (3) in the case of a county containing a city of the first class, the portion of the county excluding the first class city, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined by the district court of the county in which the tax is levied or by the Tax Court by serving one copy of a petition for such determination upon the county auditor, one copy on the county attorney, one copy on the county treasurer, and three copies on the county assessor. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be forwarded by the assessor to the school board of the school district in which the property is located.

(b) In counties where the office of county treasurer has been combined with the office of county auditor, the county may elect to require the petitioner to serve the number of copies as determined by the county. The county assessor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A list of petitioned properties, including the name of the petitioner, the identification number of the property, and the estimated market value, shall be sent on or before the first day of July by the county auditor/treasurer to the school board of the school district in which the property is located.

(c) For all counties, the petitioner must file the copies with proof of service, in the office of the court administrator of the district court on or before April 30 of the year in which the tax becomes payable. A petition for determination under this section may be transferred by the district court to the Tax Court. An appeal may also be taken to the Tax Court under chapter 271 at any time following receipt of the valuation notice that county assessors or city assessors having the powers of a county assessor are required by section 273.121 to send to persons whose property is to be included on the assessment roll that year, but prior to May 1 of the year in which the taxes are payable.

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

Sec. 32. Minnesota Statutes 2016, section 282.01, subdivision 1a, is amended to read:

Subd. 1a. **Conveyance to public entities.** (a) Upon written request from a state agency or a governmental subdivision of the state, a parcel of unsold tax-forfeited land must be withheld from sale or lease to others for a maximum of six months. The request must be submitted to the county auditor. Upon receipt, the county auditor must withhold the parcel from sale or lease to any other party for six months, and must confirm the starting date of the six-month withholding period to the requesting agency or subdivision. If the request is from a governmental subdivision of the state, the governmental subdivision must pay the maintenance costs incurred by the county during the period the parcel is withheld. The county board may approve a sale or conveyance to the requesting party during the withholding period. A conveyance of the property to the requesting party terminates the withholding period.

A governmental subdivision of the state must not make, and a county auditor must not act upon, a second request to withhold a parcel from sale or lease within 18 months of a previous request for that parcel. A county may reject a request made under this paragraph if the request is made more than 30 days after the county has given notice to the requesting state agency or governmental subdivision of the state that the county intends to sell or otherwise dispose of the property.

(b) Nonconservation tax-forfeited lands may be sold by the county board, for their market value as determined by the county board, to an organized or incorporated governmental subdivision of the state for any public purpose for which the subdivision is authorized to acquire property. When the term "market value" is used in this section, it means an estimate of the full and actual market value of the parcel as determined by the county board, but in making this determination, the board and the persons employed by or under contract with the board in order to perform, conduct, or assist in the determination, are exempt from the licensure requirements of chapter 82B.

(c) Nonconservation tax-forfeited lands may be ~~released from the trust in favor of the taxing districts on application to~~ sold by the county board ~~by,~~ for their market value as determined by the county board, to a state agency for ~~an authorized use at not less than their market value as determined by the county board~~ any public purpose for which the agency is authorized to acquire property.

(d) Nonconservation tax-forfeited lands may be sold by the county board to an organized or incorporated governmental subdivision of the state or state agency for less than their market value if:

(1) the county board determines that a sale at a reduced price is in the public interest because a reduced price is necessary to provide an incentive to correct the blighted conditions that make the lands undesirable in the open market, or the reduced price will lead to the development of affordable housing; and

(2) the governmental subdivision or state agency has documented its specific plans for correcting the blighted conditions or developing affordable housing, and the specific law or laws that empower it to acquire real property in furtherance of the plans.

If the sale under this paragraph is to a governmental subdivision of the state, the commissioner of revenue must convey the property on behalf of the state by quitclaim deed. If the sale under this paragraph is to a state agency, the property is released from the trust in favor of the taxing districts and the commissioner of revenue must issue a conveyance document that releases the property from

the trust in favor of the taxing districts convey the property on behalf of the state by quitclaim deed to the agency.

(e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner which includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board. For the purposes of this paragraph, "authorized public use" means a use that allows an indefinite segment of the public to physically use and enjoy the property in numbers appropriate to its size and use, or is for a public service facility. Authorized public uses as defined in this paragraph are limited to:

(1) a road, or right-of-way for a road;

(2) a park that is both available to, and accessible by, the public that contains improvements such as campgrounds, playgrounds, athletic fields, trails, or shelters;

(3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and

(8) public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

No monetary compensation or consideration is required for the conveyance, except as provided in subdivision 1g, but the conveyance is subject to the conditions provided in law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

(f) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to a local governmental subdivision of the state by quitclaim deed on behalf of the state upon the favorable recommendation of the county board if the governmental subdivision has certified to the board that prior to forfeiture the subdivision was entitled to the parcel under a written development agreement or instrument, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(g) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to the association of a common interest community by quitclaim deed upon the favorable recommendation of the county board if the association certifies to the board that prior to forfeiture the association was entitled to the parcel under a written agreement, but the conveyance failed to

occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(h) Conservation tax-forfeited land may be sold to a governmental subdivision of the state for less than its market value for either: (1) creation or preservation of wetlands; (2) drainage or storage of storm water under a storm water management plan; or (3) preservation, or restoration and preservation, of the land in its natural state. The deed must contain a restrictive covenant limiting the use of the land to one of these purposes for 30 years or until the property is reconveyed back to the state in trust. At any time, the governmental subdivision may reconvey the property to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue. No part of a purchase price determined under this paragraph shall be refunded upon a reconveyance, but the amount paid for a conveyance under this paragraph may be taken into account by the county board when setting the terms of a future sale of the same property to the same governmental subdivision under paragraph (b) or (d). If the lands are unplatted and located outside of an incorporated municipality and the commissioner of natural resources determines there is a mineral use potential, the sale is subject to the approval of the commissioner of natural resources.

(i) A park and recreation board in a city of the first class is a governmental subdivision for the purposes of this section.

(j) Tax-forfeited land held in trust in favor of the taxing districts may be conveyed by the commissioner of revenue in the name of the state to a governmental subdivision for a school forest under section 89.41. An application that includes a statement of facts as to the use to be made of the tract and the favorable recommendation of the county board and the commissioner of natural resources must be submitted to the commissioner of revenue. No monetary compensation or consideration is required for the conveyance, but the conveyance is subject to the conditional use and reversion provisions of subdivisions 1c and 1d, paragraph (e). At any time, the governmental subdivision may reconvey the property back to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue.

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

Sec. 33. Minnesota Statutes 2016, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) After three years from the date of any conveyance of tax-forfeited land to a governmental subdivision for an authorized public use as provided in this section, regardless of when the deed for the authorized public use was executed, if the governmental subdivision has failed to put the land to that use, or abandons that use, the governing body of the subdivision must: (1) with the approval of the county board, purchase the property for an authorized public purpose at the present market value as determined by the county board, or (2) authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota in trust for the taxing districts. If the governing body purchases the property under clause (1), the commissioner of revenue shall, upon proper application submitted by the county auditor and upon the reconveyance of the land subject to the conditional use deed to the state, convey the property on behalf of the state by quitclaim deed to the subdivision free of a use restriction and the possibility of reversion or defeasement. If the governing body decides to reconvey the property to the state under this clause, the officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its



form must be approved by the attorney general. For 15 years from the date of the conveyance, there is no failure to put the land to the authorized public use and no abandonment of that use if a formal plan of the governmental subdivision, including, but not limited to, a comprehensive plan or land use plan, shows an intended future use of the land for the authorized public use.

