

STATE OF MINNESOTA

SEVENTY-FIRST SESSION - 1979

FIFTIETH DAY

SAINT PAUL, MINNESOTA, WEDNESDAY, MAY 9, 1979

The House of Representatives convened at 2:00 p.m. and was called to order by the Speaker.

Prayer was offered by the Chaplain.

The roll was called and the following members were present:

Aasness	Eken	Kahn	Nelson	Sherwood
Adams	Elioff	Kaley	Niehaus	Sieben, H.
Ainley	Ellingson	Kalis	Norman	Sieben, M.
Albrecht	Enebo	Kelly	Norton	Simoneau
Anderson, B.	Erickson	Kempe	Novak	Stadum
Anderson, D.	Esau	Knickerbocker	Nysether	Stoa
Anderson, G.	Evans	Kostohryz	Olsen	Stowell
Anderson, I.	Ewald	Kroening	Onnen	Svigum
Anderson, R.	Faricy	Kvam	Osthoff	Swanson
Battaglia	Fjoslien	Laidig	Otis	Thiede
Begich	Forsythe	Lehto	Patton	Tomlinson
Berglin	Friedrich	Levi	Pavlak	Valan
Berkelman	Fritz	Long	Pehler	Valento
Biersdorf	Fudro	Ludeman	Peterson	Vanasek
Blatz	Greenfield	Luknic	Piepho	Voss
Brinkman	Halberg	Mann	Pleasant	Waldorf
Byrne	Haukoos	McCarron	Prahl	Weaver
Carlson, L.	Heap	McDonald	Redalen	Welch
Casserly	Heinitz	McEachern	Reding	Welker
Clark	Hoberg	Mehrkens	Rees	Wenzel
Clawson	Hokanson	Metzen	Reif	Wieser
Corbid	Jacobs	Minne	Rice	Wigley
Crandall	Jaros	Moe	Rose	Wynia
Dean	Jennings	Munger	Rothenberg	Zubay
Dempsey	Johnson, C.	Murphy	Sarna	Speaker Searle
Den Ouden	Johnson, D.	Nelsen, B.	Schreiber	
Drew	Jude	Nelson, M.	Searles	

A quorum was present.

Carlson, D., was excused until 3:00 p.m.

The Chief Clerk proceeded to read the Journal of the preceding day. Kelly moved that further reading of the Journal be dispensed with and that the Journal be approved as corrected by the Chief Clerk. The motion prevailed.

REPORTS OF CHIEF CLERK

Pursuant to Rules of the House, printed copies of H. F. Nos. 323, 1392 and 874 and S. F. Nos. 27, 58, 59, 273, 528, 276, 824, 1299, 693, 1000, 1040, 1025, 1293, 1115, 1376, 255, 1403, 1042, 1248, 169, 808, 768, 874, 74, 615, 1296, 1436, 544, 1074, 1099, 851, 937, 1072, 1189, 1309, 326, 744, 1425, 797, 486, 830 and 528 have been placed in the members' files.

S. F. No. 255 and H. F. No. 311, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Simoneau moved that S. F. No. 255 be substituted for H. F. No. 311 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1436 and H. F. No. 1300, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Hokanson moved that the rules be so far suspended that S. F. No. 1436 be substituted for H. F. No. 1300 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 615 and H. F. No. 863, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Moe moved that the rules be so far suspended that S. F. No. 615 be substituted for H. F. No. 863 and that the House File be indefinitely postponed. The motion prevailed.

POINT OF ORDER

Moe raised a point of order pursuant to rule 5.8 that H. F. No. 1379 now on Special Orders be re-referred to the Committee on Governmental Operations. The Speaker ruled the point of order not well taken.

S. F. No. 1099 and H. F. No. 1234, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Dean moved that the rules be so far suspended that S. F. No. 1099 be substituted for H. F. No. 1234 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1040 and H. F. No. 1165, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Brinkman moved that the rules be so far suspended that S. F. No. 1040 be substituted for H. F. No. 1165 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1376 and H. F. No. 1379, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Pavlak moved that the rules be so far suspended that S. F. No. 1376 be substituted for H. F. No. 1379 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 768 and H. F. No. 860, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Rothenberg moved that the rules be so far suspended that S. F. No. 768 be substituted for H. F. No. 860 and that the House File be indefinitely postponed. The motion prevailed.

REPORTS OF STANDING COMMITTEES

Norton from the Committee on Appropriations to which was referred:

H. F. No. 277, A bill for an act relating to shade tree disease control; authorizing grants for municipal shade tree removal and reforestation programs; appropriating money; amending Minnesota Statutes 1978, Sections 18.023, Subdivisions 1 and 3a; and 275.50, Subdivision 6.

Reported the same back with the following amendments:

Page 3, line 28, after "rules" insert "*, including temporary rules,*"

Page 4, line 8, after the period insert "*Grants for sanitation and reforestation shall be combined into one grant program.*"

Page 4, line 18, before "of" insert "*but not more than \$50 per tree*"

Page 4, line 25, after "cost" insert "*but not more than \$60 per tree*"

Page 4, line 32, after "the" insert "*cost but not more than \$60 per tree of the*"

Page 6, delete lines 11 to 25

Page 6, line 26, before "*The*" insert "Sec. 4."

Page 6, line 28, delete "*specified in clauses*"

Page 6, line 29, delete "*(a) to (c)*" and insert "*appropriated for those purposes*"

Page 6, delete lines 32 and 33

Page 7, line 1, delete "*Subd. 3*" and insert "Sec. 5"

Page 7, line 1, delete "*by this section*" and insert "*for the biennium 1980-81*"

Page 7, line 2, before "*sanitation*" insert "*the combined*"

Page 7, line 2, delete "*programs*" and insert "*program*"

Page 7, line 6, before "*sanitation*" insert "*the combined*"

Page 7, line 7, delete "*programs*" and insert "*program*"

Page 7, line 8, before "*sanitation*" insert "*the combined*"

Page 7, line 10, delete "*All other funds remain available until expended.*"

Further amend the title as follows:

Page 1, line 4, delete "appropriating"

Page 1, line 5, delete "money;"

With the recommendation that when so amended the bill pass.

The report was adopted.

Norton from the Committee on Appropriations to which was referred:

H. F. No. 368, A bill for an act relating to community social services; establishing a formula for allocating state and federal funds to counties for the administration and provision of community social services; providing for community social service tax levies; prescribing the duties of county boards and the commissioner of public welfare; appropriating money.

Reported the same back with the following amendments:

Page 1, line 12, delete "11" and insert "48"

Page 1, line 21, delete "11" and insert "48"

Page 2, line 10, delete ", the maintenance"

Page 2, delete lines 11 to 14

Page 2, line 15, delete "393.07, Subdivisions 1 and 1a"

Page 3, line 6, delete "shall" and insert "may"

Page 3, line 7, delete "who shall"

Page 3, delete line 8

Page 3, line 9, delete "Statutes, Section 393.07, Subdivision 5"

Page 3, line 11, delete "10" and insert "48"

Page 3, line 11, after the period insert "*The board may assign to the director of community social services the duties of the welfare director as prescribed in section 393.04.*"

Page 3, after line 11, insert a new subdivision to read:

"Subd. 2. [ADMINISTRATION OF INCOME MAINTENANCE PROGRAMS.] The county board may designate itself or another agency to perform the functions of county welfare boards as prescribed in chapter 393 and assigned to county agencies in other law which pertains to the administration of income maintenance programs known as aid to families with dependent children, general assistance, Minnesota supplemental aid, medical assistance, general assistance medical care and emergency assistance."

Page 3, line 26, delete "6" and insert "7"

Re-number the remaining subdivisions

Page 5, line 20, delete "containing an aggregate population of"

Page 5, line 21, delete "30,000 or more persons"

Page 8, line 5, after "plans" insert "*, preparation of the state biennial plan, evaluation of community social services programs*"

Page 8, line 7, delete "In calendar years 1980 and 1981,"

Page 8, after line 10, insert:

"(1) *In calendar year 1980:*"

Page 8, line 11, delete "\$64" and insert "\$65"

Page 8, line 18, delete "\$2.75" and insert "\$3.00"

Page 8, line 21, delete "\$17" and insert "\$26.25"

Page 8, line 22, delete "is" and insert "are"

Page 8, line 22, delete "60" and insert "65"

Page 8, after line 24, insert:

"(2) *In calendar year 1981:*

(a) *An amount equal to \$67.25 times the average unduplicated number of persons who receive AFDC, general assistance or medical assistance per month in calendar year 1979 as reported in the average monthly caseload reports required under Minnesota Statutes, Sections 256.01, 256B.04 and 256D.04, and certified by the commissioner of public welfare;*

(b) *Plus an amount equal to \$3.15 times the number of persons residing in the county as determined by the most recent data of the state demographer;*

(c) *Plus an amount equal to \$27.50 times the number of persons residing in the county who are 65 years old or older as determined by the most recent data of the state demographer."*

Page 8, line 27, after "than" insert "106 percent and 112 percent respectively of the amount of state funds"

Page 8, line 28, delete "in state funds"

Page 9, line 18, delete "received" and insert "earned"

Page 9, line 19, delete "1979" and insert "1978"

Page 10, line 9, after "tax" insert "at least"

Page 10, line 13, after "tax" insert "at least"

Page 10, line 14, delete "Levies authorized in subdivisions 6 and 7"

Page 10, delete line 15

Page 10, line 16, delete "to Minnesota Statutes, Section 275.50"

Page 10, delete lines 19 to 33

Page 11, delete lines 1 to 4

Renumber the remaining subdivisions

Page 12, line 27, delete "in federal"

Page 12, line 24, delete "pesiding" and insert "residing"

Page 12, line 28, delete "fiscal year 1979"

Page 12, delete lines 31 to 33

Page 13, delete lines 1 to 7 and insert:

"(d) In calendar year 1980 and in subsequent years the minimum title XX share of a county shall be the sum of:

(1) the title XX allocation of that county in calendar year 1978, and

(2) one-half of the amount that the county would be entitled to by applying the allocation formula described in paragraphs (a), (b), and (c) to the amount of title XX funds received by the state which is in excess of its 1979 federal fiscal year allocation.

If the amount allocated to any county pursuant to paragraphs (a), (b), and (c) is less than the minimum title XX share of that county, its allocation shall be raised to its minimum title XX share through a percent reduction applied to the amounts that allocations to other counties exceed their minimum title XX shares. If in any year the amount of title XX funds to the state is reduced below the level it received in federal fiscal year 1979,"

Page 13, line 28, delete "10 or 11" and insert "9 or 10"

Page 13, line 31, delete "12" and insert "11"

Page 14, after line 7, insert a new subdivision to read:

"Subd. 3. [BIENNIAL STATE PLAN.] The commissioner shall prepare a biennial social services plan and present the plan to the governor and the legislature. The plan shall include:

(a) a statement of methods employed by the commissioner to assure that the community social services administered by or contracted for by the counties assist in the achievement of the goals specified in section 6, subdivision 3(a);

(b) a statement of methods used to ensure intergovernmental coordination of state and local planning and delivery of community social services;

(c) a coordination statement setting forth the relationship of the state social services plan to any other federal, state or locally financed human services programs, including but not limited to, programs for the aged, children, the developmentally disabled, the chemically dependent, and programs related to corrections, education, vocational rehabilitation, mental health, housing, health and employment; and

(d) a statement of the relationship of the state social services plan to comprehensive social, economic, physical and environmental plans adopted by the regional development commissions and the metropolitan council, including the rationale for any differences.

The commissioner shall consult with the heads of human service related state departments and agencies in preparing the coordination statement required by this subdivision."

Page 14, line 8, delete "3" and insert "4"

Page 14, after line 12, insert a new subdivision to read:

"Subd. 5. [TITLE XX TRAINING FUNDS.] The commissioner shall make determined efforts to obtain the maximum amount of training funds to which the state is entitled pursuant to title XX of the social security act. In allocating training funds received from the federal government pursuant to title XX of the social security act, the commissioner shall, insofar as federal regulations allow, give preference to training or retraining county personnel in the administration of community social services."

Page 14, line 16, after "commissioner" insert "in collaboration with county boards"

Page 14, line 17, delete "forms and definitions" and insert "methods"

Page 14, line 28, after "with" insert "*an evaluation of community social service programs and*"

Page 14, line 31, delete "10" and insert "48"

Page 15, after line 4, insert new sections to read:

"Sec. 12. [GRANTS FOR COMMUNITY SERVICES FOR CHRONICALLY MENTALLY ILL PERSONS.] *Subdivision 1. The commissioner shall establish an experimental statewide program to assist counties in providing services to chronically mentally ill persons. The commissioner shall make grants to counties to establish, operate, or contract with private providers to provide services designed to help chronically mentally ill persons remain and function in their own communities.*

Subd. 2. To apply for a grant a county board shall submit an application and budget for the use of the funds in the form specified by the commissioner. The commissioner shall make grants only to counties whose applications and budgets are approved by the commissioner. A county receiving a grant under this section shall finance at least ten percent of the cost of services for chronically mentally ill persons from local resources which may include private contributions, federal funds, and in-kind resources.

Subd. 3. The commissioner shall allocate funds under this section to finance up to 90 percent of each county's costs for services for chronically mentally ill persons. The commissioner shall promulgate temporary rules to govern grant applications, approval of applications, allocation of grants, and maintenance of financial statements by grant recipients. The commissioner shall require collection of data and periodic reports as the commissioner deems necessary to demonstrate the effectiveness of the services in helping chronically mentally ill persons remain and function in their own communities. The commissioner shall report to the legislature no later than January 15, 1981 on the effectiveness of the experimental program and his recommendations regarding making this program an integral part of the community social services administered by counties. The experimental program shall expire no later than June 30, 1981.

Sec. 13. Minnesota Statutes 1978, Section 245.61, is amended to read:

245.61 [COUNTY BOARDS MAY MAKE GRANTS FOR LOCAL MENTAL HEALTH PROGRAMS.] (THE COMMISSIONER OF PUBLIC WELFARE IS) *County boards are hereby authorized to make grants to (ASSIST CITIES, COUNTIES, TOWNS OR ANY COMBINATIONS THEREOF, OR NON-PROFIT CORPORATIONS IN THE ESTABLISHMENT) public or private agencies to establish and (OPERATION OF) operate local mental health programs to provide the following ser-*

vices: (a) collaborative and cooperative services with public health and other groups for programs of prevention of mental illness, mental retardation, alcoholism, and other psychiatric disabilities; (b) informational and educational services to the general public, and lay and professional groups; (c) consultative services to schools, courts and health and welfare agencies, both public and private, including diagnostic evaluation of cases from juvenile courts; (d) out-patient diagnostic and treatment services; (e) rehabilitative services for patients suffering from mental or emotional disorders, mental retardation, alcoholism, and other psychiatric conditions particularly those who have received prior treatment in an in-patient facility; (f) detoxification in alcoholism evaluation and service facilities.