(b) Property held by a governmental subdivision of the state under a conditional use deed executed under this section by the commissioner of revenue on or after January 1, 2007, may be acquired by that governmental subdivision after 15 years from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quitclaim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed under this section by the commissioner of revenue before January 1, 2007, is released from the use restriction and possibility of reversion on January 1, 2022, if the county board records a resolution describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) Except for tax-forfeited land conveyed to establish a school forest under section 89.41, property conveyed under a conditional use deed executed under this section by the commissioner of revenue, regardless of when the deed for the authorized public use was executed, is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

(e) Notwithstanding paragraphs (a) to (d), tax-forfeited land conveyed to establish a school forest under section 89.41 is subject to a perpetual conditional use deed and reverter. The property reverts to the state in trust for the taxing districts by operation of law if the commissioner of natural resources determines and reports to the commissioner of revenue under section 89.41, subdivision 3, that the governmental subdivision has failed to use the land for school forest purposes for three consecutive years. The commissioner of revenue shall record a declaration of reversion for land that has reverted under this paragraph.

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

Sec. 34. Minnesota Statutes 2016, section 477A.013, is amended by adding a subdivision to read:

Subd. 14. **Communication by electronic mail.** Prior to receiving aid pursuant to this section, a city must register an official electronic mail address with the commissioner, which the commissioner may use as an exclusive means to communicate with the city.

**EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

Sec. 35. Minnesota Statutes 2016, section 477A.19, is amended by adding a subdivision to read:

Subd. 3a. **Certification.** On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the number of watercraft launches and the number of watercraft trailer parking spaces in each county.

**EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

Sec. 36. Minnesota Statutes 2016, section 477A.19, is amended by adding a subdivision to read:

Subd. 3b. **Certification.** On or before June 1 of each year, the commissioner of natural resources shall certify to the commissioner of revenue the counties that complied with the requirements of subdivision 3 the prior year and are eligible to receive aid under this section.

**EFFECTIVE DATE.** This section is effective for aids payable in 2018 and thereafter.

Sec. 37. Minnesota Statutes 2016, section 559.202, subdivision 2, is amended to read:

Subd. 2. **Exception.** This section does not apply to sales made under chapter 282 or if the purchaser is represented throughout the transaction by either:

(1) a person licensed to practice law in this state; or

(2) a person licensed as a real estate broker or salesperson under chapter 82, provided that the representation does not create a dual agency, as that term is defined in section 82.55, subdivision 6.

**EFFECTIVE DATE.** This section is effective for sales of tax-forfeited land occurring after the day following final enactment.

Sec. 38. Laws 2014, chapter 308, article 1, section 14, subdivision 2, is amended to read:

Subd. 2. **Payment of supplemental credit.** (a) The commissioner must pay supplemental credit amounts to each qualifying taxpayer by October 15, 2014.

(b) If the commissioner cannot locate the qualifying taxpayer by October 15, 2016, or if a qualifying taxpayer to whom a warrant was issued does not cash that warrant within two years from the date the warrant was issued, the right to the credit shall lapse and the warrant shall be deposited in the general fund.

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

Sec. 39. Laws 2014, chapter 308, article 9, section 94, is amended to read:

Sec. 94. **REPEALER.**

(a) Minnesota Statutes 2012, sections 273.1398, subdivision 4b; 290.01, subdivision 19e; 290.0674, subdivision 3; 290.191, subdivision 4; and 290.33, and Minnesota Rules, part 8007.0200, are repealed.

(b) Minnesota Statutes 2012, sections 16D.02, subdivisions 5 and 8; 16D.11, subdivision 2; 270C.53; 270C.991, subdivision 4; 272.02, subdivisions 1, 1a, 43, 48, 51, 53, 67, 72, and 82; ~~272.027, subdivision 2~~; 272.031; 273.015, subdivision 1; 273.03, subdivision 3; 273.075; 273.13, subdivision 21a; 273.1383; 273.1386; 273.80; 275.77; 279.32; 281.173, subdivision 8; 281.174, subdivision 8; 281.328; 282.10; 282.23; 287.20, subdivision 4; 287.27, subdivision 2; 290.01, subdivisions 4b and 20e; 295.52, subdivision 7; 297A.666; 297A.71, subdivisions 4, 5, 7, 9, 10, 17, 18, 20, 32, and 41; 297F.08, subdivision 11; 297H.10, subdivision 2; 469.174, subdivision 10c; 469.175, subdivision 2b; 469.176, subdivision 1i; 469.177, subdivision 10; 477A.0124, subdivisions 1 and 6; and 505.173, Minnesota Statutes 2013 Supplement, section 273.1103, Laws 1993, chapter 375, article 9, section 47, and Minnesota Rules, parts 8002.0200, subpart 8; 8100.0800; and 8130.7500, subpart 7, are repealed.

(c) Minnesota Statutes 2012, section 469.1764, is repealed.

(d) Minnesota Statutes 2012, sections 289A.56, subdivision 7; 297A.68, subdivision 38; 469.330; 469.331; 469.332; 469.333; 469.334; 469.335; 469.336; 469.337; 469.338; 469.339; 469.340, subdivisions 1, 2, 3, and 5; and 469.341, and Minnesota Statutes 2013 Supplement, section 469.340, subdivision 4, are repealed.

(e) Minnesota Statutes 2012, section 290.06, subdivisions 30 and 31, are repealed.

**EFFECTIVE DATE.** This section is effective retroactively from May 20, 2014, and pursuant to Minnesota Statutes, section 645.36, Minnesota Statutes, section 272.027, subdivision 2, is revived and reenacted as of that date.

Sec. 40. **REPEALER.**

(a) Minnesota Statutes 2016, section 281.22, is repealed.

(b) Minnesota Rules, part 8100.0700, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective beginning with assessment year 2017.

## ARTICLE 16

### DEPARTMENT POLICY AND TECHNICAL PROVISIONS; MISCELLANEOUS

Section 1. Minnesota Statutes 2016, section 270.82, subdivision 1, is amended to read:

Subdivision 1. **Annual report required.** Every railroad company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections 270.80 to 270.87. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by

the commissioner" includes the property tax laws. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 2. Minnesota Statutes 2016, section 270A.03, subdivision 5, is amended to read:

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

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food support, transitional child care, or transitional medical assistance.

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

- (1) for an unmarried debtor, an income of ~~\$8,800~~ \$12,560 or less;
- (2) for a debtor with one dependent, an income of ~~\$11,270~~ \$16,080 or less;
- (3) for a debtor with two dependents, an income of ~~\$13,330~~ \$19,020 or less;
- (4) for a debtor with three dependents, an income of ~~\$15,120~~ \$21,580 or less;
- (5) for a debtor with four dependents, an income of ~~\$15,950~~ \$22,760 or less; and
- (6) for a debtor with five or more dependents, an income of ~~\$16,630~~ \$23,730 or less.