Sec. 14. Minnesota Statutes 1978, Section 245.62, is amended to read:

245.62 [COMMUNITY MENTAL HEALTH PROGRAM; TAX LEVY.] Any city, county, town, or any combination thereof, (OF OVER 50,000 POPULATION, AND UPON CONSENT OF THE COMMISSIONER OF PUBLIC WELFARE, ANY CITY, COUNTY, TOWN OR COMBINATION THEREOF WITH LESS THAN 50,000 POPULATION,) may establish a community mental health services program and may establish clinics and staff same with persons specially trained in psychiatry and related fields. (SUCH PROGRAMS AND CLINICS MAY BE ADMINISTERED BY A CITY, COUNTY, TOWN, OR NON-PROFIT CORPORATION OR A COMMUNITY MENTAL HEALTH BOARD ESTABLISHED PURSUANT TO SECTIONS 245.61 TO 245.69. AFTER JUNE 30, 1977, EACH COMMUNITY MENTAL HEALTH SERVICES PROGRAM MUST BE CONTAINED COMPLETELY WITHIN THE BOUNDARIES OF ONE MINNESOTA ECONOMIC DEVELOPMENT REGION EXCEPT THAT A COMMUNITY MENTAL HEALTH BOARD MAY ENCOMPASS COMPLETELY TWO MINNESOTA ECONOMIC DEVELOPMENT REGIONS.)

(IN ORDER TO PROVIDE THE NECESSARY FUNDS TO ESTABLISH AND OPERATE A MENTAL HEALTH SERVICES PROGRAM AND TO ESTABLISH AND MAINTAIN A CLINIC, THE GOVERNING BODY OF ANY CITY, COUNTY OR TOWN MAY LEVY ANNUALLY UPON ALL TAXABLE PROPERTY IN SUCH CITY, COUNTY OR TOWN A SPECIAL TAX IN EXCESS OF ANY STATUTORY OR CHARTER LIMITATION BUT EXCEPT WHEN LEVIED BY A COUNTY, SUCH LEVY SHALL NOT EXCEED TWO-THIRDS OF ONE MILL. THE GOVERNING BODY OF ANY CITY, COUNTY OR TOWN MAY MAKE SUCH A LEVY, WHERE NECESSARY, SEPARATE FROM THE GENERAL LEVY AND AT ANY TIME OF THE YEAR. NOTHING CONTAINED HEREIN SHALL IN ANY WAY PRECLUDE THE USE OF FUNDS AVAILABLE FOR THIS PURPOSE UNDER ANY EXISTING

STATUTE OR CHARTER PROVISION RELATING TO CITIES, TOWNS, OR COUNTIES.)

Sec. 15. Minnesota Statutes 1978, Section 245.63, is amended to read:

245.63 [ASSISTANCE OR GRANT.] Any city, (COUNTY,) town, (NON-PROFIT) or public or private corporation (OR COMMUNITY MENTAL HEALTH BOARD ADMINISTERING A MENTAL HEALTH SERVICES PROGRAM) may apply to a county board for (THE) assistance (PROVIDED BY SECTIONS 245.61 TO 245.69 BY SUBMITTING ANNUALLY TO THE COMMISSIONER OF PUBLIC WELFARE ITS PLAN AND BUDGET FOR THE NEXT FISCAL YEAR TOGETHER WITH THE RECOMMENDATIONS OF THE COMMUNITY MENTAL HEALTH BOARD THEREON) in establishing and funding a mental health services program. No programs shall be eligible for a grant hereunder unless its plan and budget have been approved by the (COMMISSIONER. AFTER JUNE 30, 1977, NO PROGRAM SHALL BE ELIGIBLE FOR A GRANT HEREUNDER UNLESS IT IS CONTAINED COMPLETELY WITHIN THE BOUNDARIES OF ONE MINNESOTA ECONOMIC DEVELOPMENT REGION EXCEPT THAT A COMMUNITY MENTAL HEALTH BOARD MAY ENCOMPASS COMPLETELY TWO MINNESOTA ECONOMIC DEVELOPMENT REGIONS) county board or boards.

Sec. 16. Minnesota Statutes 1978, Section 245.64, is amended to read:

245.64 [FUNDS ALLOCATED.] (AT THE BEGINNING OF EACH FISCAL YEAR) In preparing the biennial plan prescribed in section 6, the (COMMISSIONER OF PUBLIC WELFARE) county board shall allocate available funds to the mental health programs (FOR DISBURSEMENT DURING THE FISCAL YEAR) in accordance with such approved plans and budgets. The (COMMISSIONER SHALL) county board may, from time to time during the (FISCAL) year, review the budgets and expenditures of the various programs and if funds are not needed for a program to which they were allocated, (HE) it may, after reasonable notice and opportunity for hearing, withdraw such funds as are unencumbered and reallocate them to other programs. (HE MAY) The county board may withdraw funds from any program which is not being administered in accordance with its approved plan and budget.

Sec. 17. Minnesota Statutes 1978, Section 245.66, is amended to read:

245.66 [COMMUNITY MENTAL HEALTH BOARDS.] Every city, (COUNTY OR) town (OR), combination thereof or corporation establishing a community mental health services

program shall, before it may come within the provisions of sections 245.61 to 245.69, establish a community mental health board. When a combination of six or less political subdivisions establish a program, the board shall consist of at least nine members, but not more than twelve members, at the option of the selection committee. When seven or more political subdivisions establish a program the board shall consist of at least nine members, but not more than fifteen members, at the option of the selecting committee. When any city, county or town singly establishes a program, the board shall be appointed by the chief executive officer of the city or the chairman of the governing body of the county or town. When *the county contracts with a non-profit corporation (IS THE ADMINISTRATOR OF A) to operate the program (NOT ESTABLISHED BY A CITY, COUNTY OR TOWN)*, the corporation shall select a community mental health board which shall be representative of the groups herein enumerated, but the number of members need not be nine. When any combination of the political subdivisions herein enumerated establishes a community mental health services program, the chief executive officer of each participating city and the chairman of the governing body of each participating county or town shall appoint two members to a selecting committee, which shall select the members of the board. Membership of the community mental health boards shall include at least one county commissioner representative from each participating county and shall also be representative of local health departments, medical societies, county welfare boards, hospital boards, lay associations concerned with mental health, mental retardation and chemical dependency, labor, agriculture, business, civic and professional groups and the general public. Membership may include a representative from any county which purchases substantial services from the community mental health board. Nothing (IN LAWS 1975, CHAPTER 69) shall prevent a county or community mental health board from purchasing services from an agency outside the boundaries of the Minnesota economic development region.

Sec. 18. Minnesota Statutes 1978, Section 245.68, is amended to read:

245.68 [DUTIES OF COUNTY COMMUNITY MENTAL HEALTH BOARDS.] Subject to the provisions of this section and the rules and regulations of the commissioner of public welfare, each (COMMUNITY) county mental health board shall:

(a) Facilitate and implement programs in mental health, mental retardation and inebriacy so as to assure delivery of services;

(b) Review and evaluate community mental health service provided pursuant to sections 245.61 to 245.69, and report thereon to the (COMMISSIONER OF PUBLIC WELFARE) county

board, the administrator of the program, and, when indicated, the public, together with recommendations for additional services and facilities;

(c) Recruit and promote local financial support for the program from private sources such as community chests, business, industrial and private foundations, voluntary agencies and other lawful sources, and promote public support for municipal and county appropriations;

(d) Promote, arrange and implement working agreements with other social service agencies, both public and private, and with other educational and judicial agencies;

(e) Advise the administrator of the community mental health program on the adoption and implementation of policies to stimulate effective community relations;

(f) Review the annual plan and budget and make recommendations thereon;

(g) When so determined by the authority establishing the program, act as the administrator of the program;

((I) ESTABLISH AND OPERATE A DETOXIFICATION CENTER;)

((J)) (h) Encourage and assist innovative private treatment programs;

((K)) (i) Provide services for drug dependent persons; and

((L)) (j) Appoint advisory committees in at least the areas of mental health, mental retardation and inebriacy. A committee shall consist of residents of the area served who are interested and knowledgeable in the area governed by such committee. These advisory committees shall report regularly to the board.

Sec. 19. Minnesota Statutes 1978, Section 245.69, is amended to read:

245.69 [ADDITIONAL DUTIES OF COMMISSIONER.] In addition to the powers and duties already conferred upon him by law the commissioner of public welfare shall:

(a) Promulgate rules (AND REGULATIONS GOVERNING ELIGIBILITY OF COMMUNITY MENTAL HEALTH PROGRAMS TO RECEIVE STATE GRANTS,) prescribing standards for qualification of personnel and quality of professional service and for in-service training and educational leave programs for personnel, governing eligibility for service so that

no person will be denied service on the basis of race, color or creed, or inability to pay, providing for establishment, subject to the approval of the commissioner, of fee schedules which shall be based upon ability to pay and the guiding principle of which shall be that no one who can afford to pay for his own treatment at the rate customarily charged in private practice shall be treated in the community mental health services clinic except as hereinafter provided, regulating fees for consultation and diagnostic services which services may be provided to anyone without regard to his financial status when referred by the courts, schools, or health or welfare agencies whether public or private, and such other rules and regulations as he deems necessary to carry out the purposes of sections 245.61 to 245.69.

(b) Review and evaluate local programs and the performance of administrative and psychiatric personnel and make recommendations thereon to (COMMUNITY MENTAL HEALTH) *county* boards and program administrators;

(c) Provide consultative staff service to communities to assist in ascertaining local needs and in planning and establishing community mental health programs; and

(d) Employ qualified personnel to implement sections 245.61 to 245.69.

Sec. 20. Minnesota Statutes 1978, Section 245.84, Subdivision 1, is amended to read:

245.84 [AUTHORIZATION TO MAKE GRANTS.] Subdivision 1. The (COMMISSIONER) *county board* is authorized to make grants from the (GENERAL FUND IN THE STATE TREASURY) *community social service fund* to any municipality, (COUNTY,) corporation or combination thereof for the cost of providing technical assistance and child care services as the (COMMISSIONER) *board* deems necessary or proper to carry out the purposes of sections 245.83 to 245.87.

The (COMMISSIONER) *board* is further authorized to make grants to any municipality, (COUNTY,) incorporated licensed child care facility, or corporation or combination thereof for any of the following purposes:

(a) For creating new licensed day care facilities and expanding existing facilities including, but not limited to, supplies, equipment, and facility renovation and remodeling;

(b) For improving licensed day care facility programs, including, but not limited to, staff specialists, staff training, supplies, equipment, and facility renovation and remodeling;

(c) For supportive child development services including, but not limited to, inservice training, curriculum development, consulting specialist, resource centers, and program and resource materials;

(d) For carrying out programs including, but not limited to, staff, supplies, equipment, facility renovation, and training; and,

(e) For interim financing.

Sec. 21. Minnesota Statutes 1978, Section 245.84, Subdivision 5, is amended to read:

Subd. 5. The (COMMISSIONER) *county* shall (ANNUALLY) *biennially* develop a plan for the distribution of funds for child care services *as part of the community social services plan prescribed in section 6.* All licensed child care programs shall be given written notice concerning the availability of funds and the application process.

Sec. 22. Minnesota Statutes 1978, Section 245.85, is amended to read:

245.85 [TERMINATION OF ALL OR PART OF A GRANT.] The (COMMISSIONER) *county board* shall supervise and coordinate all child care services and programs for which a grant has been made pursuant to sections 245.83 to 245.87, and shall endeavor insofar as possible to establish a set of program standards and uniform regulations to coordinate child care services and programs at the (STATE AND) local level. The (COMMISSIONER) *board* shall, from time to time, review the budgets, expenditures and development of each child care service and program to which a grant has been made pursuant to sections 245.83 to 245.87. (IF THE COMMISSIONER DETERMINES THAT ANY PORTION OF THE GRANTS MADE TO ESTABLISH AND OPERATE A CHILD CARE SERVICE OR A PROGRAM ARE NO LONGER NEEDED, THAT LOCAL SUPPORT IS NOT AVAILABLE TO FINANCE THE LOCAL SHARE OF THE COST OF SUCH SERVICE OR PROGRAMS, OR THAT SUCH SERVICE OR PROGRAMS DO NOT COMPLY WITH THE RULES, REGULATIONS, STANDARDS OR REQUIREMENTS OF THE COMMISSIONER, THE COMMISSIONER MAY, UPON 30 DAYS NOTICE, WITHDRAW ANY FUNDS NOT ALLOCATED PRIOR TO THE DELIVERY OF SUCH NOTICE AND CANCEL THE GRANT TO THE EXTENT OF SUCH WITHDRAWAL.)

(FUNDS FOR EACH YEAR OF THE BIENNIUM WHICH HAVE NOT BEEN GRANTED BY THE END OF THE SIXTH MONTH OF THAT YEAR MAY BE ALLOCATED

WITHOUT REGARD TO RESTRICTIONS SET FORTH IN SECTION 245.87.)

Sec. 23. Minnesota Statutes 1978, Section 245.87, is amended to read:

245.87 [ALLOCATIONS.] For the purposes of (SECTIONS 245.83 TO 245.87) *section 245.84, subdivision 2* grants shall be distributed between the metropolitan area, comprising the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington, and the area outside the metropolitan area so that no more than 55 percent of the total fund goes to either area after excluding allocations for migrant day care services, administrative costs and statewide projects. At least ten percent of the total program allocation shall be designated for interim financing. The commissioner is further instructed that the allocation in each area be based on a need and population basis.

Sec. 24. Minnesota Statutes 1978, Section 252.21, is amended to read:

252.21 [COUNTY BOARDS MAY MAKE GRANTS FOR DEVELOPMENTAL ACHIEVEMENT CENTERS FOR THE MENTALLY RETARDED AND CEREBRAL PALSID.] In order to assist in the establishment of developmental achievement centers for the mentally retarded and cerebral palsied, the (COMMISSIONER OF PUBLIC WELFARE IS) *county board or boards are* hereby authorized and directed to make grants, within the limits of the money appropriated, to (THOSE) developmental achievement centers for the mentally retarded and cerebral palsied (THAT HE SHALL SELECT).

Sec. 25. Minnesota Statutes 1978, Section 252.22, is amended to read:

252.22 [APPLICANTS FOR ASSISTANCE; TAX LEVY.] Any city, town, (COUNTY) or non-profit corporation or any combination thereof, may apply to the (COMMISSIONER OF PUBLIC WELFARE) *county board* for assistance in establishing and operating a developmental achievement center and program for mentally retarded and cerebral palsied persons. Application for such assistance shall be on forms supplied by the (COMMISSIONER) *board*. Each applicant shall annually submit to the (COMMISSIONER) *board* its plan and budget for the next fiscal year. No applicant shall be eligible for a grant hereunder unless its plan and budget have been approved by the (COMMISSIONER) *board*.

Any city, town, or county is authorized, at the discretion of its governing body, to make grants from special tax revenues or from its general revenue fund to any nonprofit organization, governmental or corporate, within or outside its jurisdiction, that has established a developmental achievement center for the mentally retarded and cerebral palsied. (IN ORDER TO PRO-

VIDE NECESSARY FUNDS TO ESTABLISH AND OPERATE DEVELOPMENTAL ACHIEVEMENT CENTERS FOR THE MENTALLY RETARDED AND CEREBRAL PALSIED, THE GOVERNING BODY OF ANY CITY, TOWN, OR COUNTY MAY LEVY ANNUALLY UPON ALL TAXABLE PROPERTY IN SUCH CITY, TOWN, OR COUNTY, A SPECIAL TAX IN EXCESS OF ANY STATUTORY OR CHARTER LIMITATION BUT SUCH LEVY SHALL NOT EXCEED ONE-SIXTH OF ONE MILL AS TO ANY CITY OR TOWN. THE GOVERNING BODY OF ANY CITY, TOWN, OR COUNTY MAY MAKE SUCH A LEVY, WHERE NECESSARY, SEPARATE FROM THE GENERAL LEVY.) Nothing contained herein shall in any way preclude the use of funds available for this purpose under any existing statute or charter provision relating to cities, towns and counties.