For purposes of this paragraph, "debtor" means the individual whose income, together with the income of the individual's spouse, other than a separated spouse, brings the individual within the income provisions of this paragraph. For purposes of this paragraph, a spouse, other than a separated spouse, shall be considered a dependent.

(c) The commissioner shall adjust the income amounts in paragraph (b) by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in section 1(f)(3)(B) the word "~~1999~~ 2014" shall be substituted for the word "1992." For ~~2001~~ 2016, the commissioner shall then determine the percent change from the 12 months ending on August 31, ~~1999~~ 2014, to the 12 months ending on August 31, ~~2000~~ 2015, and in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2014, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision

shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14. The income amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

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

**EFFECTIVE DATE.** The section is effective retroactively for debts incurred after December 31, 2014.

Sec. 3. Minnesota Statutes 2016, section 270B.14, subdivision 1, is amended to read:

Subdivision 1. **Disclosure to commissioner of human services.** (a) On the request of the commissioner of human services, the commissioner shall disclose return information regarding taxes imposed by chapter 290, and claims for refunds under chapter 290A, to the extent provided in paragraph (b) and for the purposes set forth in paragraph (c).

(b) Data that may be disclosed are limited to data relating to the identity, whereabouts, employment, income, and property of a person owing or alleged to be owing an obligation of child support.

(c) The commissioner of human services may request data only for the purposes of carrying out the child support enforcement program and to assist in the location of parents who have, or appear to have, deserted their children. Data received may be used only as set forth in section 256.978.

(d) The commissioner shall provide the records and information necessary to administer the supplemental housing allowance to the commissioner of human services.

(e) At the request of the commissioner of human services, the commissioner of revenue shall electronically match the Social Security numbers and names of participants in the telephone assistance plan operated under sections 237.69 to 237.71, with those of property tax refund filers, and determine whether each participant's household income is within the eligibility standards for the telephone assistance plan.

(f) The commissioner may provide records and information collected under sections 295.50 to 295.59 to the commissioner of human services for purposes of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, Public Law 102-234. Upon the written agreement by the United States Department of Health and Human Services to maintain the confidentiality of the data, the commissioner may provide records and information collected under sections 295.50 to 295.59 to the Centers for Medicare and Medicaid Services section of the United States Department of Health and Human Services for purposes of meeting federal reporting requirements.

(g) The commissioner may provide records and information to the commissioner of human services as necessary to administer the early refund of refundable tax credits.

(h) The commissioner may disclose information to the commissioner of human services as necessary to verify income for income verification for eligibility and premium payment under the MinnesotaCare program, under section 256L.05, subdivision 2, as well as the medical assistance program under section 256B.

(i) The commissioner may disclose information to the commissioner of human services necessary to verify whether applicants or recipients for the Minnesota family investment program, general assistance, food support, Minnesota supplemental aid program, and child care assistance have claimed refundable tax credits under chapter 290 and the property tax refund under chapter 290A, and the amounts of the credits.

(j) The commissioner may disclose information to the commissioner of human services necessary to verify income for purposes of calculating parental contribution amounts under section 252.27, subdivision 2a.

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

Sec. 4. Minnesota Statutes 2016, section 270C.30, is amended to read:

**270C.30 RETURNS AND OTHER DOCUMENTS; FORMAT; FURNISHING.**

Except as otherwise provided by law, the commissioner shall prescribe the content and format, and manner of all returns and other forms required to be filed under a law administered by the commissioner, and may furnish them subject to charge on application.

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

Sec. 5. Minnesota Statutes 2016, section 270C.33, subdivision 5, is amended to read:

Subd. 5. **Prohibition against collection during appeal period of an order.** No collection action can be taken on an order of assessment, or any other order imposing a liability, including the filing of liens under section 270C.63, and no late payment penalties may be imposed when a return has been filed for the tax type and period upon which the order is based, during the appeal period of an order. The appeal period of an order ends: (1) 60 days after the ~~order has been mailed to the taxpayer~~ notice date designated by the commissioner on the order; (2) if an administrative appeal is filed under section 270C.35, 60 days after the notice date designated by the commissioner on the written determination of the administrative appeal; (3) if an appeal to Tax Court is filed under chapter 271, when the decision of the Tax Court is made; or (4) if an appeal to Tax Court is filed and the appeal is based upon a constitutional challenge to the tax, 60 days after final determination of the appeal. This subdivision does not apply to a jeopardy assessment under section 270C.36, or a jeopardy collection under section 270C.36.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 6. Minnesota Statutes 2016, section 270C.33, subdivision 8, is amended to read:

Subd. 8. **Sufficiency of notice.** An assessment of tax made by the commissioner, sent postage prepaid by United States mail to the taxpayer at the taxpayer's last known address, or sent by electronic mail to the taxpayer's last known electronic mailing address as provided for in section 325L.08, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the commissioner has been provided with a new address by a party authorized to receive notices of assessment. Notice of an assessment is sufficient if it is sent on or before the notice date designated by the commissioner on the assessment.

**EFFECTIVE DATE.** This section is effective for assessments dated after December 31, 2017.

Sec. 7. Minnesota Statutes 2016, section 270C.34, subdivision 2, is amended to read:

Subd. 2. **Procedure.** (a) A request for abatement of penalty under subdivision 1 or section 289A.60, subdivision 4, or a request for abatement of interest or additional tax charge, must be filed with the commissioner within 60 days of the notice date of the notice was mailed to the taxpayer's last known address, stating that a penalty has been imposed or additional tax charge. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order or other notice that a penalty or additional tax charge has been imposed.

(b) If the commissioner issues an order denying a request for abatement of penalty, interest, or additional tax charge, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06.

(c) If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after December 31, 2017.

Sec. 8. Minnesota Statutes 2016, section 270C.347, subdivision 1, is amended to read:

Subdivision 1. **Checks and warrants, authority to reissue.** Notwithstanding any other provision of law, the commissioner may, based on a showing of reasonable cause, reissue an uncashed rebate, supplemental agricultural credit, or property tax refund warrant or check that has lapsed under any provision of law relating to rebates or under section 290A.18, subdivision 2. The authority to reissue warrants or checks under this subdivision is limited to five years after the date of issuance of the original warrant or check.

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

Sec. 9. Minnesota Statutes 2016, section 270C.35, subdivision 3, is amended to read:

Subd. 3. **Notice date.** For purposes of this section, the term "notice date" means the date of designated by the commissioner on the order adjusting the tax or order denying a request for abatement, or, in the case of a denied refund, the notice date of designated by the commissioner on the notice of denial.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after December 31, 2017.

Sec. 10. Minnesota Statutes 2016, section 270C.35, is amended by adding a subdivision to read:

Subd. 11. **Dismissal of administrative appeal.** If a taxpayer files an administrative appeal for an order of the commissioner and also files an appeal to the Tax Court for that same order of the commissioner, the administrative appeal is dismissed and the commissioner is no longer required to make a determination of appeal under subdivision 6.

**EFFECTIVE DATE.** This section is effective for all administrative appeals filed after December 30, 2016.

Sec. 11. Minnesota Statutes 2016, 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.

(c) Notice of a determination or action of the commissioner is sufficient if it is sent on or before the notice date designated by the commissioner on the notice.