Sec. 26. Minnesota Statutes 1978, Section 252.24, Subdivision 1, is amended to read:

252.24 [DUTIES OF COUNTY BOARDS.] Subdivision 1. [SELECTION OF DEVELOPMENTAL ACHIEVEMENT CENTERS.] The (COMMISSIONER OF PUBLIC WELFARE) *county board* shall select those applicants for assistance and grant them assistance, as provided in subdivision 3, whose developmental achievement center location and program is licensed under the provisions of sections 245.781 to 245.813 and 257.175, and in (HIS) *the board's* opinion, best provides daytime activities for mentally retarded and cerebral palsied persons within the (STATE) appropriation made available for this purpose.

Sec. 27. Minnesota Statutes 1978, Section 252.24, Subdivision 3, is amended to read:

Subd. 3. [PAYMENT PROCEDURE.] The (COMMISSIONER OF PUBLIC WELFARE) *board* at the beginning of each (FISCAL) year, shall allocate available funds to developmental achievement center programs for disbursement during the (FISCAL) year to those centers that have been selected to receive grants and whose plans and budgets have been approved. The (COMMISSIONER) *board* shall, from time to time during the fiscal year, review the budgets, expenditures and programs of the various centers and if (HE) *it* determines that any amount of funds are not needed for any particular center to which they were allocated, (HE) *it* may, after 30 days' notice, withdraw such funds as are unencumbered and reallocate them to other centers. (HE) *It* may withdraw all funds from any center upon 90 days' notice whose program is not being administered in accordance with its approved plan and budget.

Sec. 28. Minnesota Statutes 1978, Section 252.24, Subdivision 4, is amended to read:

Subd. 4. [FEES.] (NO GRANTS OF ASSISTANCE TO ANY CENTER SHALL EXCEED 60 PERCENT OF ALL OF ITS EXPENDITURES FOR (A) SALARIES, (B) CONTRACT FACILITIES AND SERVICES, (C) OPERATION, MAINTENANCE AND SERVICE COSTS, (D) RENT OF AN APPROPRIATE FACILITY, (E) MORTGAGE OR OTHER FINANCIAL COSTS SPECIFICALLY APPROVED AND AUTHORIZED BY THE COMMISSIONER OF PUBLIC WELFARE, (F) OTHER EXPENDITURES SPECIFICALLY APPROVED AND AUTHORIZED BY THE COMMISSIONER OF PUBLIC WELFARE; PROVIDED, THE GRANT OF ASSISTANCE TO EACH CENTER SHALL FUND THE CENTER'S TOTAL COST UNDER ITS APPROVED BUDGET FOR THE FISCAL YEAR FOR TRANSPORTATION TO AND FROM THE CENTER OF PERSONS WHO FULFILL THE ELIGIBILITY REQUIREMENTS OF SECTION 252.23, SUBDIVISION 1, AND WHO ATTEND THE CENTER.)

The board of directors of a developmental achievement center may, with the approval of the *county board and the commissioner*, charge a reasonable attendance fee, based on the ability of the mentally retarded or cerebral palsied person, his guardian or family to pay such a fee. No mentally retarded or cerebral palsied person shall be denied participation in the activities of such a center because of an inability to pay such a fee.

Sec. 29. Minnesota Statutes 1978, Section 252.25, is amended to read:

252.25 [BOARD OF DIRECTORS.] Every city, town, (COUNTY) or non-profit corporation, or combination thereof, establishing a developmental achievement center for the mentally retarded and cerebral palsied shall, before it comes under the terms of sections 252.21 to 252.26, appoint a board of directors for the center program. When any city (,) or town (OR COUNTY) singly establishes such a center, such board shall be appointed by the chief executive officer of the city or the chairman of the governing board of the (COUNTY OR) town. When any combination of cities, towns, (COUNTIES) or non-profit corporations, establishes such a center, the chief executive officers of the cities or non-profit corporations and the chairman of the governing bodies of the (COUNTIES OR) towns shall appoint the board of directors. If a non-profit corporation singly establishes such a center, its chief executive officer shall appoint the board of directors of the center. Membership on a board of directors while not mandatory, should be representative of local health, education and welfare departments, medical societies, mental health centers, associations concerned with mental retardation and cerebral palsy, civic groups and the general public. Nothing in sections 252.21 to 252.26 shall be construed to preclude the appointment of elected or appointed public officials or members of the board of directors of the sponsoring non-profit corporation to such board of directors.

Sec. 30. Minnesota Statutes 1978, Section 252.26, is amended to read:

252.26 [DUTIES OF BOARD OF DIRECTORS.] Subject to the provisions of sections 252.21 to 252.26 and the rules of the commissioner of public welfare, each board of directors of a developmental achievement center shall:

(1) Recruit and promote financial support for the center from sources such as business, labor, industrial and private foundations, voluntary agencies, and the general public;

(2) Promote and enter into working agreements with other social service and educational agencies, both public and private, which provide service to the mentally retarded and cerebral palsied;

(3) Advise the (COMMISSIONER OF PUBLIC WELFARE) *county board* on the adoption and implementation of policies to stimulate effective community relations;

(4) Review the annual budget and plan of the center and make recommendations thereon;

(5) Review and evaluate periodically the services provided by the center and report thereon to the (COMMISSIONER OF PUBLIC WELFARE) *county board*, and when indicated to the public;

(6) Provide for transportation to and from the center of all persons who fulfill the eligibility requirements of section 252.23, clause (1) and who attend the center, if provision for this transportation is not unreasonably burdensome to the center and if a more efficient, reasonable, alternative means of transportation does not exist.

Sec. 31. Minnesota Statutes 1978, Section 252.261, is amended to read:

252.261 [EXISTENCE.] Any daytime activity center in existence on September 1, 1977 shall be deemed to be a developmental achievement center for the purposes of (LAWS 1977, CHAPTER 337, SECTIONS 1 TO 7) *sections 252.21 to 252.26.*

Sec. 32. Minnesota Statutes 1978, Section 253A.02, is amended by adding a subdivision to read:

Subd. 23. "Designated agency" means an agency selected by the county board to provide the services under Minnesota Statutes, Chapter 253A.

Sec. 33. Minnesota Statutes 1978, Section 253A.07, Subdivision 1, is amended to read:

253A.07 [JUDICIAL COMMITMENT.] Subdivision 1. Any interested person may file in the probate court of the county of the proposed patient's settlement or presence a petition for commitment of a proposed patient, setting forth the name and address of the proposed patient, the name and address of his nearest relatives, and the reasons for the petition. Such petition shall be accompanied either by a written statement by a licensed physician stating that he has examined the proposed patient and is of the opinion that the proposed patient may be mentally ill, mentally deficient, or inebriate, and should be hospitalized, or by a written statement by the petitioner that, after reasonable effort, the petitioner has been unable to obtain an examination by a licensed physician or that an examination could not be performed. Before filing, a copy of the petition shall be delivered by the petitioner to the (COUNTY WELFARE DEPARTMENT) *designated agency*.

Sec. 34. Minnesota Statutes 1978, Section 253A.07, Subdivision 7, is amended to read:

Subd. 7. The probate court shall direct the (COUNTY WELFARE DEPARTMENT) *designated agency* to make an investigation into the financial circumstances, family relationships, residence, social history, and background of such patient and make a report thereof in writing to be filed with the court for the use and guidance of the head of the hospital to which such person may be committed. The court may require that such report be filed prior to the commitment hearing.

Sec. 35. Minnesota Statutes 1978, Section 253A.09, Subdivision 1, is amended to read:

253A.09 [TRANSPORTATION.] Subdivision 1. Whenever an individual is about to be placed in a hospital or public health facility under the terms of sections 253A.01 to 253A.21, the court may by order:

(a) Upon the request of an interested person, authorize the (COUNTY WELFARE DEPARTMENT) *designated agency* to arrange for the individual's transportation to the hospital with appropriate medical or nursing attendants, and by such means as may be suitable for the individual's condition. The person making the request shall be liable for the cost of such transportation.

(b) Authorize (COUNTY WELFARE DEPARTMENT) *the designated agency* or public health facility personnel to transport the individual to the designated facility if the head of the (WELFARE DEPARTMENT) *designated agency* or

health facility has advised the court that such personnel are available for the purpose.

(c) Authorize an interested or any other responsible person to transport the individual to the designated facility.

(d) Authorize a peace officer to transport the individual to the hospital or public health facility. Unless otherwise ordered by the court, the peace officer shall not be in uniform and shall use a motor vehicle not visibly marked as a police vehicle.

Sec. 36. Minnesota Statutes 1978, Section 253A.10, Subdivision 4, is amended to read:

Subd. 4. The (COUNTY WELFARE BOARD) *designated agency* shall take such reasonable measures, including provision for medical treatment, as may be necessary to assure proper care and treatment of a person temporarily detained pursuant to this section.

Sec. 37. Minnesota Statutes 1978, Section 253A.14, Subdivision 1, is amended to read:

253A.14. [TRANSFER.] Subdivision 1. The commissioner may transfer any patient who is committed by probate court as mentally ill, mentally deficient, or inebriate from one state hospital or institution to any other hospital or other institution under his jurisdiction which is capable of providing such patient proper care and treatment, unless such patient was found by the committing court to be dangerous to the public or to have a psychopathic personality. Whenever a patient is transferred from one hospital to another written notice shall be given to the probate court if the patient was committed under sections 253A.01 to 253A.21, and to his parent or spouse or, if none be known, to an interested person, and the (COUNTY WELFARE BOARD) *designated agency*.

Sec. 38. Minnesota Statutes 1978, Section 253A.15, Subdivision 6, is amended to read:

Subd. 6. Notice of the expiration of the one year period or of the extended period shall be given by the head of the hospital to the committing court, the commissioner, and the (COUNTY WELFARE BOARD) *designated agency*.

Sec. 39. Minnesota Statutes 1978, Section 253A.15, Subdivision 11, is amended to read:

Subd. 11. (a) The head of any hospital, prior to the discharge or provisional discharge of any patient committed as mentally ill, mentally deficient, or inebriate, shall notify the patient's spouse, or if there be none, an adult child, or if there be

none, the next of kin of the patient, of the proposed discharge date. The notice shall be sent to the last known address of the patient's next of kin by certified mail with return receipt. Further, the notice shall include the following information: (1) the proposed date of discharge or provisional discharge; (2) the date, time and place of the meeting of the staff, who have been treating the patient, to discuss discharge and discharge planning; (3) that the patient will be present at the meeting; (4) that the next of kin may attend the designated staff meeting and present any information relevant to the discharge of the patient. The notice shall be sent to the next of kin at least one week prior to the date designated for the meeting.

(b) The head of any hospital, upon the provisional discharge, partial hospitalization, or release of any patient hospitalized under sections 253A.01 to 253A.21, shall notify the (WELFARE BOARD AND IN THE EVENT THE PATIENT IS A DRUG DEPENDENT PERSON THE COMMUNITY MENTAL HEALTH CENTER OF THE COUNTY OF SUCH PATIENT'S RESIDENCE) *designated agency* before the patient is to leave the hospital. Whenever possible said notice shall be given at least one week before the patient is to leave the hospital. The commissioner shall provide by (REGULATION) *rule* the procedure and methods whereby such patient shall be helped to receive all public assistance benefits provided by state or federal law to which his residence and circumstances entitle him. (SUCH REGULATIONS) *The rules* shall be uniformly applied in all counties, and all counties shall provide temporary relief whenever necessary to meet the intent of this subdivision.

Sec. 40. Minnesota Statutes 1978, Section 253A.15, Subdivision 12, is amended to read:

Subd. 12. Prior to the date of discharge, provisional discharge, partial hospitalization, or release of any patient hospitalized under sections 253A.01 to 253A.21, the (COUNTY WELFARE BOARD) *designated agency* of the county of such patient's residence, in cooperation with the head of the hospital where the patient is hospitalized, (THE DIRECTOR OF THE COMMUNITY HEALTH CENTER SERVICE OF SAID AREA,) and the patient's physician, if notified pursuant to subdivision 13, shall establish a continuing plan of after-care services for such patient including a plan for medical and psychiatric treatment, nursing care, vocational assistance, and such other aid as the patient shall need. It shall be the duty of (SUCH WELFARE BOARD) *the designated agency* to supervise and assist such patient in finding employment, suitable shelter, and adequate medical and psychiatric treatment, and to aid in his readjustment to the community.

Sec. 41. Minnesota Statutes 1978, Section 253A.15, Subdivision 13, is amended to read:

Subd. 13. In establishing such plan for after-care services the (COUNTY WELFARE BOARD) *designated agency* shall engage in (SUCH) consultation with persons or agencies, including any public health nurse and vocational rehabilitation personnel, as is necessary to insure adequate planning for after-care services.

Sec. 42. Minnesota Statutes 1978, Section 254A.05, Subdivision 1, is amended to read:

254A.05 [DUTIES OF ADVISORY COUNCIL.] Subdivision 1. (a) The council shall assist in the formulation of policies and guidelines for the implementation of the commissioner's responsibilities in the area of alcohol and drug abuse.

(b) The council shall advise the commissioner and director on policies, goals, and the operation of the comprehensive state plan for alcohol and drug abuse program services in the state and other matters as directed by the commissioner and director, and shall encourage public understanding and support of the alcohol and drug abuse programs.

(c) The council shall make recommendations to the commissioner regarding grants of *federal funds* to (COMMUNITY MENTAL HEALTH) *county boards* under section 254A.07.

Sec. 43. Minnesota Statutes 1978, Section 254A.07, Subdivision 1, is amended to read:

254A.07 [COMPREHENSIVE PROGRAMS; COORDINATION OF LOCAL PROGRAMS.] Subdivision 1. The (COMMISSIONER OF PUBLIC WELFARE SHALL DESIGNATE THE COMMUNITY MENTAL HEALTH BOARDS TO (A)) *county board* shall coordinate all alcohol and other drug abuse services conducted by local agencies, (AND TO (B)) review all proposed agreements, contracts, plans, and programs in relation to alcohol and other drug abuse prepared by any such local agencies for funding from any local, state or federal governmental sources.

Sec. 44. Minnesota Statutes 1978, Section 254A.07, Subdivision 2, is amended to read:

Subd. 2. The (DEPARTMENT OF PUBLIC WELFARE) *county boards* may make grants (TO COMMUNITY MENTAL HEALTH BOARDS) for comprehensive programs for prevention, care, and treatment of alcohol and other drug abuse as developed and defined by the state authority. Grants made for programs serving the native American community shall take into account the guidelines established in section 254A.03, subdivision 1, clause (j). Grants may be made for the cost of these comprehensive programs and services whether provided directly

by (COMMUNITY MENTAL HEALTH) *county* boards or by other public and private agencies and organizations, both profit and nonprofit, and individuals, pursuant to contract. Nothing herein shall prevent the state authority from entering into contracts with and making grants to other state agencies for the purpose of providing specific services and programs.

Sec. 45. Minnesota Statutes 1978, Section 254A.08, Subdivision 1, is amended to read:

254A.08 [DETOXIFICATION CENTERS.] Subdivision 1. Every (COMMUNITY MENTAL HEALTH) *county* board shall provide a detoxification program for drug dependent persons (WITHIN ITS AREA;). The board may utilize existing treatment programs and other agencies to meet this responsibility.