**EFFECTIVE DATE.** This section is effective for notices dated after December 31, 2017.

Sec. 12. Minnesota Statutes 2016, section 270C.445, is amended by adding a subdivision to read:

Subd. 9. **Enforcement; limitations.** (a) Notwithstanding any other law, the imposition of a penalty or any other action against a tax return preparer authorized by subdivision 6 with respect to a return may be taken by the commissioner within the period provided by section 289A.38 to assess tax on that return.

(b) Imposition of a penalty or other action against a tax return preparer authorized by subdivision 6 other than with respect to a return must be taken by the commissioner within five years of the violation of statute.

**EFFECTIVE DATE.** This section is effective for tax preparation services provided after the day following final enactment.

Sec. 13. Minnesota Statutes 2016, section 270C.446, subdivision 5, is amended to read:

Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax preparer from the list of tax preparers published under this section:

(1) when the commissioner determines that the name was included on the list in error;

(2) within ~~90 days~~ three years after the preparer has demonstrated to the commissioner that the preparer fully paid all fines or penalties imposed, served any suspension, satisfied any sentence imposed, successfully completed any probationary period imposed, and successfully completed any remedial actions required by the commissioner, the State Board of Accountancy, or the Lawyers Board of Professional Responsibility; or



(3) when the commissioner has been notified that the tax preparer is deceased.

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

Sec. 14. Minnesota Statutes 2016, section 270C.72, subdivision 4, is amended to read:

Subd. 4. **Licensing authority; duties.** All licensing authorities must require the applicant to provide the applicant's Social Security number or individual taxpayer identification number and Minnesota business identification number, as applicable, on all license applications. Upon request of the commissioner, the licensing authority must provide the commissioner with a list of all applicants, including the name, address, business name and address, and Social Security number; or individual taxpayer identification number and business identification number, as applicable, of each applicant. The commissioner may request from a licensing authority a list of the applicants no more than once each calendar year.

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

Sec. 15. Minnesota Statutes 2016, section 271.06, subdivision 2, is amended to read:

Subd. 2. **Time; notice; intervention.** Except as otherwise provided by law, within 60 days after ~~the notice of the making and filing date~~ of an order of the commissioner of revenue, the appellant, or the appellant's attorney, shall serve a notice of appeal upon the commissioner and file the original, with proof of such service, with the Tax Court administrator or with the court administrator of district court acting as court administrator of the Tax Court; provided, that the Tax Court, for cause shown, may by written order extend the time for appealing for an additional period not exceeding 30 days. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order. The notice of appeal shall be in the form prescribed by the Tax Court. Within five days after receipt, the commissioner shall transmit a copy of the notice of appeal to the attorney general. The attorney general shall represent the commissioner, if requested, upon all such appeals except in cases where the attorney general has appealed in behalf of the state, or in other cases where the attorney general deems it against the interests of the state to represent the commissioner, in which event the attorney general may intervene or be substituted as an appellant in behalf of the state at any stage of the proceedings.

Upon a final determination of any other matter over which the court is granted jurisdiction under section 271.01, subdivision 5, the taxpayer or the taxpayer's attorney shall file a petition or notice of appeal as provided by law with the court administrator of district court, acting in the capacity of court administrator of the Tax Court, with proof of service of the petition or notice of appeal as required by law and within the time required by law. As used in this subdivision, "final determination" includes a notice of assessment and equalization for the year in question received from the local assessor, an order of the local board of equalization, or an order of a county board of equalization.

The Tax Court shall prescribe a filing system so that the notice of appeal or petition filed with the district court administrator acting as court administrator of the Tax Court is forwarded to the Tax Court administrator. In the case of an appeal or a petition concerning property valuation for which the assessor, a local board of equalization, a county board of equalization or the commissioner of revenue has issued an order, the officer issuing the order shall be notified of the filing of the appeal. The notice of appeal or petition shall be in the form prescribed by the Tax Court.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 16. Minnesota Statutes 2016, section 271.06, subdivision 7, is amended to read:

Subd. 7. **Rules.** Except as provided in section 278.05, subdivision 6, the Rules of Evidence and Civil Procedure for the district court of Minnesota shall govern the procedures in the Tax Court, where practicable. The Rules of Civil Procedure do not apply to alter the 60-day period of time to file a notice of appeal provided in subdivision 2. The Tax Court may adopt rules under chapter 14.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 17. Minnesota Statutes 2016, section 272.02, subdivision 10, is amended to read:

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1030, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The commissioner shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner shall prescribe the content, format, and manner of the application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws, and if an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The commissioner shall develop an electronic means to notify interested parties when the commissioner has issued an order exempting property from taxation under this subdivision. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

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

Sec. 18. Minnesota Statutes 2016, section 272.0211, subdivision 1, is amended to read:

Subdivision 1. **Efficiency determination and certification.** An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the ~~forms~~ content, format, manner, and procedures for this application pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If an application is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws. Upon receiving the application, the commissioner of revenue shall: (1) request the commissioner of commerce to make a determination of the efficiency of the applicant's electric power generation facility; and (2) shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner of commerce shall calculate efficiency as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the Higher Heating Value (HHV) for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of commerce shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.

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

Sec. 19. Minnesota Statutes 2016, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 2 to 33, must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the ~~form and contents~~ content, format, and manner of the statement of exemption pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws.

(e) If a statement is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 20. Minnesota Statutes 2016, section 272.029, subdivision 4, is amended to read:

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before ~~February~~ January 15 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the ~~form~~ content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 60 percent.

(b) If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

~~(b)~~ (c) On or before February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

**EFFECTIVE DATE.** This section is effective the day following final enactment, except that the amendment in paragraph (a) moving the date to file the report is effective for reports filed in 2017 and thereafter.

Sec. 21. Minnesota Statutes 2016, section 272.0295, subdivision 4, is amended to read:

Subd. 4. **Reports.** An owner of a solar energy generating system subject to tax under this section shall file a report with the commissioner of revenue annually on or before January 15 detailing the amount of electricity in megawatt-hours that was produced by the system in the previous calendar year. The commissioner shall prescribe the ~~form~~ content, format, and manner of the report pursuant to section 270C.30. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a solar energy generating system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 30 percent.

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

Sec. 22. Minnesota Statutes 2016, section 272.115, subdivision 2, is amended to read:

Subd. 2. **Form; information required.** The certificate of value shall require such facts and information as may be determined by the commissioner to be reasonably necessary in the administration of the state education aid formulas. The form commissioner shall prescribe the content, format, and manner of the certificate of value shall be prescribed by the Department of Revenue which shall provide an adequate supply of forms to each county auditor pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws.

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

Sec. 23. Minnesota Statutes 2016, 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 commissioner shall prescribe the content, format, and manner of the homestead application required to be filed under this chapter pursuant to section 270C.30. 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.

(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 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 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.

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

Sec. 24. Minnesota Statutes 2016, section 273.371, is amended to read:

### **273.371 REPORTS OF UTILITY COMPANIES.**

Subdivision 1. **Report required.** Every electric light, power, gas, water, express, stage, ~~and~~ transportation ~~company~~, and pipeline company doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, 273.37, and 273.3711. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30, except that a "law administered by the commissioner" includes the property tax laws. If all the required information is not available on March 31, the company or pipeline shall file the information that is available on or before March 31, and the balance of the information as soon as it becomes available. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

Subd. 2. **Extension.** The commissioner for good cause may extend the time for filing the report required by subdivision 1. The extension ~~may~~ must not exceed 15 days.

Subd. 3. **Reports filed by the commissioner.** If a company fails to file a report required by subdivision 1, the commissioner may, from information in the commissioner's possession or obtainable by the commissioner, make and file a report for the company or make the valuations, recommended valuations, and equalizations required under sections 273.33, 273.35 to 273.37, and 273.3711.

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

Sec. 25. Minnesota Statutes 2016, section 287.2205, is amended to read:

**287.2205 TAX-FORFEITED LAND.**

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

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

Sec. 26. Minnesota Statutes 2016, section 289A.08, is amended by adding a subdivision to read:

Subd. 17. **Format.** The commissioner shall prescribe the content, format, and manner of the returns and other documents pursuant to section 270C.30. This does not authorize the commissioner to require individual income taxpayers to file individual income tax returns electronically.

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

Sec. 27. Minnesota Statutes 2016, section 289A.09, subdivision 1, is amended to read:

Subdivision 1. **Returns.** (a) An employer who is required to deduct and withhold tax under section 290.92, subdivision 2a or 3, and a person required to deduct and withhold tax under section 290.923, subdivision 2, must file a return with the commissioner for each quarterly period unless otherwise prescribed by the commissioner.

(b) A person or corporation required to make deposits under section 290.9201, subdivision 8, must file an entertainer withholding tax return with the commissioner.

(c) A person required to withhold an amount under section 290.9705, subdivision 1, must file a return.

(d) A partnership required to deduct and withhold tax under section 290.92, subdivision 4b, must file a return.

(e) An S corporation required to deduct and withhold tax under section 290.92, subdivision 4c, must also file a return.

~~(f) Returns must be filed in the form and manner, and contain the information prescribed by the commissioner.~~ The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. Every return for taxes withheld must be signed by the employer, entertainment entity, contract payor, partnership, or S corporation, or a designee.

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

Sec. 28. Minnesota Statutes 2016, section 289A.11, subdivision 1, is amended to read:

Subdivision 1. **Return required.** (a) Except as provided in section 289A.18, subdivision 4, for the month in which taxes imposed by chapter 297A are payable, or for which a return is due, a return for the preceding reporting period must be filed with the commissioner ~~in the form and manner the commissioner prescribes~~. The commissioner shall prescribe the content, format, and manner of the returns pursuant to section 270C.30. A person making sales at retail at two or more places of business may file a consolidated return subject to rules prescribed by the commissioner. In computing the dollar amount of items on the return, the amounts are rounded off to the nearest whole dollar, disregarding amounts less than 50 cents and increasing amounts of 50 cents to 99 cents to the next highest dollar.

(b) Notwithstanding this subdivision, a person who is not required to hold a sales tax permit under chapter 297A and who makes annual purchases, for use in a trade or business, of less than \$18,500, or a person who is not required to hold a sales tax permit and who makes purchases for personal use, that are subject to the use tax imposed by section 297A.63, may file an annual use tax return ~~on a form prescribed by the commissioner~~. The commissioner shall prescribe the content, format, and manner of the return pursuant to section 270C.30. If a person who qualifies for an annual use tax reporting period is required to obtain a sales tax permit or makes use tax purchases, for use in a trade or business, in excess of \$18,500 during the calendar year, the reporting period must be considered ended at the end of the month in which the permit is applied for or the purchase in excess of \$18,500 is made and a return must be filed for the preceding reporting period.

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

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

Sec. 29. Minnesota Statutes 2016, section 289A.18, subdivision 1, is amended to read:

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

(1) returns made on the basis of the calendar year must be filed on April 15 following the close of the calendar year, except that returns of corporations and partnerships must be filed on the due date for filing the federal income tax return;

(2) returns made on the basis of the fiscal year must be filed on the 15th day of the fourth month following the close of the fiscal year, except that returns of corporations and partnerships must be filed on the due date for filing the federal income tax return;

(3) returns for a fractional part of a year must be filed on the due date for filing the federal income tax return;



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

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

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.17, subdivision 4, the divested corporation's return must be filed on the 15th day of the third month following the close of the common accounting period that includes the fractional year;

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

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

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

(10) returns required to be filed with the commissioner under section 289A.12, subdivision 2, 4 to 10, or 16 must be filed within 30 days after being demanded by the commissioner.

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

Sec. 30. Minnesota Statutes 2016, section 289A.37, subdivision 2, is amended to read:

Subd. 2. **Erroneous refunds.** ~~An erroneous refund is considered an underpayment of tax on the date made. An assessment of a deficiency arising out of an erroneous refund may be made at any time within two years from the making of the refund. If part of the refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.~~ (a) Except as provided in paragraph (b), an erroneous refund occurs when the commissioner issues a payment to a person that exceeds the amount the person is entitled to receive under law. An erroneous refund is considered an underpayment of tax on the date issued.

(b) To the extent that the amount paid does not exceed the amount claimed by the taxpayer, an erroneous refund does not include the following:

(1) any amount of a refund or credit paid pursuant to a claim for refund filed by a taxpayer, including but not limited to refunds of claims made under section 290.06, subdivision 23; 290.067; 290.0671; 290.0672; 290.0674; 290.0675; 290.0677; 290.068; 290.0681; or 290.0692; or chapter 290A; or

(2) any amount paid pursuant to a claim for refund of an overpayment of tax filed by a taxpayer.

(c) The commissioner may make an assessment to recover an erroneous refund at any time within two years from the issuance of the erroneous refund. If all or part of the erroneous refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

(d) Assessments of amounts that are not erroneous refunds under paragraph (b) must be conducted under section 289A.38.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies retroactively to all refunds issued on, before, or after that date, but does not apply to the refunds at issue in Connexus Energy et al. v. Commissioner of Revenue, 868 N.W.2d 234 (Minn. 2015). Notwithstanding any law to the contrary, the changes in this section do not invalidate any assessments made by the commissioner prior to this effective date.

Sec. 31. Minnesota Statutes 2016, section 289A.50, subdivision 7, is amended to read:

Subd. 7. **Remedies.** (a) If the taxpayer is notified by the commissioner that the refund claim is denied in whole or in part, the taxpayer may:

(1) file an administrative appeal as provided in section 270C.35, or an appeal with the Tax Court, within 60 days after ~~issuance~~ the notice date of the commissioner's notice of denial; or

(2) file an action in the district court to recover the refund.

(b) An action in the district court on a denied claim for refund must be brought within 18 months of the notice date of the denial of the claim by the commissioner. For the purposes of this section, "notice date" is defined in section 270C.35, subdivision 3.

(c) No action in the district court or the Tax Court shall be brought within six months of the filing of the refund claim unless the commissioner denies the claim within that period.

(d) If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the Tax Court at any time after the expiration of six months from the time the claim was filed.

(e) The commissioner and the taxpayer may agree to extend the period for bringing an action in the district court.

(f) An action for refund of tax by the taxpayer must be brought in the district court of the district in which lies the county of the taxpayer's residence or principal place of business. In the case of an estate or trust, the action must be brought at the principal place of its administration. Any action may be brought in the district court for Ramsey County.