Sec. 46. Minnesota Statutes 1978, Section 254A.12, is amended to read:

254A.12 [AFFECTED EMPLOYEES.] (PARTICIPATING AREA) *County* boards (SHALL) *may* enter into one or more purchase of service agreements to provide services to employers to develop personnel practices for prevention of alcoholism and other chemical dependency, and to assist affected employees in gaining access to care through identification and referral services.

Sec. 47. Minnesota Statutes 1978, Section 254A.14, is amended to read:

254A.14 [SERVICES TO YOUTH AND OTHER UNDERSERVED POPULATIONS.] Subdivision 1. [IDENTIFICATION.] (PARTICIPATING AREA) *County* boards (SHALL) *may* enter into one or more purchase of service agreements to provide services related to the prevention of chemical dependency to persons and groups which have responsibility for, and access to, youth and other underserved populations. The boards (SHALL) *may* also enter into purchase of service agreements to assist youth and other underserved populations in gaining access to care.

Subd. 2. [TREATMENT FACILITIES.] If, as a result of programs authorized under subdivision 1, significant numbers of persons are identified for whom treatment and aftercare programs are not available, (PARTICIPATING AREA) *county* boards may request funds from the commissioner to develop treatment and aftercare capabilities.

Sec. 48. Minnesota Statutes 1978, Section 254A.16, Subdivision 2, is amended to read:

Subd. 2. (a) The commissioner shall provide program guidelines and technical assistance to the (AREA) county boards in carrying out their responsibilities under sections 254A.12 and 254A.14.

(b) The commissioner shall recommend to the governor and to the legislature means of making the programs funded under sections 254A.031, 254A.12, and 254A.14 wholly or partially self-sustaining."

Page 15, line 5, delete "12" and insert "49"

Page 15, line 6, delete "There is appropriated annually"

Page 15, delete lines 7 to 9 and insert "*The funds to pay the state aids authorized by section 7, subdivision 2, shall be paid from appropriations to the commissioner of public welfare.*"

Page 15, line 13, delete "3" and insert "4"

Page 15, after line 13, insert:

"Subd. 3. [MENTAL HEALTH GRANTS.] The sum of \$2,000,000 for the biennium ending June 30, 1981, is appropriated to the commissioner of public welfare for the purposes of section 12.

Sec. 50. [REPEALER.] Minnesota Statutes 1978, Sections 245.65; 245.651; 245.691; 254A.07, Subdivision 3; 254A.08, Subdivision 3; and 254A.17 are repealed."

Underscore all new language

Further, amend the title as follows:

Page 1, line 8, after "welfare;" insert "establishing an experimental program of services for chronically mentally ill persons;"

Page 1, line 9, after "money" insert "amending Minnesota Statutes 1978, Sections 245.61; 245.62; 245.63; 245.64; 245.66; 245.68; 245.69; 245.84, Subdivisions 1 and 5; 245.85; 245.87; 252.21; 252.22; 252.24, Subdivisions 1, 3 and 4; 252.25; 252.26; 252.261; 253A.02, by adding a subdivision; 253A.07, Subdivisions 1 and 7; 253A.09, Subdivision 1; 253A.10, Subdivision 4; 253A.14, Subdivision 1; 253A.15, Subdivisions 6, 11, 12 and 13; 254A.05, Subdivision 1; 254A.07, Subdivisions 1 and 2; 254A.08, Subdivision 1; 254A.12; 254A.14; and 254A.16, Subdivision 2; repealing Minnesota Statutes 1978, Sections 245.65; 245.651; 245.691; 254A.07, Subdivision 3; 254A.08, Subdivision 3; and 254A.17"

With the recommendation that when so amended the bill pass.

The report was adopted.

Norton from the Committee on Appropriations to which was referred:

H. F. No. 899, A bill for an act relating to natural resources; eliminating the requirement for a wild rice processor's license; amending Minnesota Statutes 1978, Section 98.46, Subdivision 18.

Reported the same back with the recommendation that the bill pass and be placed on the Consent Calendar.

The report was adopted.

Rice from the Committee on Labor-Management Relations to which was referred:

H. F. No. 946, A bill for an act relating to workers' compensation; changing certain insurance rate making procedures; directing certain studies; providing for certain schedules and lists; increasing certain staff; relocating workers' compensation court of appeals; changing availability amounts and procedures for obtaining benefits; changing certain presumptions; changing basis for attorneys' fees; changing notice provisions; establishing a reopened case fund and a state compensation reinsurance fund; providing a penalty; appropriating money; amending Minnesota Statutes 1978, Sections 79.01, by adding a subdivision; 79.07; 79.095; 79.10; 79.22, by adding a subdivision; 175.006, Subdivision 1; 175.08; 176.011, Subdivisions 9 and 15; 176.021, Subdivision 3; 176.061, Subdivision 5; 176.081, Subdivision 5; 176.101, Subdivisions 1, 2, 3 and 4; 176.111, Subdivision 1; 176.131, Subdivisions 3, 10 and by adding a subdivision; 176.135, by adding a subdivision; 176.141; 176.155, Subdivision 2; 176.179; 176.191, and by adding subdivisions; 176.231, Subdivisions 1 and 2; 176.235, Subdivision 1, and by adding a subdivision; 176.271; 176.391, Subdivision 2; 176.645; repealing Minnesota Statutes 1978, Sections 79.05; 79.06; and 176.101, Subdivision 7.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1978, Section 79.01, is amended by adding subdivisions to read:

Subd. 6. [ASSOCIATION.] "Association" or "rating association" means the Workers' Compensation Insurers Rating Association of Minnesota.

Subd. 7. [INTERESTED PARTY.] Interested party means any person or association acting on behalf of its members who is directly affected by a change in the schedule of rates and includes the staff of the insurance division.

Subd. 8. [SCHEDULE OF RATES.] Schedule of rates means the rate level applicable to the various industry groupings or classes, including the risk classifications thereunder upon which the determination of workers' compensation premiums are based, including but not limited to all systems for merit or experience rating, retrospective rating, and premium discounts.

Sec. 2. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.071] [RATES; HEARINGS.] Subdivision 1. The commissioner shall adopt a schedule of workers' compensation insurance rates for use in this state for each classification under which business is written. The schedule of rates shall not be excessive, inadequate, or unfairly discriminatory. In adopting a schedule of rates, the commissioner may act on the written petition of the association or any other interested party requesting that a hearing be held for modification of the schedule of rates. The commissioner may include the expense of a reasonable charge for the services of an agent of record for the service of rejected risks as set forth in sections 79.24 to 79.27.

Subd. 2. Upon receipt of a petition requesting a hearing for modification of an existing schedule of rates, the commissioner shall determine whether the petition sufficiently sets forth facts which show that the existing schedule of rates is excessive, inadequate, unfairly discriminatory, or otherwise in need of modification so as to indicate the need to hold a hearing. The commissioner may decline to grant a hearing if the association has failed to provide information requested by previous orders modifying the schedule of rates provided that the request was not unreasonable. The commissioner may accept or reject the petition for a hearing and shall give notice of his determination to the petitioning party within 30 days of receipt of the petition. In the event the commissioner rejects the petition, the petitioning party shall be notified of the reasons for the rejection.

Subd. 3. If the commissioner accepts the petition for hearing, the commissioner shall order a hearing with respect to matters set forth in the petition requesting modification of the schedule of rates. The hearing shall be held pursuant to the contested case procedures set forth in sections 15.0411 to 15.052, provided that the burden of proof shall be on the petitioning party and the hearing examiner may admit documentary and statistical evidence accepted and relied upon by an expert whose field of expertise may have some relevance to workers' compensation rate matter without the requirement of traditional

evidentiary foundation. Within 30 days after the close of the hearing record, the hearing examiner shall transmit to the commissioner the entire record of the hearing, including the transcript, exhibits, and all other material properly accepted into evidence, together with the finding of facts, conclusions, and recommended order as the hearing examiner shall make. The time for filing the report may be extended by the chief hearing examiner for good cause.

Subd. 4. The commissioner may accept, reject, or modify, in whole or in part, matters raised in the petition for modification of the schedule of rates or matters raised in the findings and recommendations of the hearing examiner; provided that the commissioner's determination shall be based upon substantial evidence.

Subd. 5. The commissioner shall make a final determination with respect to adoption of a schedule of rates within 90 days after receipt of the hearing examiner's report. In the event that the commissioner fails to act within the 90 day period, the findings, conclusions, and recommended order of the hearing examiner shall become a final order of the commissioner.

Subd. 6. The commissioner is authorized to hire a consulting actuary and other experts as he deems necessary to assist in the hearing for modification of the schedule of rates. The costs of conducting the hearing provided under subdivision 3, including the costs of hiring a consulting actuary and other experts, shall be assessed against the rating association and its members.

Subd. 7. The office of hearing examiners, upon approval of the chief hearing examiner, is authorized to hire consultants necessary to assist the hearing examiner assigned to a given workers' compensation rate proceeding.

Sec. 3. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.072] [PETITION FOR REHEARING.] Subdivision 1. Any interested party may petition the commissioner for rehearing and reconsideration of a determination made pursuant to section 2. The petition for rehearing and reconsideration shall be served upon the commissioner and all parties to the rate hearing within 30 days after service of the commissioner's final order. The petition shall set forth factual grounds the petitioning party deems to exist in support of its petition. Any interested party adversely affected by a petition for review and reconsideration shall be afforded 15 days to respond to factual matters so alleged in the petition.

Subd. 2. At his discretion, the commissioner may grant a rehearing upon the filing of a petition under subdivision 1. Upon rehearing, the commissioner may limit the scope of factual mat-

ters which shall be subject to rehearing and reconsideration. The rehearing shall be subject to the provisions of section 2.

Subd. 3. Following rehearing, the commissioner may modify the terms of the initial order adopting a change in the schedule of rates upon a determination that adequate factual grounds exist to support modification. Adequate factual grounds shall include, but need not be limited to, erroneous testimony by any witness or party to the hearing, material change in Minnesota loss or expense data occurring after petition for modification of the schedule of rates has been filed, or any other mistake of fact which has a substantial effect upon the schedule of rates adopted in the initial order of the commissioner.

Sec. 4. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.073] [JUDICIAL REVIEW.] *Final orders of the commissioner pursuant to sections 2 and 3 are subject to judicial review by writ of certiorari brought in the district court in Ramsey County by any interested party of record adversely affected thereby. The operation of the commissioner's order shall not be suspended during such review; provided that in the event of a judicial determination against the validity of the commissioner's order, any subsequent order shall be modified so as to give effect to the court's ruling. For purposes of further judicial review, the commissioner shall be deemed to be an aggrieved party to the extent that his orders are modified or set aside by the district court.*

Sec. 5. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.074] [DISCRIMINATION.] *Subdivision 1. [RATES.] One rate is unfairly discriminatory in relation to another if it clearly fails to reflect equitably the differences in expected losses, expenses, and the degree of risk. Rates are not unfairly discriminatory because different premiums result for policyholders with like loss exposures but different expense factors, or like expense factors, but different loss exposures, so long as the rates reflect the differences with reasonable accuracy.*

Subd. 2. [DIVIDENDS.] Dividend plans shall not be deemed to be unfairly discriminatory where different premiums result for different policyholders with similar loss exposures but different expense factors, or where different premiums result for different policyholders with similar expense factors but different loss exposures, so long as the respective premiums reflect the differences with reasonable accuracy. Every insurer referred to in section 79.20 who issues participating policies shall file with the commissioner a true copy or summary as the commissioner shall direct of its participating dividend rates as to policyholders. The commissioner may study such participating dividend rates

and make recommendations to the legislature concerning possible basis for unfair discrimination.

Sec. 6. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.075] [AUTOMATIC ADJUSTMENT OF RATES.] *The commissioner shall, by rule, establish a formula by which a schedule of rates may be automatically adjusted to reflect benefit changes which have been mandated by operation of law subsequent to the most recent change in the statewide schedule of rates. This adjustment shall also reflect the annual change in the maximum weekly compensation made pursuant to section 176.101, an adjustment in the assessment rate for the financing of the special fund, and the annual adjustment made pursuant to section 176.645. Any automatic adjustment made pursuant to this subdivision shall be effective on October 1 or as soon thereafter as possible and shall not otherwise be subject to sections 15.0411 to 15.052.*

At each rate hearing held pursuant to section 2 or rehearing pursuant to section 3, following an automatic adjustment, the commissioner shall review the rate adjustment to assure that the schedule of rates adopted subsequent to the adjustment are not excessive, inadequate, or unfairly discriminatory. If the commissioner finds that the schedule of rates adopted subsequent to the adjustment are excessive, inadequate, or unfairly discriminatory, the commissioner shall order appropriate remedial action.

Sec. 7. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.076] [RATE REVISION ORDER; EFFECT.] *Subdivision 1. Following adoption of a revised schedule of rates pursuant to sections 2 or 3, the revised rates shall be applicable to new and renewal policies issued after the effective date of the commissioner's final order.*

Subd. 2. The revised schedule of rates shall be applied to all insureds and prospective insureds pursuant to the provisions of the workers' compensation rating manual adopted by the association and approved by the commissioner, provided that the manual:

(1) Shall be deemed to have met the applicable requirements of sections 15.0411 to 15.052 as of the effective date of sections 2 and 3.

(2) Shall not be amended except by a contested case proceeding held pursuant to sections 2 and 3.

Subd. 3. Subdivision 2, clause (1), shall not apply to those parts of the manual which concern the (1) basis of premium found in part VI of the most recent manual; (2) standard exceptions found in part VIII, paragraph 8, of the most recent manual; (3) experience rating plan; and (4) rules for division of payroll. These parts of the manual shall be approved by the commissioner of insurance pursuant to section 2; provided, however, that subdivision 2, clause (1), shall apply to these parts of the manual if no petition is made pursuant to section 2 within 90 days of the effective date of this section.

Sec. 8. Minnesota Statutes 1978, Section 79.095, is amended to read:

79.095 [APPOINTMENT OF ACTUARY.] The commissioner shall employ the services of a casualty actuary experienced in worker's compensation whose duties shall include but not be limited to investigation of complaints by insured parties relative to rates, rate classifications, or discriminatory practices of an insurer. *The salary of the actuary employed pursuant to this section is not subject to the provisions of section 43.067.*

Sec. 9. Minnesota Statutes 1978, Section 79.10, is amended to read:

79.10 [REVIEW OF ACTS OF INSURERS.] (THE COMMISSIONER, UPON ITS OWN MOTION OR UPON THE WRITTEN COMPLAINT OF ANY PERSON HAVING A DIRECT INTEREST, MAY REVIEW THE ACTS OF ANY INSURER, BUREAU, OR AGENT SUBJECT TO THE PROVISIONS OF SECTIONS 79.01 TO 79.23, AND MAKE FINDINGS AND ORDERS REQUIRING COMPLIANCE WITH THE PROVISIONS THEREOF. NOT LESS THAN TEN DAYS NOTICE OF THIS REVIEW BEFORE THE COMMISSIONER SHALL BE GIVEN TO THE PARTIES INTERESTED IN ITS FINDINGS OR ORDERS SHALL BE MADE AFTER A HEARING BEFORE IT AND IS SUBJECT TO A REVIEW BY A WRIT OF CERTIORARI BROUGHT IN THE SUPREME COURT. THE OPERATION OF THE COMMISSIONER'S ORDER IS SUSPENDED DURING SUCH REVIEW, BUT IN THE EVENT OF FINAL DETERMINATION AGAINST AN INSURER ANY OVERCHARGE MADE DURING THE PENDENCY OF THE PROCEEDINGS SHALL BE REFUNDED TO THE PERSON ENTITLED THERETO. ALL WRITTEN COMPLAINTS UNDER THIS SECTION SHALL BE VERIFIED AND MAY BE UPON INFORMATION AND BELIEF OF THE PERSON COMPLAINING. A COPY OF THE COMPLAINT SHALL BE SERVED UPON THE INSURER, BUREAU, OR PERSON AGAINST WHOM THE COMPLAINT IS DIRECTED AND EACH PARTY IN INTEREST IS ENTITLED TO AT LEAST TEN DAYS NOTICE OF ANY HEARING THEREON.) *The insurance division staff*

may investigate on the request of any person or on its own initiative the acts of the rating association, an insurer, or an agent which are subject to provisions of sections 79.01 to 79.23 and may make findings and recommendations that the commissioner issue an order requiring compliance with the provisions thereof. The proposed findings and recommended order shall be served on all affected parties at the same time that the staff transmits its findings and recommendations to the commissioner. Any party adversely affected by the proposed findings and recommended order may request that a hearing be held concerning the issues raised therein within 15 days after service of the findings and recommended order. This hearing shall be conducted as a contested case pursuant to sections 15.0411 to 15.052. If a hearing is not requested within the time specified in this section, the proposed findings and recommended order may be adopted by the commissioner as a final order.

Sec. 10. Minnesota Statutes 1978, Section 79.21, is amended to read:

79.21 [RATES TO BE UNIFORM; EXCEPTIONS.] No insurer shall write insurance at a rate (OTHER THAN) *which exceeds that made and put into force by the bureau and approved as (ADEQUATE AND) reasonable by the commissioner. The bureau may reduce or increase a rate by the application to individual risks of the system of merit or experience rating which has been approved by the commissioner. This reduction or increase shall be set forth in the policy or by indorsement thereon. An insurer may write insurance at rates which are lower than the rates approved by the commissioner provided the rates are not unfairly discriminatory.*

Sec. 11. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.211] [CERTAIN WAGES EXCLUDED FOR RATE MAKING.] *The rating association or an insurer shall not include wages paid for a vacation, holiday, or sick leave in the determination of workers' compensation insurance premium.*

Sec. 12. Minnesota Statutes 1978, Section 79.22, is amended to read:

79.22 [DUTIES OF COMMISSIONER.] *Subdivision 1. The commissioner of insurance shall require these insurers, or their agents, to file with him on such blanks as he may prescribe such reports as in the judgment of the commissioner, may be necessary for the purposes of sections 79.01 to 79.23; and this information when so filed shall be available for the use of the commissioner. No information regarding the writings of any insurer shall be made public by the commissioner or the bureau, or any of its employees, except as required by law.*

Subd. 2. The commissioner shall annually examine the reopened case fund established in section 39 to determine whether the fund has sufficient assets to cover claims charged against the fund including the maintenance of reasonable reserves. If upon this examination the commissioner deems it necessary for the maintenance of the required assets he shall determine the amount to be assessed against insurers and self-insured employers and shall notify the commissioner of labor and industry of the determination.

Sec. 13. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.34] [CREATION OF REINSURANCE ASSOCIATION.] *Subdivision 1. An unincorporated, nonprofit association known as the workers' compensation reinsurance association is created. Each insurer as defined by section 79.01, subdivision 2, shall as a condition of its authority to transact workers' compensation insurance in this state, be a member of the reinsurance association and shall be bound by the plan of operation of the reinsurance association. Each self-insurer approved pursuant to section 176.181 shall also be a member of the reinsurance association and shall be bound by its plan of operation. The reinsurance association shall not be deemed a state agency. Actions of the reinsurance association and its board of directors and actions of the commissioner of insurance with respect to the reinsurance association shall not be subject to chapter 15.*

Subd. 2. (1) The reinsurance association shall provide and each member shall accept indemnification for 100 percent of the amount of ultimate loss sustained in each loss occurrence under chapter 176 in excess of \$300,000 or \$100,000 at the option of the member, provided that \$300,000 and \$100,000 shall be increased, to the nearest \$10,000, on October 1, 1980 and on each October 1 thereafter by the percentage increase in the state-wide average weekly wage for the previous calendar year as determined pursuant to clause (2) of this subdivision. Ultimate loss as used in this section means the actual loss amount which a member is obligated to pay and which is paid or payable by the member and shall not include claim expenses. An ultimate loss is incurred by the reinsurance association on the date on which the loss occurs.

(2) For the purposes of this section state-wide average weekly wage means that wage determined by the commissioner in the following manner: On or before the July 1 preceding the October 1 on which the increase is to be applicable, the total wages reported to the department of economic security for the preceding 12 months ending on December 31 shall be divided by the total employment reported to that department for the same period to arrive at an average annual wage, which shall be divided by 52 to determine the state-wide average weekly wage.

Subd. 3. An insurer may withdraw from the reinsurance association only upon ceasing to write workers' compensation insurance in this state.

An insurer whose membership in the reinsurance association is terminated shall continue to be bound by the plan of operation. Upon withdrawal, all unpaid premiums which have been charged to the withdrawing member shall be payable as of the effective date of the withdrawal.

Subd. 4. An unsatisfied net liability to the reinsurance association of an insolvent member shall be assumed by and apportioned among the remaining members of the reinsurance association as provided in the plan of operation. The reinsurance association shall have all rights allowed by law on behalf of the remaining members against the estate or funds of the insolvent member for sums due the reinsurance association.

Subd. 5. When a member has been merged or consolidated into another insurer, or another insurer, which provides insurance required by chapter 176, has reinsured a member's entire business, the member and successors in interest of the member shall remain liable for the member's obligations.

Subd. 6. No insurer or self-insurer may establish a reserve in a financial statement filed with the commissioner of insurance in excess of its maximum liability under this section for a single claim or occurrence.

Sec. 14. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.35] [DUTIES; RESPONSIBILITIES; POWERS.] *The reinsurance association shall do the following on behalf of its members:*

(a) Assume 100 percent of the liability as provided in section 13;

(b) Establish procedures by which members shall promptly report to the reinsurance association each claim which, on the basis of the injury sustained, may reasonably be anticipated to involve liability to the reinsurance association if the member is held liable under chapter 176. Solely for the purpose of reporting claims, the member shall in all instances consider itself legally liable for the injury. The member shall advise the reinsurance association of subsequent developments likely to materially affect the interest of the reinsurance association in the claim;

(c) Maintain relevant loss and expense data relative to all liabilities of the reinsurance association and require each mem-

ber to furnish statistics in connection with liabilities of the reinsurance association at the times and in the form and detail as may be required by the plan of operation;

(d) Calculate and charge to members a total premium sufficient to cover the expected losses of the reinsurance association in excess of the larger retention limit, together with operating and administrative expenses, which the reinsurance association will likely pay during the period for which this premium is applicable. The premium shall include an amount to cover any excess or deficient premiums from previous periods. Each member shall be charged an amount equal to a percentage, equal to that charged other members, of that member's total gross written premiums, less returned premiums, written during the period preceding that to which the reinsurance association premium will apply. An equitable basis for premium charges to self insurers and to self insurers and insurers utilizing the lower retention limit shall be established by the board;

(e) Require and accept the payment of premiums from members of the reinsurance association;

(f) Receive and distribute all sums required by the operation of the reinsurance association;

(g) Establish procedures for reviewing claims procedures and practices of members of the reinsurance association. If the claims procedures or practices of a member are considered inadequate to properly service the liabilities of the reinsurance association, the reinsurance association may undertake, or may contract with another person, including another member, to adjust or assist in the adjustment of claims which create a potential liability to the association and may charge the cost of the adjustment to the member; and

(h) Provide each member of the reinsurance association with an annual report of the operations of the reinsurance association in a form the board of directors may specify.

Sec. 15. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.36] [ADDITIONAL POWERS.] In addition to the powers granted in section 14, the reinsurance association may do the following:

(a) Sue and be sued. A judgment against the reinsurance association shall not create any direct liability against the individual members of the reinsurance association. The reinsurance association may provide for the indemnification of the members, members of the board of directors of the reinsurance association, and officers, employees and other persons lawfully acting on behalf of the reinsurance association;

(b) *Reinsure all or any portion of its potential liability with reinsurers licensed to transact insurance in this state;*

(c) *Provide for appropriate housing, equipment, and personnel as may be necessary to assure the efficient operation of the reinsurance association;*

(d) *Contract for goods and services, including independent claims management, actuarial, investment, and legal services from others within or without this state to assure the efficient operation of the reinsurance association;*

(e) *Adopt rules, consistent with the plan of operation, for the administration of the reinsurance association, enforce those rules, and delegate authority as necessary to assure the proper administration and operation of the reinsurance association;*

(f) *Intervene at any time, in any proceeding under chapters 79 or 176 in which liability of the reinsurance association may, in the opinion of the board of directors of the reinsurance association or its designee, be established, or the reinsurance association affected in any other way;*

(g) *Hear and determine complaints of a company or other interested party concerning the operation of the reinsurance association; and*

(h) *Perform other acts not specifically enumerated in this section which are necessary or proper to accomplish the purposes of the reinsurance association and which are not inconsistent with sections 13 to 21 or the plan of operation.*

Sec. 16. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.37] [BOARD OF DIRECTORS.] A board of directors of the reinsurance association is created and shall be responsible for the operation of the reinsurance association consistent with the plan of operation and sections 13 to 21. The board shall consist of seven directors and the commissioner of insurance who shall be an ex officio member with vote. The board shall represent stock and mutual insurers, foreign and domestic insurers and self-insurers. Each board member shall be entitled to one vote, except as provided otherwise. Each director shall be elected by the membership with voting rights apportioned according to volume of premium written within each of the categories specified in this section. Terms of the directors shall be staggered so that the terms of all the directors do not expire at the same time and so that a director does not serve a term of more than four years. The board shall select a chairman and other officers it deems appropriate.

A majority of the board shall constitute a quorum, notwithstanding any vacancies. Action may be taken by a majority vote of the directors present.

Sec. 17. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.38] [PLAN OF OPERATION.] *The plan of operation shall provide for all of the following:*

- (a) The establishment of necessary facilities;*
- (b) The management and operation of the reinsurance association;*
- (c) A preliminary premium, payable by each member in proportion to its total premium in the year preceding the inauguration of the reinsurance association, for initial expenses necessary to commence operation of the reinsurance association;*
- (d) Procedures to be utilized in charging premiums, including adjustments from excess or deficient premiums from prior periods;*
- (e) Procedures governing the actual payment of premiums to the reinsurance association;*
- (f) Reimbursement of each member of the board by the reinsurance association for actual and necessary expenses incurred on reinsurance association business;*
- (g) The composition, terms, compensation and other necessary rules consistent with section 16 for boards of directors of the reinsurance association to succeed the initial board provided in section 20;*
- (h) The investment policy of the reinsurance association; and*
- (i) Any other matters required by or necessary to effectively implement sections 13 to 21.*

Sec. 18. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.39] [APPLICABILITY OF CHAPTER 79.] *The reinsurance association is subject to all the provisions of this chapter. The commissioner or an authorized representative of the commissioner may visit the reinsurance association at any time and examine the reinsurance association's operations, records and practices.*

Sec. 19. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.40] [PREMIUM INCLUSION IN RATEMAKING.] *Premiums charged members by the reinsurance association shall be recognized in the ratemaking procedures for insurance rates in the same manner that expenses are recognized.*

Sec. 20. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.41] [ORGANIZATIONAL MEETING.] *Not more than 30 days after the effective date of this section, the commissioner shall convene an organizational meeting of the board. The board shall be initially composed of seven members of the reinsurance association appointed by the commissioner to serve as directors and the commissioner or his designee serving as an ex officio member with vote. The initial directors shall serve until their replacements are elected and installed. The commissioner may appoint replacement directors as necessary until a full board is elected and installed.*

Sec. 21. Minnesota Statutes 1978, Chapter 79, is amended by adding a section to read:

[79.42] [SUBMISSION OF PLAN.] *Subdivision 1. Not more than 60 days after the initial organizational meeting of the board, the board shall submit to the commissioner for approval a proposed plan of operation consistent with the objectives and provisions of sections 13 to 21 which shall provide for the economical, fair, and nondiscriminatory administration of the reinsurance association and for the prompt and efficient payment of losses. If a plan is not submitted within this 60-day period, the commissioner shall formulate and place into effect a plan consistent with this chapter.*

Subd. 2. The plan of operation, unless approved sooner in writing, shall be considered to meet the requirements of sections 13 to 21 if it is not disapproved by written order of the commissioner within 30 days after the date of its submission. Before disapproval of all or any part of the proposed plan of operation, the commissioner shall notify the board in what respect the plan of operation fails to meet the requirements and objectives of sections 13 to 21. If the board fails to submit a revised plan of operation which meets the requirements and objectives of sections 13 to 21 within 30-days of the commissioner's notice of the inadequacy of the first plan, the commissioner shall immediately formulate and place into effect a plan consistent with the requirements and objectives of sections 13 to 21.

Subd. 3. The proposed plan of operation or amendments to the plan of operation shall be subject to approval by the board,

with voting rights being apportioned according to the premiums charged, and shall be subject to approval by the commissioner.

Subd. 4. Upon approval by the commissioner and ratification by the members of the submitted plan, or upon the promulgation of a plan by the commissioner, each insurer authorized to write workers' compensation insurance shall be bound by and shall formally subscribe to and participate in the approved plan as a condition of maintaining its authority to transact insurance in this state.

Sec. 22. Minnesota Statutes 1978, Section 175.08, is amended to read:

175.08 [OFFICE.] The workers' compensation court of appeals and the department of labor and industry shall maintain their main offices within the Minneapolis-Saint Paul metropolitan area and be provided by the commissioner of administration with suitable rooms and necessary furniture. *The offices of the workers' compensation court of appeals and the department of labor and industry shall be in separate buildings.* They may hold sessions at any other place in the state when their convenience and that of the parties interested so requires.