**EFFECTIVE DATE.** This section is effective for claims for refund denied after December 31, 2017.

Sec. 32. **[290B.11] FORMS.**

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 33. **[290C.051] VERIFICATION OF FOREST MANAGEMENT PLAN.**

On request of the commissioner, the commissioner of natural resources must annually provide verification that the claimant has a current forest management plan on file with the Department of Natural Resources.

**EFFECTIVE DATE.** This section is effective for certifications filed after July 1, 2017.

Sec. 34. **[293.15] FORMS.**

The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 35. Minnesota Statutes 2016, section 295.55, subdivision 6, is amended to read:

Subd. 6. **Form of returns.** ~~The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.~~ The commissioner shall prescribe the content, format, and manner of the estimated payment forms and annual return pursuant to section 270C.30.

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

Sec. 36. Minnesota Statutes 2016, section 296A.02, is amended by adding a subdivision to read:

Subd. 5. **Forms.** The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30.

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

Sec. 37. Minnesota Statutes 2016, section 296A.22, subdivision 9, is amended to read:

Subd. 9. **Abatement of penalty.** (a) The commissioner may by written order abate any penalty imposed under this section, if in the commissioner's opinion there is reasonable cause to do so.

(b) A request for abatement of penalty must be filed with the commissioner within 60 days of the notice date of the notice stating that a penalty has been imposed was mailed to the taxpayer's last known address. ~~For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order or other notice that a penalty has been imposed.~~

(c) If the commissioner issues an order denying a request for abatement of penalty, the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to Tax Court as provided in section 271.06. If the commissioner does not issue an order on the abatement request within 60 days from the date the request is received, the taxpayer may appeal to Tax Court as provided in section 271.06.

**EFFECTIVE DATE.** This section is effective for orders and notices dated after December 31, 2017.

Sec. 38. Minnesota Statutes 2016, section 296A.26, is amended to read:

**296A.26 JUDICIAL REVIEW; APPEAL TO TAX COURT.**

In lieu of an administrative appeal under section 270C.35, any person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of ~~the notice of~~ the order, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 39. Minnesota Statutes 2016, section 297D.02, is amended to read:

**297D.02 ADMINISTRATION.**

The commissioner of revenue shall administer this chapter. The commissioner shall prescribe the content, format, and manner of all forms and other documents required to be filed under this chapter pursuant to section 270C.30. Payments required by this chapter must be made to the commissioner on the form provided by the commissioner. Tax obligors are not required to give their name, address, Social Security number, or other identifying information on the form. The commissioner shall collect all taxes under this chapter.

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

Sec. 40. Minnesota Statutes 2016, section 297E.02, subdivision 3, is amended to read:

Subd. 3. **Collection; disposition.** (a) Taxes imposed by this section are due and payable to the commissioner when the gambling tax return is required to be filed. Distributors must file their monthly sales figures with the commissioner on a form prescribed by the commissioner. Returns covering the taxes imposed under this section must be filed with the commissioner on or before the 20th day of the month following the close of the previous calendar month. ~~The commissioner may require that the returns be filed via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.191, 349.211, and 349.213, must be paid to the commissioner of management and budget for deposit in the general fund.

(b) The sales tax imposed by chapter 297A on the sale of pull-tabs and tipboards by the distributor is imposed on the retail sales price. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(c) One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for the compulsive gambling treatment program established under section 245.98. One-half of one percent of the revenue deposited in the general fund under paragraph (a), is appropriated to the commissioner of human services for a grant to the state affiliate recognized by the National Council on Problem Gambling 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. Money appropriated by this paragraph must supplement and must not replace existing state funding for these programs.

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

Sec. 41. Minnesota Statutes 2016, section 297E.04, subdivision 1, is amended to read:

Subdivision 1. **Reports of sales.** A manufacturer who sells gambling product for use or resale in this state, or for receipt by a person or entity in this state, shall file with the commissioner, on a form prescribed by the commissioner, a report of gambling product sold to any person in the state, including the established governing body of an Indian tribe recognized by the United States Department of the Interior. The report must be filed monthly on or before the 20th day of the month succeeding the month in which the sale was made. ~~The commissioner may require that the report be submitted via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30. The commissioner may inspect the premises, books, records, and inventory of a manufacturer without notice during the normal business hours of the manufacturer. A person violating this section is guilty of a misdemeanor.

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

Sec. 42. Minnesota Statutes 2016, section 297E.05, subdivision 4, is amended to read:

Subd. 4. **Reports.** A distributor shall report monthly to the commissioner, on a form the commissioner prescribes, its sales of each type of gambling product. This report must be filed monthly on or before the 20th day of the month succeeding the month in which the sale was made. ~~The commissioner may require that a distributor submit the monthly report and invoices required in this subdivision via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 43. Minnesota Statutes 2016, section 297E.06, subdivision 1, is amended to read:

Subdivision 1. **Reports.** An organization must file with the commissioner, on a form prescribed by the commissioner, a report showing all gambling activity conducted by that organization for each month. Gambling activity includes all gross receipts, prizes, all gambling taxes owed or paid to the commissioner, all gambling expenses, and all lawful purpose and board-approved expenditures. The report must be filed with the commissioner on or before the 20th day of the month following the month in which the gambling activity takes place. ~~The commissioner may require that the reports be filed via magnetic media or electronic data transfer.~~ The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 44. Minnesota Statutes 2016, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly return; cigarette distributor.** On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the

commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. ~~Returns must be made in the form and manner prescribed by~~ The commissioner shall prescribe the content, format, and manner of returns pursuant to section 270C.30, and the returns must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. For distributors subject to the accelerated tax payment requirements in subdivision 10, the return for the May liability is due two business days before June 30th of the year and the return for the June liability is due on or before August 18th of the year.

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

Sec. 45. Minnesota Statutes 2016, section 297F.23, is amended to read:

**297F.23 JUDICIAL REVIEW.**

In lieu of an administrative appeal under section 270C.35, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from the notice date of ~~the notice of the order~~, appeal to the Tax Court in the manner provided under section 271.06. For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 46. Minnesota Statutes 2016, section 297G.09, subdivision 1, is amended to read:

Subdivision 1. **Monthly returns; manufacturers, wholesalers, brewers, or importers.** On or before the 18th day of each calendar month following the month in which a licensed manufacturer or wholesaler first sells wine and distilled spirits within the state, or a brewer or importer first sells or imports fermented malt beverages, or a wholesaler knowingly acquires title to or possession of untaxed fermented malt beverages, the licensed manufacturer, wholesaler, brewer, or importer liable for the excise tax must file a return with the commissioner, and in addition must keep records and render reports as required by the commissioner. ~~Returns must be made in a form and manner prescribed by the commissioner, and~~ The commissioner shall prescribe the content, format, and manner of returns pursuant to section 270C.30. The returns must contain any other information required by the commissioner. Returns must be accompanied by a remittance for the full unpaid tax liability. Returns must be filed regardless of whether a tax is due.

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

Sec. 47. Minnesota Statutes 2016, section 297G.22, is amended to read:

**297G.22 JUDICIAL REVIEW.**

In lieu of an administrative appeal under this chapter, a person aggrieved by an order of the commissioner fixing a tax, penalty, or interest under this chapter may, within 60 days from ~~the date of the notice~~ date of the order, appeal to the Tax Court in the manner provided under section 271.06.

For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order fixing a tax, penalty, or interest.