Sec. 23. Minnesota Statutes 1978, Section 176.011, Subdivision 9, is amended to read:

Subd. 9. [EMPLOYEE.] "Employee" means any person who performs services for another for hire; and includes the following:

- (1) an alien;
- (2) a minor;
- (3) a sheriff, deputy sheriff, constable, marshal, policeman, firefighter, a county highway engineer, and a peace officer while engaged in the enforcement of peace or in and about the pursuit or capture of any person charged with or suspected of crime and any person requested or commanded to aid an officer in arresting any person, or in retaking any person who has escaped from lawful custody, or in executing any legal process in which case, for purposes of calculating compensation payable under this chapter, the daily wage of the person requested or commanded to assist an officer or to execute a legal process shall be the prevailing wage for similar services where the services are performed by paid employees;
- (4) a county assessor;
- (5) an elected or appointed official of the state, or of any county, city, town, school district or governmental subdivision

therein (BUT AN OFFICER OF A POLITICAL SUBDIVISION ELECTED OR APPOINTED FOR A REGULAR TERM OF OFFICE OR TO COMPLETE THE UNEXPIRED PORTION OF ANY SUCH REGULAR TERM, SHALL BE INCLUDED ONLY AFTER THE GOVERNING BODY OF THE POLITICAL SUBDIVISION HAS ADOPTED AN ORDINANCE OR RESOLUTION TO THAT EFFECT);

(6) an executive officer of a corporation except an officer of a family farm corporation as defined in section 500.24, subdivision 1, clause (c), nor shall it include an executive officer of a closely held corporation who is referred to in section 176.012;

(7) a voluntary uncompensated worker, other than an inmate, rendering services in state institutions under the commissioner of public welfare and state institutions under the commissioner of corrections similar to those of officers and employees of (SUCH) *these* institutions, and whose services have been accepted or contracted for by the commissioner of public welfare or the commissioner of corrections as authorized by law, shall be employees within the meaning of this subdivision. In the event of injury or death of (ANY SUCH) *the* voluntary uncompensated worker, the daily wage of the worker, for the purpose of calculating compensation payable under this chapter, shall be the usual going wage paid at the time of (SUCH) *the* injury or death for similar services in institutions where (SUCH) *the* services are performed by paid employees;

(8) a voluntary uncompensated worker engaged in peace time in the civil defense program when ordered to training or other duty by the state or any political subdivision thereof, shall be (EMPLOYEES) *an employee*. The daily wage of the worker for the purpose of calculating compensation payable under this chapter, shall be the usual going wage paid at the time of (SUCH) *the* injury or death for similar services where (SUCH) *the* services are performed by paid employees;

(9) a voluntary uncompensated worker participating in a program established by a county welfare board shall be an employee within the meaning of this subdivision. In the event of injury or death of (ANY SUCH) *the* voluntary uncompensated worker, the wage of the worker, for the purpose of calculating compensation payable under this chapter, shall be the usual going wage paid in the county at the time of (SUCH) *the* injury or death for similar services where (SUCH) *the* services are performed by paid employees working a normal day and week;

(10) a voluntary uncompensated worker accepted by the commissioner of natural resources who is rendering services as a volunteer pursuant to section 85.041 shall be an employee. The daily wage of the worker for the purpose of calculating

compensation payable under this chapter, shall be the usual going wage paid at the time of injury or death for similar services where (SUCH) *the* services are performed by paid employees;

(11) a member of the military forces, as defined in section 190.05, while in "active service" or "on duty" as defined in section 190.05, when the service or duty is ordered by state authority. The daily wage of the member for the purpose of calculating compensation payable under this chapter shall be based on the member's usual earnings in civil life. If there is no evidence of previous occupation or earning, the trier of fact shall consider the member's earnings as a member of the military forces;

(12) a voluntary uncompensated worker, accepted by the director of the Minnesota historical society, rendering services as a volunteer, pursuant to chapter 138, shall be an employee. The daily wage of the worker, for the purposes of calculating compensation payable under this chapter, shall be the usual going wage paid at the time of injury or death for similar services where (SUCH) *the* services are performed by paid employees;

(13) a voluntary uncompensated worker, other than a student, who renders services at the Minnesota school for the deaf or the Minnesota braille and sight-saving school, and whose services have been accepted or contracted for by the state board of education, as authorized by law, shall be an employee within the meaning of this subdivision. In the event of injury or death of (ANY SUCH) *the* voluntary uncompensated worker, the daily wage of the worker, for the purpose of calculating compensation payable under this chapter, shall be the usual going wage paid at the time of (SUCH) *the* injury or death for similar services in institutions where (SUCH) *the* services are performed by paid employees.

In the event it is difficult to determine the daily wage as herein provided, then the trier of fact may determine the wage upon which the compensation is payable.

Sec. 24. Minnesota Statutes 1978, Section 176.011, Subdivision 15, is amended to read:

Subd. 15. [OCCUPATIONAL DISEASE.] "Occupational disease" means a disease arising out of and in the course of employment peculiar to the occupation in which the employee is engaged and due to causes in excess of the hazards ordinary of employment and shall include undulant fever. Ordinary diseases of life to which the general public is equally exposed outside of employment are not compensable, except where (SUCH) *the* diseases follow as an incident of an occupational disease, or

where the exposure peculiar to the occupation makes (SUCH) the disease an occupational disease hazard. A disease arises out of the employment only if there be a direct causal connection between the conditions under which the work is performed and if the occupational disease follows as a natural incident of the work as a result of the exposure occasioned by the nature of the employment. An employer is not liable for compensation for any occupational disease which cannot be traced to the employment as a direct and proximate cause and is not recognized as a hazard characteristic of and peculiar to the trade, occupation, process, or employment or which results from a hazard to which the worker would have been equally exposed outside of the employment. If immediately preceding the date of his disablement or death, an employee was employed on active duty with an organized fire or police department of any municipality, as a member of the Minnesota highway patrol, conservation officer service (,) or state crime bureau, *as a forest officer by the department of natural resources*, or sheriff or full time deputy sheriff of any county, and his disease is that of myocarditis, coronary sclerosis, pneumonia or its sequel, and at the time of his employment such employee was given a thorough physical examination by a licensed doctor of medicine, and a written report thereof has been made and filed with such organized fire or police department, with the Minnesota highway patrol, conservation officer service, state crime bureau, *department of natural resources* or sheriff's department of any county, which examination and report negatived any evidence of myocarditis, coronary sclerosis, pneumonia or its sequel, the disease is presumptively an occupational disease and shall be presumed to have been due to the nature of his employment.

Sec. 25. Minnesota Statutes 1978, Section 176.021, Subdivision 3, is amended to read:

Subd. 3. [COMPENSATION, COMMENCEMENT OF PAYMENT.] All employers shall commence payment of the compensation at the time and in the manner prescribed by this chapter without the necessity of any agreement or any order of the division. Except those of medical, burial, and other non-periodic benefits, payments shall be made as nearly as may be at the intervals when the wage was payable; provided, however, that payments for permanent partial disability shall be made by lump sum payment, and the provisions of section 176.165 shall not apply, without the necessity of any agreement, or order of the division, upon (TERMINATION) *cessation of (THE HEALING PERIOD, OR AS SOON AS SUCH DISABILITY CAN BE ASCERTAINED)* *payments for temporary total disability and upon the employee's return to work.* If doubt exists at (SUCH) *that time* as to the eventual permanent partial disability, payment shall be then made for the minimum permanent partial disability ascertainable in lump sum, and further lump sum payment shall be made upon any later ascertainment of greater permanent partial disability. At the time

of the tender of (ANY SUCH) *the* lump sum payment, the employee and employer shall be furnished with a copy of the medical report upon which (SUCH) *the* payment is based, together with a statement by the insurer as to whether the tendered payment is for minimum permanent partial disability or final and eventual disability. Compensation for permanent partial disability is payable concurrently and in addition to compensation for temporary total disability and temporary partial disability as set forth in section 176.101, subdivisions 1 and 2, and for permanent total disability as defined in section 176.101, subdivision 5; and such compensation for permanent partial disability shall not be deferred pending completion of payment for temporary disability or permanent total disability, and no credit shall be taken for payment of permanent partial disability against liability for permanent total disability. Liability on the part of an employer or his insurer for disability of a temporary total, temporary partial, and permanent total nature shall be considered as a continuing product and part of the employee's inability to earn or reduction in earning capacity due to injury or occupational disease and shall be payable accordingly. Permanent partial disability is payable for functional loss of use or impairment of function, permanent in nature, and payment therefore shall be separate, distinct, and in addition to payment for any other compensation. (IN THE EVENT THAT AN EMPLOYEE'S DEATH IS NOT COMPENSABLE UNDER THIS CHAPTER,) The right to receive *temporary total, temporary partial, (A) permanent partial or permanent total disability (PAYMENT) payments* shall vest in the injured employee or his dependents under this chapter or, if none, in his legal heirs at the time the disability can be ascertained and the right shall not be abrogated by the employee's death prior to the making of the payment.

Sec. 26. Minnesota Statutes 1978, Section 176.061, Subdivision 5, is amended to read:

Subd. 5. [CUMULATIVE REMEDIES.] Where an injury or death for which compensation is payable is caused under circumstances which created a legal liability for damages on the part of a party other than the employer, that party being then insured or self-insured in accordance with this chapter, and the provisions of subdivisions 1, 2, 3, and 4 do not apply, or the party other than the employer is not then insured or self-insured as provided by this chapter, legal proceedings may be taken by the employee or his dependents against the other party to recover damages, notwithstanding the payment by the employer or his liability to pay compensation. If the action against (SUCH) *the* other party is brought by the injured employee or his dependents and a judgment is obtained and paid or settlement is made with the other party, the employer may deduct from the compensation payable by him the amount actually received by the employee or dependents in accordance with subdivision 6. If the action is

not diligently prosecuted or if the court deems it advisable in order to protect the interests of the employer, upon application the court may grant the employer the right to intervene in any such action for the prosecution thereof. If the injured employee or his dependents agree to receive compensation from the employer or institute proceedings to recover the same or accept from the employer any payment on account of such compensation, the employer is subrogated to the rights of the employee or his dependents. This employer may maintain an action or continue an action already instituted. This action may be maintained in the name of the employee or the names of the dependents or in the name of the employer against (SUCH) *the* other party for the recovery of damages. If the action is not diligently prosecuted by the employer or the court deems it advisable in order to protect the interest of the employee, the court, upon application, may grant to the employee or his dependents the right to intervene in the action for the prosecution thereof. The proceeds of (SUCH) *the* action or settlement thereof shall be paid in accordance with subdivision 6. (SUCH) *The* party is not liable to any person other than the employee or his dependents for any damages resulting from the injury or death.

A co-employee working for the same employer is not liable for a personal injury incurred by another employee unless the injury resulted from the gross negligence of the co-employee or was intentionally inflicted by the co-employee.

Sec. 27. Minnesota Statutes 1978, Section 176.081, Subdivision 5, is amended to read:

Subd. 5. In the determination of the reasonable value of attorney fees arising out of a claim or proceeding under this chapter, the following principles are to be applied:

- (a) The fee in each individual case must be a reasonable one.
- (b) There is no set standard fee to be awarded in any workers' compensation matter.
- (c) No attorney-client fee contract or arrangement is binding in any workers' compensation matter.
- (d) In determining a reasonable attorney fee, important factors to be taken into account are: the amount involved, the time and expense necessary to prepare for trial, the responsibility assumed by counsel, *the expertise of counsel in the workers' compensation field*, the difficulties of the issues involved, the nature of proof needed to be adduced and the results obtained. The amount of money involved shall not be the controlling factor.
- (e) The determination of the fee in each specific workers' compensation matter must be done with the same care as the determination of any other fact question in the matter.

(f) The determiner of the attorney fee in each matter must ascertain whether or not a retainer fee has been paid to the attorney and if so, the amount of the retainer fee.

(g) The determiner of attorney fees in each case must personally see that the workers' compensation file contains fully adequate information to justify the fee that is determined.

Sec. 28. Minnesota Statutes 1978, Section 176.101, Subdivision 1, is amended to read:

176.101 [COMPENSATION SCHEDULE.] Subdivision 1. [TEMPORARY TOTAL DISABILITY.] For injury producing temporary total disability, 66 2/3 percent of the daily wage at the time of injury subject to the following limitations:

(1) During the year commencing on October 1, (1977) 1979, and each year thereafter, commencing on October 1, the maximum weekly benefits payable shall be *an amount equal to one and one quarter times* the statewide average weekly wage for the period ending December 31, of the preceding year.

(2) The minimum weekly compensation benefits for temporary total disability shall be not less than 50 percent of the statewide average weekly wage or the injured employee's actual weekly wage, whichever is less. In no case shall a weekly benefit be less than 20 percent of the statewide average weekly wage.

This compensation shall be paid during the period of disability, payment to be made at the intervals when the wage was payable, as nearly as may be.

Sec. 29. Minnesota Statutes 1978, Section 176.101, Subdivision 2, is amended to read:

Subd. 2. [TEMPORARY PARTIAL DISABILITY.] In all cases of temporary partial disability the compensation shall be 66 2/3 percent of the difference between the daily wage of the worker at the time of injury and the wage he is able to earn in his partially disabled condition. This compensation shall be paid during the period of disability, payment to be made at the intervals when the wage was payable, as nearly as may be, and subject to a maximum compensation equal to *one and one quarter times* the statewide average weekly wage. If the employer does not furnish the worker with work which he can do in his temporary partially disabled condition and he is unable to procure such work with another employer, after reasonably diligent effort, the employee shall be paid at the full compensation rate for (HIS OR HER) *the temporary total disability. Payment of permanent partial disability shall not relieve the employer from liability for further payments of temporary partial disability as would otherwise be payable under this subdivision, nor shall any payment*

of permanent partial disability be taken as a credit against liability for temporary partial disability.

Sec. 30. Minnesota Statutes 1978, Section 176.101, Subdivision 3, is amended to read:

Subd. 3. [PERMANENT PARTIAL DISABILITY.] For (THE) permanent partial disability (FROM THE LOSS OF A MEMBER THE COMPENSATION FOR TOTAL DISABILITY DURING THE HEALING PERIOD SHALL BE AS STATED IN SUBDIVISION 1. FOR PARTIAL DISABILITY DURING THE HEALING PERIOD THE COMPENSATION SHALL BE AS STATED IN SUBDIVISION 2. THE HEALING PERIOD SHALL NOT EXCEED 104 WEEKS. THEREAFTER AND IN ADDITION THERETO,) compensation shall be that named in the following schedule, subject to a maximum compensation equal to *one and one quarter times* the statewide weekly wage:

(1) For the loss of a thumb, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 65 weeks;

(2) For the loss of a first finger, commonly called index finger, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 40 weeks;

(3) For the loss of a second finger, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 35 weeks;

(4) For the loss of a third finger, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 25 weeks;

(5) For the loss of a fourth finger, commonly called the little finger, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 20 weeks;

(6) The loss of the first phalange of the thumb or of any finger, is considered equal to the loss of one-half of the thumb or finger and compensation shall be paid at the prescribed rate during one-half the time specified for the loss of the thumb or finger;

(7) The loss of one and one-half or more phalanges is considered equal to the loss of the entire finger or thumb; but in no case shall the amount received for more than one finger exceed the amount provided in this schedule for the loss of a hand;

(8) For the loss of a great toe, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 35 weeks;

(9) For the loss of a toe other than a great toe, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 15 weeks;

(10) The loss of the first phalange of any toe is considered equal to the loss of one-half of the toe, and compensation shall be paid at the prescribed rate during one-half the time specified for the loss of the toe;

(11) The loss of one and one-half or more phalanges is considered equal to the loss of the entire toe;

(12) For the loss of a hand, not including the wrist movement, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 195 weeks;

(13) For the loss of a hand, including wrist movement, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 220 weeks;

(14) For the loss of an arm, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 270 weeks;

(15) Amputation of the arm below the elbow is considered the loss of a hand, including wrist movement, if enough of the forearm remains to permit the use of an effective artificial member, otherwise it is considered the loss of an arm;

(16) For the loss of a foot, not including ankle movement, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 140 weeks;

(17) For the loss of a foot, including ankle movement, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 165 weeks;

(18) For the loss of a leg, if enough of the leg remains to permit the use of an effective artificial member, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 195 weeks;

(19) For the loss of a leg so close to the hip that no effective artificial member can be used, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 220 weeks;

(20) Amputation of a leg below the knee is considered as equal to the loss of a foot, including ankle movement, if enough of the lower leg remains to permit the use of an effective artificial member, otherwise it is considered as equal to the loss of a leg;

(21) For the loss of an eye, $66 \frac{2}{3}$ percent of the daily wage at the time of injury during 160 weeks;