**EFFECTIVE DATE.** This section is effective for orders dated after December 31, 2017.

Sec. 48. Minnesota Statutes 2016, section 297I.30, is amended by adding a subdivision to read:

Subd. 11. **Format.** The commissioner shall prescribe the content, format, and manner of returns or other documents pursuant to section 270C.30.

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

Sec. 49. Minnesota Statutes 2016, section 297I.60, subdivision 2, is amended to read:

Subd. 2. **Remedies.** (a) If the taxpayer is notified that the refund claim is denied in whole or in part, the taxpayer may contest the denial by:

- (1) filing an administrative appeal with the commissioner under section 270C.35;
- (2) filing an appeal in Tax Court within 60 days of the notice date of the ~~notice of~~ denial; or
- (3) filing an action in the district court to recover the refund.

(b) An action in the district court must be brought within 18 months ~~following~~ of the notice date of the ~~notice of~~ denial. For purposes of this section, "notice date" is defined in section 270C.35, subdivision 3. An action for refund of tax or surcharge must be brought in the district court of the district in which lies the taxpayer's principal place of business or in the District Court for Ramsey County. If a taxpayer files a claim for refund and the commissioner has not issued a denial of the claim, the taxpayer may bring an action in the district court or the Tax Court at any time after the expiration of six months from the time the claim was filed.

**EFFECTIVE DATE.** This section is effective for claims for refund denied after December 31, 2017.

Sec. 50. Minnesota Statutes 2016, section 469.319, subdivision 5, is amended to read:

Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a repayment required under subdivision 1, if the commissioner, in consultation with the commissioner of employment and economic development and appropriate officials from the local government units in which the qualified business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

- (1) a natural disaster;
- (2) unforeseen industry trends; or
- (3) loss of a major supplier or customer.

(b)(1) The commissioner shall waive repayment required under subdivision 1a if the commissioner has waived repayment by the operating business under subdivision 1, unless the person that received benefits without having to operate a business in the zone was a contributing factor in the qualified business becoming subject to repayment under subdivision 1;

(2) the commissioner shall waive the repayment required under subdivision 1a, even if the repayment has not been waived for the operating business if:

(i) the person that received benefits without having to operate a business in the zone and the business that operated in the zone are not related parties as defined in section 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

(ii) actions of the person were not a contributing factor in the qualified business becoming subject to repayment under subdivision 1.

(c) Requests for waiver must be made no later than 60 days after the earlier of the notice date of an order issued under subdivision 4, paragraph (d), or the date of a tax statement issued under subdivision 4, paragraph (c). For purposes of this section, the term "notice date" means the notice date designated by the commissioner on the order.

**EFFECTIVE DATE.** This section is effective for orders of the commissioner of revenue dated after December 31, 2017.

Sec. 51. **REPEALER.**

Minnesota Statutes 2016, section 290C.06, is repealed.

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

Page 2, delete line 8 and insert:

"Delete the title and insert:

"A bill for an act relating to financing of state and local government; making changes to property, individual income, corporate franchise, estate, sales and use, excise, petroleum and other fuel, gambling, tobacco, special, mineral, local, and other taxes and tax-related provisions; conforming to federal changes; establishing a single exclusion amount for the Minnesota taxable estate; establishing a single rate; modifying local government aids and credits; amending county levy authority; exempting certain electric generation facility property and soccer stadium property from property tax; extending homestead value exclusion for spouses of qualifying deceased veterans; amending the state general levy; abating local property taxes in the Lake Mille Lacs area; establishing school building bond agricultural credit; establishing reimbursement for certain out-of-home placements of Indian children; establishing riparian protection aid; forgiving certain aid penalties; providing for federal tax conformity; modifying income tax credits; providing income tax credits; changing income tax modifications; modifying residency rules; modifying sales and use tax definitions; modifying sales and use tax collection requirements; modifying sales and use tax exemptions; providing for reimbursement from the Minnesota Sports Facilities Authority of certain sales and use taxes; allocating certain sales and use tax revenues; modifying and allowing certain local sales and use taxes; modifying provisions for gasoline used as a substitute for aviation gasoline;



providing definitions and a tax rate for vapor products; modifying taconite tax distributions and deposits; providing for local development projects; modifying public finance provisions; transferring approval authority from the Iron Range Resources and Rehabilitation Board to the commissioner of Iron Range resources and rehabilitation; requiring the commissioner of Iron Range resources and rehabilitation to seek a recommendation from the board in certain circumstances; providing for transfer of ownership, eligibility, certification, and notification requirements for enrollment of land in the Sustainable Forest Incentive Act; modifying the budget reserve; providing a new markets grant program; providing a tax time savings grant program; providing civil and criminal penalties for sales suppression devices; allocating additional amounts to the border city enterprise zones; making clarifying and conforming changes; removing obsolete language; requiring reports; appropriating money."

Amend the title numbers accordingly"

Senator Chamberlain questioned whether the amendment to the amendment was germane.

The President ruled that the amendment to the amendment was not germane.

Senator Bakk appealed the decision of the President.

#### CALL OF THE SENATE

Senator Limmer imposed a call of the Senate for the balance of the proceedings on H.F. No. 2. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on "Shall the decision of the President be the judgment of the Senate?"

The roll was called, and there were yeas 34 and nays 32, as follows:

Those who voted in the affirmative were:

Abeler	Eichorn	Jasinski	Mathews	Rosen
Anderson, B.	Fischbach	Jensen	Miller	Ruud
Anderson, P.	Gazelka	Johnson	Nelson	Senjem
Benson	Goggin	Kiffmeyer	Newman	Utke
Chamberlain	Hall	Koran	Osmek	Weber
Dahms	Housley	Lang	Pratt	Westrom
Draheim	Ingebrigtsen	Limmer	Relph	

Those who voted in the negative were:

Bakk	Dziedzic	Hoffman	Lourey	Tomassoni
Carlson	Eaton	Isaacson	Marty	Torres Ray
Champion	Eken	Kent	Newton	Wiger
Clausen	Franzen	Klein	Pappas	Wiklund
Cohen	Frentz	Laine	Schoen	
Cwodzinski	Hawj	Latz	Simonson	
Dibble	Hayden	Little	Sparks	

So the decision of the President was sustained.

Senator Bakk moved to amend the first Bakk amendment to H.F. No. 2 as follows:

Page 1, after line 8, insert:

"Page 7, after line 24, insert:

"Sec. 9. Minnesota Statutes 2016, section 291.016, subdivision 1, is amended to read:

Subdivision 1. **General.** For purposes of the tax under this chapter, the Minnesota taxable estate equals the federal taxable estate as provided under section 2051 of the Internal Revenue Code, without regard to whether the estate is subject to the federal estate tax:

(1) increased by the value of any property in which the decedent had a qualifying income interest for life and for which an election was made under section 291.03, subdivision 1d, for Minnesota estate tax purposes, but was not made for federal estate tax purposes; and

(2) increased by the additions under subdivision 2; ~~and~~

(3) ~~decreased by the subtraction under subdivision 3.~~

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after December 31, 2016.