(22) For the complete permanent loss of hearing in one ear, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 85 weeks;

(23) For the complete permanent loss of hearing in both ears, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 170 weeks;

(24) For the loss of an eye and a leg, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 475 weeks;

(25) For the loss of an eye and an arm, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 475 weeks;

(26) For the loss of an eye and a hand, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 450 weeks;

(27) For the loss of an eye and a foot, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 400 weeks;

(28) For the loss of two arms, other than at the shoulder, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(29) For the loss of two hands, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(30) For the loss of two legs, other than so close to the hips that no effective artificial member can be used, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(31) For the loss of two feet, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(32) For the loss of one arm and the other hand, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(33) For the loss of one hand and one foot, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(34) For the loss of one leg and the other foot, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(35) For the loss of one leg and one hand, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(36) For the loss of one arm and one foot, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury during 500 weeks;

(37) For the loss of one arm and one leg, 66 2/3 percent of the daily wage at the time of injury during 500 weeks;

(38) For loss of the voice mechanism, 66 2/3 percent of the daily wage at the time of injury during 500 weeks;

(39) For head injuries (RESULTING IN PERMANENT PARTIAL DISABILITY), 66 2/3 percent of the daily wage at the time of injury for that proportion of 500 weeks which is represented by (THE) *its* percentage of (SUCH) *the* permanent partial disability *to the entire body* as is determined from competent testimony (ADDUCED) at a hearing before a compensation judge, (A) *the* commissioner, or the (BOARD) *workers' compensation court of appeals*;

(40) For permanent partial disability resulting from injury to any internal organ (, INCLUDING THE HEART) *not covered by the schedule of internal organs established by the commissioner of labor and industry*, 66 2/3 percent of the daily wage at time of injury for that proportion of 500 weeks which is the proportionate amount of permanent partial disability caused to the entire body by the injury (AND) *as is determined from competent testimony (ADDUCED) at a hearing before a compensation judge, (A) the commissioner, or the workers' compensation court of appeals*;

(41) For disfigurement or scarring not resulting from the loss of a member or other injury specifically compensated, affecting the employability or advancement opportunity of the injured person in the employment in which he was injured or other employment for which the employee is then qualified or for which the employee has become qualified, 66 2/3 percent of the daily wage at the time of injury during (SUCH) *the period the parties agree to or (AS) the compensation judge or the workers' compensation court of appeals in cases on appeal determines, not (BEYOND) exceeding 90 weeks*;

(42) For permanent partial disability resulting from injury to the back, 66 2/3 percent of the daily wage at the time of injury for that proportion of 350 weeks which is represented by the percentage of (SUCH) *the* permanent partial disability as is determined from competent testimony (ADDUCED) at a hearing before a compensation judge, (A) *the* commissioner, or the workers' compensation court of appeals;

(43) When an employee sustains concurrent injuries resulting in concurrent disabilities he shall receive compensation only for the injury which entitled him to the largest amount of compensation, but this does not affect liability for disfigurement affecting the employability of the injured person or liability for the concurrent loss of more than one member, for which members compensations are provided in the specific schedule and in subdivision 5;

(44) In all cases of permanent partial disability it is considered that the permanent loss of the use of a member is equivalent to and draws the same compensation as the loss of that member, but the compensation in and by this schedule provided shall be in lieu of all other compensation in (SUCH) *these* cases, except as otherwise provided by this section;

In the event a worker has been awarded (,) or is entitled to receive (,) (A) compensation for loss of use of a member under any workers' compensation law, and thereafter sustains (A) loss of (SUCH) *the* member under circumstances entitling him to compensation therefor under the workers' compensation act, as amended, the amount of compensation awarded, or that he is entitled to receive, for (SUCH) *the* loss of use, is to be deducted from the compensation due under the schedules of this section for the loss of (SUCH) *the* member, provided, that the amount of compensation due for the loss of the member caused by the subsequent accident is in no case less than 25 percent of the compensation payable under the schedule of this section for the loss of (SUCH) *the* member;

(45) In cases of permanent partial disability due to injury to a member, resulting in less than total loss of the member, not otherwise compensated in this schedule, compensation shall be paid at the prescribed rate during that part of the time specified in the schedule for the total loss of the member which the extent of the injury to the member bears to its total loss;

(46) In cases of permanent partial disability caused by simultaneous injury to two or more members, the applicable schedules in this subdivision shall be increased by 15 percent. This clause shall not apply when the injuries are compensated under paragraphs 22 to 37 inclusive, of this subdivision. In cases of partial disability due to injury to both eyes resulting in less than total loss of vision in one or both eyes compensation shall be paid at the prescribed rate during that part of 450 weeks which the extent of the combined injury to both eyes bears to the complete loss of industrial vision;

(47) The commissioner (OF THE DEPARTMENT) of labor and industry with the workers' compensation court of appeals may make or revise rules for the determination of the extent of the impairment of the industrial use of one or both eyes taking into account all primary coordinate factors of vision. These rules shall be made or revised after consultation with experts on industrial vision and after public notice to an hearing of interested parties;

(48) For permanent partial disability resulting from injury to the body as a whole due to burns, 66 $\frac{2}{3}$ percent of the daily wage at the time of injury, for that proportion of 350 weeks which is represented by the percentage of (SUCH) *the* permanent partial disability as is determined from competent testi-

mony (ADDUCED) at a hearing before a compensation judge, (A) *the* commissioner, or the workers' compensation court of appeals, (SAID) *the* compensation to be paid in addition to (SUCH) *the* compensation as employee would otherwise be entitled to for loss of use of a member in accordance with this section;

(49) In all cases of permanent partial disability not enumerated in this schedule the compensation shall be $66 \frac{2}{3}$ percent of the difference between the daily wage of the worker at the time of the injury and the daily wage he is able to earn in his partially disabled condition, subject to a maximum equal to *one and one quarter times* the statewide average weekly wage, and continue during disability, not to exceed 350 weeks; and if the employer does not furnish the worker with work which he can do in his permanently partially disabled condition and he is unable to secure such work with another employer after a reasonably diligent effort, the employee shall be paid at his or her maximum rate of compensation for total disability.

Sec. 31. Minnesota Statutes 1978, Section 176.101, Subdivision 4, is amended to read:

Subd. 4. [PERMANENT TOTAL DISABILITY.] For permanent total disability, as defined in subdivision 5, the compensation shall be $66 \frac{2}{3}$ percent of the daily wage at the time of the injury, subject to a maximum weekly compensation equal to the maximum weekly compensation for a temporary total disability and a minimum weekly compensation equal to the minimum weekly compensation for a temporary total disability.

This compensation shall be paid during the permanent total disability of the injured employee but after a total of \$25,000 of weekly compensation has been paid, the amount of the weekly compensation benefits being paid by the employer shall be reduced by the amount of any disability benefits being paid by any government disability benefit program if (SUCH) *the* disability benefits are occasioned by the same injury or injuries which give rise to payments under this subdivision. (SUCH) *This* reduction shall also apply to any old age and survivor insurance benefits. Payments shall be made at the intervals when the wage was payable, as nearly as may be. In case an employee who is permanently and totally disabled becomes an inmate of a public institution, no compensation shall be payable during the period of (HIS) confinement in (SUCH) *the* institution, unless he has wholly dependent on him for support some person named in section 176.111, subdivisions 1, 2 or 3, in which case the compensation provided for in section 176.111, during the period of (SUCH) confinement, shall be paid for the (BENEFITS) *benefit* of (SUCH) *the* dependent person during dependency. The dependency of (SUCH PERSONS) *the person* shall be determined as though the employee were deceased.

Sec. 32. [176.102] [REHABILITATION.] Subdivision 1. [SCOPE.] Vocational rehabilitation shall train an employee so he may be returned to a job related to his former employment or to a job in another work area which produces an economic status as close as possible to that enjoyed prior to disability. Rehabilitation to a job with a higher economic status than held before the disability shall be permitted if the job is the only one the employee can be trained for due to physical or other practical limitations. Economic status is to be measured not only by opportunity for immediate income but also by opportunity for future income.

Subd. 2. [ADMINISTRATORS.] The commissioner of labor and industry shall hire a director of rehabilitation services who shall be in the classified service. The commissioner of labor and industry shall be responsible for supervising rehabilitation services, including the selection and delivery of services. The commissioner of labor and industry may hire qualified personnel to assist in his duties under this section and may delegate his duties and performance.

Subd. 3. [REVIEW PANEL.] There is created a rehabilitation review panel composed of the commissioner of labor and industry or his designee, who shall serve as an ex officio member and two members each from labor, employers, insurers, vocational rehabilitation, and medicine and one member representing chiropractors. The members shall be appointed by the governor and shall serve four year terms which may be renewed. Compensation for members shall be governed by section 15.0575. The panel shall select a chairman. The panel shall (a) review and make a final determination with respect to appeals regarding rehabilitation plans; (b) hold revocation of certification approval hearings; (c) continuously study rehabilitation; and (d) recommend rehabilitation rules as necessary to the commissioner of labor and industry. A majority vote of those attending a panel hearing under subdivision 6 shall constitute the decision of the board.

Subd. 4. [REHABILITATION PLAN; DEVELOPMENT.] Within 30 days of the time an employer or his insurer has medical information that an employee is unable due to a personal injury or occupational disease to return to his preinjury occupation the employer shall provide rehabilitation consultation for the employee. The consultation shall be done by any person or public or private institution approved by the commissioner of labor and industry. If the consultant determines rehabilitation would significantly reduce or eliminate the decrease in employability, the employer or insurer in conjunction with the rehabilitation consultant shall submit a specific plan of rehabilitation to the commissioner. If the employer does not provide rehabilitation consultation, when required by this section, within the time specified by this subdivision, the commissioner of labor and industry shall notify the employer and insurer that should they

fail to provide rehabilitation consultation within 15 days from the receipt of the commissioner's notice, the division of vocational rehabilitation shall be authorized to provide the rehabilitation consultation for the employee. If the employee refuses to submit to any reasonable examinations and evaluative procedures to determine the need for and the details of a plan of rehabilitation, the amount of compensation may be reduced or the right to compensation may be suspended by an order of the division or workers' compensation court of appeals in a matter before it. In developing a plan, consideration should be given to the employee's age, education, previous work history, interests and skills.

Subd. 5. [ON THE JOB TRAINING.] On the job training is to be given primary consideration in developing a rehabilitation plan especially where it would produce an economic status similar to that enjoyed prior to disability. When a rehabilitation plan includes on the job training, the employee shall receive compensation while employed in an amount equal to the after tax wage the employee received at the time of the personal injury. This compensation shall be paid in whole or in part by the insurer liable for compensation for the employee's personal injury. The amount of compensation to be paid by this insurer shall be determined in the rehabilitation plan prepared pursuant to this section. Any difference between the amount of compensation the insurer is paying and the after tax wage the employee received at the time of the personal injury shall be paid by the on the job employer, but in no case shall this employer's amount exceed the prevailing wage for the job. After tax wage shall be determined by subtracting federal and state income tax from the employee's gross wage.

A rehabilitation plan which includes on the job training shall attempt to create an incentive for an employer to hire the employee for on the job training. This incentive may be in the form of reducing the on the job training employer's wages paid to the employee to a level which is less than the prevailing wage for the job, provided that the total compensation from the insurer, required by this section, and the wages paid by the on the job training employer is not less than the after tax wage received by the employee at the time of the personal injury. The compensation from the insurer and the on the job training employer paid pursuant to this subdivision is in lieu of temporary total disability payments and the additional compensation provided in subdivision 11.

Subd. 6. [PLAN, APPROVAL.] The commissioner of labor and industry shall approve or reject rehabilitation plans. Any persons aggrieved by a decision of the commissioner may appeal to the rehabilitation panel within 30 days of the commissioner's decision. The decision of the panel is final. The panel may approve or reject the decision of the commissioner. If it rejects

the commissioner's decision it may formulate its own rehabilitation plan.

Subd. 7. [PLAN IMPLEMENTATION; REPORTS.] Upon request by the commissioner, insurer or employer, reports shall be made by the provider of the rehabilitation service to the commissioner of labor and industry, insurer and employer of an employee's progress under a plan.

Subd. 8. [PLAN MODIFICATION.] Upon request of the employer, the insurer, or employee to the commissioner, the plan may be suspended, terminated or altered upon a showing of good cause therefor, including:

(a) a physical impairment that does not allow the employee to pursue the vocation being trained for;

(b) the employee's performance level indicates he cannot complete the plan successfully; or

(c) an employee does not cooperate with a plan.

An employee may request a change in a rehabilitation plan once because he feels he is not suited for the type of work for which training is being provided if the request is made within 90 days of the start of the plan. Any decision of the commissioner regarding a change in a plan may be appealed to the panel within 15 days of the decision.

Subd. 9. [PLAN, COSTS.] An employer is liable for the following rehabilitation expenses under this section:

(a) Cost of vocational rehabilitation diagnosis and preparation of a plan;

(b) Cost of all rehabilitation services and supplies necessary for implementation of the plan;

(c) Reasonable cost of tuition, books and travel; and, in addition, reasonable costs of board and lodging when rehabilitation requires residence away from the employee's customary residence; and

(d) Any other expense agreed to be paid.

Subd. 10. [REHABILITATION; CONSULTANTS.] The commissioner shall approve rehabilitation consultants who may propose and implement plans if they satisfy rules promulgated by the commissioner for rehabilitation consultants. A consultant may be an individual or public or private entity.

Subd. 11. [COMPENSATION DURING RETRAINING.] *The insurer or employer shall pay up to 156 weeks of compensation during rehabilitation under a plan in an amount equal to 125 percent of the employee's rate for temporary total disability. This payment shall be in lieu of payment for temporary total, temporary partial, or permanent total disability to which the employee might otherwise be entitled for this period under this chapter, but shall be considered to be the equivalent of temporary total disability for the purposes of section 176.132. If on the job training is part of the rehabilitation program, the weeks during which the insurer or employer pays compensation pursuant to subdivision 5 shall be subtracted from the 156 weeks of retraining compensation which has been paid, if any, pursuant to this subdivision. Subdivision 11 shall not apply to retraining benefits for which liability has been established prior to the effective date of this subdivision.*

Subd. 12. [RULES.] *The commissioner shall promulgate rules necessary to implement this section including rules relating to qualifications necessary to be an approved rehabilitation consultant.*

Sec. 33. Minnesota Statute 1978, Section 176.111, Subdivision 1, is amended to read:

176.111 [DEPENDENTS, ALLOWANCES.] Subdivision 1. **[PERSONS WHOLLY DEPENDENT, PRESUMPTION].** For the purposes of this chapter the following persons are conclusively presumed to be wholly dependent:

(a) (WIFE) spouse, unless it be shown that (SHE WAS) the spouse and decedent were voluntarily living apart (FROM HER HUSBAND) at the time of (HIS) the injury or death;

(b) children under 18 years of age, or a child under the age of (21) 25 years who is regularly attending as a full time student at a high school, college, or university, or regularly attending as a full time student in a course of vocational or technical training.

Sec. 34. Minnesota Statutes 1978, Section 176.131, Subdivision 3, is amended to read:

Subd. 3. To entitle the employer to secure reimbursement from the special compensation fund, the following provisions must be complied with:

(a) Provisions of section 176.181, subdivisions 1 and 2.