Sec. 10. Minnesota Statutes 2016, section 291.03, subdivision 1, is amended to read:

Subdivision 1. **Tax amount.** The tax imposed must be computed by applying to the Minnesota taxable estate the following schedule of rates and then the resulting amount multiplied by a fraction, not greater than one, the numerator of which is the value of the Minnesota gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3), with a Minnesota situs, and the denominator of which is the federal gross estate plus the value of gifts under section 291.016, subdivision 2, clause (3):

(a) ~~For estates of decedents dying in 2014:~~

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,200,000	None
Over \$1,200,000 but not over \$1,400,000	nine percent of the excess over \$1,200,000
Over \$1,400,000 but not over \$3,600,000	\$18,000 plus ten percent of the excess over \$1,400,000
Over \$3,600,000 but not over \$4,100,000	\$238,000 plus 10.4 percent of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$290,000 plus 11.2 percent of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$402,000 plus 12 percent of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$522,000 plus 12.8 percent of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$650,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$786,000 plus 14.4 percent of the excess over \$8,100,000

Over \$9,100,000 but not over \$10,100,000	\$930,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,082,000 plus 16 percent of the excess over \$10,100,000

## (b) For estates of decedents dying in 2015:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,400,000	None
Over \$1,400,000 but not over \$3,600,000	ten percent of the excess over \$1,400,000
Over \$3,600,000 but not over \$6,100,000	\$220,000 plus 12 percent of the excess over \$3,600,000
Over \$6,100,000 but not over \$7,100,000	\$520,000 plus 12.8 percent of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$648,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$784,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$928,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,080,000 plus 16 percent of the excess over \$10,100,000

## (c) For estates of decedents dying in 2016:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,600,000	None
Over \$1,600,000 but not over \$2,600,000	ten percent of the excess over \$1,600,000
Over \$2,600,000 but not over \$6,100,000	\$100,000 plus 12 percent of the excess over \$2,600,000
Over \$6,100,000 but not over \$7,100,000	\$520,000 plus 12.8 percent of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$648,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$784,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$928,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,080,000 plus 16 percent of the excess over \$10,100,000

## (d) For estates of decedents dying in 2017:

Amount of Minnesota Taxable Estate	Rate of Tax
Not over \$1,800,000 <u>\$5,000,000</u>	None

Over <del>\$1,800,000 but not over \$2,100,000</del> <u>\$5,000,000</u>	<del>ten percent of the excess over \$1,800,000</del> <u>16 percent</u>
Over <del>\$2,100,000 but not over \$5,100,000</del>	<del>\$30,000 plus 12 percent of the excess over \$2,100,000</del>
Over <del>\$5,100,000 but not over \$7,100,000</del>	<del>\$390,000 plus 12.8 percent of the excess over \$5,100,000</del>
Over <del>\$7,100,000 but not over \$8,100,000</del>	<del>\$646,000 plus 13.6 percent of the excess over \$7,100,000</del>
Over <del>\$8,100,000 but not over \$9,100,000</del>	<del>\$782,000 plus 14.4 percent of the excess over \$8,100,000</del>
Over <del>\$9,100,000 but not over \$10,100,000</del>	<del>\$926,000 plus 15.2 percent of the excess over \$9,100,000</del>
Over <del>\$10,100,000</del>	<del>\$1,078,000 plus 16 percent of the excess over \$10,100,000</del>

(c) ~~For estates of decedents dying in 2018 and thereafter:~~

<u>Amount of Minnesota Taxable Estate</u>	<u>Rate of Tax</u>
Not over \$2,000,000	None
Over \$2,000,000 but not over \$2,600,000	ten percent of the excess over \$2,000,000
Over \$2,600,000 but not over \$7,100,000	\$60,000 plus 13 percent of the excess over \$2,600,000
Over \$7,100,000 but not over \$8,100,000	\$645,000 plus 13.6 percent of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$781,000 plus 14.4 percent of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$925,000 plus 15.2 percent of the excess over \$9,100,000
Over \$10,100,000	\$1,077,000 plus 16 percent of the excess over \$10,100,000

**EFFECTIVE DATE.** This section is effective retroactively for estates of decedents dying after December 31, 2016.

Sec. 11. **REPEALER.**

(a) Minnesota Statutes 2016, sections 289A.10, subdivision 1a; 289A.12, subdivision 18; 289A.18, subdivision 3a; 289A.20, subdivision 3a; 291.016, subdivision 3; and 291.03, subdivisions 8, 9, 10, and 11, are repealed.

(b) Minnesota Statutes 2016, sections 290.0131, subdivisions 9 and 10; 290.0132, subdivisions 9 and 14; 290.0133, subdivisions 11 and 12; and 290.0134, subdivisions 13 and 14, are repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective retroactively for estates of decedents dying after December 31, 2016. Paragraph (b) is effective for taxable years beginning after December 31, 2016."

Page 1, delete line 17 and insert:

"Amend the title as follows:

Page 1, line 3, after the first semicolon, insert "establishing a single exclusion amount for the Minnesota taxable estate; establishing a single rate; eliminating the recapture tax; making clarifying changes;"

The question was taken on the adoption of the Bakk amendment to the first Bakk amendment.

The roll was called, and there were yeas 23 and nays 43, as follows:

Those who voted in the affirmative were:

Bakk	Eken	Isaacson	Lourey	Tomassoni
Carlson	Franzen	Kent	Newton	Wiger
Clausen	Frentz	Klein	Pappas	Wiklund
Cohen	Hawj	Latz	Schoen	
Cwodzinski	Hoffman	Little	Sparks	

Those who voted in the negative were:

Abeler	Dziedzic	Ingebrigtsen	Marty	Ruud
Anderson, B.	Eaton	Jasinski	Mathews	Senjem
Anderson, P.	Eichorn	Jensen	Miller	Simonson
Benson	Fischbach	Johnson	Nelson	Torres Ray
Chamberlain	Gazelka	Kiffmeyer	Newman	Utke
Champion	Goggin	Koran	Osmek	Weber
Dahms	Hall	Laine	Pratt	Westrom
Dibble	Hayden	Lang	Relph	
Draheim	Housley	Limmer	Rosen	

The motion did not prevail. So the amendment to the amendment was not adopted.

Senator Bakk withdrew his first amendment.

H.F. No. 2 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 66 and nays 0, as follows:

Those who voted in the affirmative were:

Abeler	Dziedzic	Ingebrigtsen	Lourey	Senjem
Anderson, B.	Eaton	Isaacson	Marty	Simonson
Anderson, P.	Eichorn	Jasinski	Mathews	Sparks
Bakk	Eken	Jensen	Miller	Tomassoni
Benson	Fischbach	Johnson	Nelson	Torres Ray
Carlson	Franzen	Kent	Newman	Utke
Chamberlain	Frentz	Kiffmeyer	Newton	Weber
Champion	Gazelka	Klein	Osmek	Westrom
Clausen	Goggin	Koran	Pappas	Wiger
Cohen	Hall	Laine	Pratt	Wiklund
Cwodzinski	Hawj	Lang	Relph	
Dahms	Hayden	Latz	Rosen	
Dibble	Hoffman	Limmer	Ruud	
Draheim	Housley	Little	Schoen	

So the bill passed and its title was agreed to.

**MEMBERS EXCUSED**

Senator Rest was excused from the Session of today.

**ADJOURNMENT**

Senator Gazelka moved that the Senate do now adjourn until 12:00 noon, Tuesday, January 17, 2017. The motion prevailed.

Cal R. Ludeman, Secretary of the Senate