(b) The employee with a pre-existing physical impairment must have been registered with the commissioner (OF THE DE-

PARTMENT) of labor and industry prior to the employee's personal injury or *within 180 days after notice of the employee's personal injury is received by the employer. Registration subsequent to the injury shall be based on a medical report made prior to the injury indicating the pre-existing physical impairment.*

Sec. 35. Minnesota Statutes 1978, Section 176.131, is amended by adding a subdivision to read:

Subd. 1a. If an employee is employed in an on-the-job retraining program pursuant to section 17 and the employee incurs a personal injury which aggravates the personal injury for which the employee has been certified to enter the on the job retraining program, the on-the-job training employer shall pay the medical expenses and compensation required by this chapter, but shall be reimbursed from the special compensation fund for the compensation and medical expense which is attributable to the aggravated injury. The employer, at the time of the personal injury for which the employee has been certified for retraining, is liable for that portion of the disability which is attributable to that injury.

Sec. 36. Minnesota Statutes 1978, Section 176.131, Subdivision 10, is amended to read:

Subd. 10. The special compensation fund is created for the purposes provided in this chapter in the following manner:

(1) In every case of death of an employee resulting from personal injury arising out of and in the course of (HIS) employment where there are no persons entitled to monetary benefits of dependency compensation, the employer shall pay to the commissioner (OF THE DEPARTMENT) of labor and industry the sum of \$5,000 for the benefit of the special compensation fund; in every case of death of an employee resulting from personal injury arising out of and in the course of (HIS) employment where there are no persons entitled to at least \$5,000 in monetary benefits of dependency compensation, the employer shall pay to the commissioner (OF THE DEPARTMENT) of labor and industry for the benefit of the special compensation fund the difference between the amounts actually paid for (SUCH) the dependency benefits and \$5,000; but in no event shall the employer pay the commissioner (OF THE DEPARTMENT) of labor and industry less than \$1,000;

(2) When an employee (SHALL SUFFER) suffers a personal injury which results in permanent partial disability, temporary total disability, temporary partial disability, permanent total disability or death and which entitles him or dependents to compensation under sections 176.101 or 176.111, the employer shall in addition to compensation provided therein, pay

to the commissioner (OF THE DEPARTMENT) of labor and industry for the benefit of the special compensation fund a lump sum without interest deduction equal to seven percent of (SUCH) *the* total compensation, as soon as the amount payable for the particular injury is determined, or arrived at by agreement of the parties and (SUCH) *the* amount is approved by the commissioner (OF THE DEPARTMENT) of labor and industry.

The provisions of clauses (1) and (2) shall apply to all workers' compensation payments, exclusive of medical costs, paid under sections 176.101 and 176.111 for all injuries or death occurring on or after June 1, 1971.

Personal injuries that occurred prior to June 1, 1971 shall be assessed at the rate in effect on the date of occurrence.

The seven percent of the total compensation required to be paid by the employer to the commissioner (OF THE DEPARTMENT) of labor and industry for the benefit of the special compensation fund as provided in clause (2) of this subdivision shall remain fixed at said seven percent for the period from June 1, 1971, to June 1, 1972. Effective June 1, 1972, through June 1, 1975, and thereafter on January 1, beginning in 1976, the rate shall be adjusted on the following basis: if the balance in the special compensation fund as of April 30 in any year through 1975 and as of September 30, 1975, and each September 30 thereafter, is below \$1,000,000, the rate of payment shall be increased by two percent over the then prevailing rate. If the balance is at least \$1,000,000 but below \$1,500,000, the rate will be increased by one percent. If the balance is at least \$1,500,000 but below \$2,000,000, there shall be no change. If the balance is at least \$2,000,000 but less than \$2,500,000, the rate shall be decreased by one percent. If the balance is at least \$2,500,000, the rate shall be decreased by two percent. If the balance is \$3,000,000 or more the commissioner (OF THE DEPARTMENT) of labor and industry shall within 30 days determine the percent of decrease, which shall be not less than two percent nor more than five percent.

(SUCH) Sums (AS ARE) paid to the commissioner (OF THE DEPARTMENT) of labor and industry pursuant to the provisions hereof, shall be (BY IT) deposited with the state treasurer for the benefit of the special compensation fund and be used to pay the benefits provided by chapter 176. All money heretofore arising from the provisions of this section or similar law shall be transferred to this special compensation fund. *Any interest or profit accruing from investment of these sums shall be credited to the special compensation fund.*

The state treasurer shall be the custodian of this special fund and the workers' compensation division and the workers' compensation court of appeals in cases before it shall direct the distribution thereof, the same to be paid as other payments

of compensation are paid. In case deposit is or has been made under the provisions of clause (1) and dependency later is shown, or if deposit is or has been made pursuant to either clause (1) or (2) by mistake or inadvertence, or under (SUCH) circumstances that justice requires a refund thereof, the state treasurer is (HEREBY) authorized to refund (SUCH) *the* deposit under order of the workers' compensation division or the workers' compensation court of appeals. There is appropriated to the persons entitled to (SUCH) *the* refunds from the fund an amount sufficient to make the refund and payment.

Costs within the department of labor and industry for the accounting and legal procedures necessary for administration of the programs financed by the special compensation fund shall be paid from the moneys biennially appropriated to the department and not from the special compensation fund.

Sec. 37. Minnesota Statutes 1978, Section 176.132, Subdivision 2, is amended to read:

Subd. 2. [AMOUNT.] (a) The supplementary benefit payable under this section shall be the difference between the amount the employee receives on or after January 1, 1976, under section 176.101, subdivision 1 or subdivision 4, and (60) 70 percent of the statewide average weekly wage as computed annually.

(b) In the event an eligible recipient is currently receiving no compensation or is receiving a reduced level of compensation because of a credit being applied as the result of a third party liability or damages, the employer or insurer shall compute the offset credit as if the individual were entitled to the actual benefit or (60) 70 percent of the statewide average weekly wage as computed annually, whichever is greater. If this results in the use of a higher credit than otherwise would have been applied and the employer or insurer becomes liable for compensation benefits which would otherwise not have been paid, the additional benefits resulting shall be handled according to this section.

(c) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of a valid agreement in settlement of a claim, no supplementary benefit shall be payable under this section.

(d) In the event an eligible recipient is receiving no compensation or is receiving a reduced level of compensation because of prior limitations in the maximum amount payable for permanent total disability or because of reductions resulting from the simultaneous receipt of old age or disability benefits, the supplementary benefit shall be payable for the difference between the actual amount of compensation currently being

paid and (60) 70 percent of the statewide average weekly wage as computed annually.

(e) In the event that an eligible recipient is receiving simultaneous benefits from any government disability program, the amount of supplementary benefits payable under this section shall be reduced by five percent. If the individual does not receive the maximum benefits for which he is eligible under other governmental disability programs due to the provisions of 42 U.S.C. 424a (d), this reduction shall not apply.

Sec. 38. [176.1321] [EFFECTIVE DATE OF BENEFIT CHANGES.] *Unless otherwise specified in the act making the change, any workers' compensation benefit change shall be effective on the October 1 next following its final enactment.*

Sec. 39. [176.134] [REOPENED CASE FUND.] *Subdivision 1. [CREATED.] The reopened case fund is created in the state treasury for the purposes of this section.*

The commissioner of labor and industry shall assess insurers and self-insured employers the amount determined as necessary by the commissioner of insurance pursuant to section 12 of this act and shall deposit these assessments with the state treasurer for the benefit of the reopened case fund.

Interest or profit arising from investment of the reopened case fund shall be credited to the reopened case fund.

Subd. 2. [LIABILITY.] *When a claim for compensation is made pursuant to this chapter by an employee or a claim for death benefits is made pursuant to this chapter on behalf of the dependents of a deceased employee, after seven years from the date of the personal injury or death and no compensation has previously been paid for the injury or death, the claim shall be against and paid from the reopened case fund.*

If compensation has previously been paid for the personal injury or death for which compensation is being claimed, the claim shall be against and paid from the reopened case fund only if the claim is made after seven years from the date of injury or death or after three years from the date of last payment or compensation, whichever is later.

Subd. 3. [LAST PAYMENT OF COMPENSATION.] *For the purposes of this section, the date of the last payment of compensation is the date of actual payment of the last installment of previously awarded compensation, except that when compensation was paid in a lump sum, the date of the last payment of compensation is the date to which the lump sum payment would have extended if the payments had been made in regular weekly intervals.*

Subd. 4. [ADMINISTRATION.] The commissioner of labor and industry shall administer the reopened case fund. The reopened case fund shall be liable pursuant to this section for injuries which occur after the effective date of this section.

Sec. 40. Minnesota Statutes 1978, Chapter 176, is amended by adding a section to read:

[176.136] [MEDICAL FEE REVIEW.] *The commissioner of labor and industry shall by rule establish procedures for determining whether the charge for a health service is excessive. In order to accomplish this purpose, the commissioner shall consult with insurers, associations and organizations representing the medical and other providers of treatment services and other appropriate groups. If the commissioner determines that the charge for a health service is excessive, he may limit payment to the reasonable charge for that service; however, the commissioner shall by rule establish procedures allowing for a provider to appeal such determination. The commissioner may contract with a review organization as defined in section 145.61 in making any determinations as to whether or not a charge is excessive.*

Sec. 41. [176.139] [NOTICE OF RIGHTS POSTED.] *A notice, in form approved by the commissioner of labor and industry shall be posted in a conspicuous place at each place of employment, advising employees of their rights and obligations under chapter 176, assistance available to them, and the operation of the workers' compensation system.*

Sec. 42. Minnesota Statutes 1978, Section 176.141, is amended to read:

176.141 [NOTICE OF INJURY.] *Unless the employer has actual knowledge of the occurrence of the injury or unless the injured worker, or a dependent or someone in behalf of either, gives written notice thereof to the employer within 14 days after the occurrence of the injury, then no compensation shall be due until (SUCH) the notice is given or knowledge obtained. If the notice is given or the knowledge obtained within 30 days from the occurrence of the injury, no want, failure, or inaccuracy of a notice shall be a bar to obtaining compensation unless the employer shows that he was prejudiced by such want, defect, or inaccuracy, and then only to the extent of (SUCH) the prejudice. If the notice is given or the knowledge obtained within 180 days, and if the employee or other beneficiary shows that his failure to give prior notice was due to his mistake, inadvertence, ignorance of fact or law, or inability, or to the fraud, misrepresentation, or deceit of the employer or his agent, then compensation may be allowed, unless the employer shows that he was prejudiced by failure to receive (SUCH) the notice, in which case the amount of compensation shall be reduced by (SUCH) a sum (AS) which fairly represents the prejudice shown. Unless knowledge is ob-*

tained or written notice given within 180 days after the occurrence of the injury no compensation shall be allowed, *except that an employee who is unable, because of mental or physical incapacity, to give notice to the employer within 180 days from the injury may give the prescribed notice within 180 days from the time the incapacity ceases.*

Sec. 43. Minnesota Statutes 1978, Section 176.179, is amended to read:

176.179 [PAYMENTS OF COMPENSATION RECEIVED IN GOOD FAITH.] Notwithstanding section 176.521, subdivision 3, or any other provision of this chapter to the contrary, *except as provided in this section*, no lump sum or weekly payment, or settlement, which is voluntarily paid to an injured employee or the survivors of a deceased employee in apparent or seeming accordance with the provisions of this chapter by an employer or insurer, or is paid pursuant to an order of the workers' compensation division or court of appeals relative to a claim by an injured employee or his survivors, and received in good faith by the employee or his survivors shall be refunded to the paying employer or insurer in the event that it is subsequently determined that (SUCH) *the payment was made under a mistake in fact or law by the employer or insurer. When such payments have been made to a person who is entitled to receive further payments of compensation for the same injury, the mistaken compensation shall be allowed to be taken as a credit against future benefit entitlement; provided, however, that the credit applied against further payments of temporary total disability, temporary partial disability, permanent total disability, retraining benefits or death benefits shall not exceed 20 percent of the amount which would otherwise be payable.*

Sec. 44. Minnesota Statutes 1978, Section 176.181, Subdivision 2, is amended to read:

Subd. 2. [COMPULSORY INSURANCE; SELF-INSURERS.] (1) Every employer, except the state and its municipal subdivisions, liable under this chapter to pay compensation shall insure payment of such compensation with some insurance carrier authorized to insure such liability in this state, or obtain a written order from the commissioner of (LABOR AND INDUSTRY) *insurance exempting such employer from insuring his liability for compensation and permitting him to self-insure such liability. The terms, conditions and requirements governing such self-insurance shall be established by the commissioner pursuant to chapter 15. The commissioner (MAY ALSO ALLOW AS HE DEEMS APPROPRIATE) shall also adopt, pursuant to clause (2)(c) of this subdivision, rules permitting two or more employers in the same industry to enter into agreements to pool their liabilities under this chapter for the purpose of qualifying as group self-insurers. With the approval of the commissioner of (LABOR AND INDUSTRY) insurance, any employer may*

exclude medical, chiropractic and hospital benefits as required by this chapter. An employer conducting distinct operations at different locations may either insure or self-insure such other portion of his operations which may be determined by the commissioner of (LABOR AND INDUSTRY) *insurance* to be a distinct and separate risk. An employer desiring to be exempted from insuring his liability for compensation shall make application to the commissioner of (LABOR AND INDUSTRY) *insurance*, showing his financial ability to pay such compensation, whereupon by written order the commissioner of (LABOR AND INDUSTRY) *insurance* may make such exemption as it deems proper. The commissioner of (LABOR AND INDUSTRY) *insurance* may require further statements of financial ability of the employer to pay compensation. Upon ten days written notice the commissioner of (LABOR AND INDUSTRY) *insurance* may revoke his order granting such exemption, in which event the employer shall immediately insure his liability. As a condition for the granting of an exemption the commissioner of (LABOR AND INDUSTRY) *insurance* may require the employer to furnish such security as it considers sufficient to insure payment of all claims under this chapter. If the required security is in the form of currency or negotiable bonds, the commissioner of (LABOR AND INDUSTRY) *insurance* shall deposit same with the state treasurer. In the event of any default upon the part of a self-insurer to abide by any final order or decision of the commissioner of labor and industry directing and awarding payment of compensation and benefits to any employee or the dependents of any deceased employee, then upon at least ten days notice to such self-insurer, the commissioner of (LABOR AND INDUSTRY) *insurance* may by written order to the state treasurer require him to sell the pledged and assigned securities or such part thereof as is necessary to pay the full amount of any such claim or award with interest thereon. This authority to sell may be exercised from time to time to satisfy any order or award of the commissioner of labor and industry or any judgment obtained thereon. When such securities are sold the money so obtained shall be deposited in the state treasury to the credit of the commissioner of (LABOR AND INDUSTRY) *insurance* and awards made against any such self-insurer by the commissioner of (LABOR AND INDUSTRY) *insurance* shall be paid to the persons entitled thereto by the state treasurer upon warrants prepared by the commissioner of (LABOR AND INDUSTRY) *insurance* and approved by the commissioner of finance out of the proceeds of the sale of such securities. Where the security is in the form of a surety bond or personal guaranty the commissioner of (LABOR AND INDUSTRY) *insurance*, at any time, upon at least ten days notice and opportunity to be heard, may require the surety to pay the amount of the award, the payments to be enforced in like manner as the award may be enforced.

(2)(a) *No association, corporation, partnership, sole proprietorship, trust or other business entity shall provide services in the design, establishment or administration of a group self-insurance plan under rules adopted pursuant to this subdivision*

unless it is licensed to do so by the commissioner of insurance. An applicant for a license shall state in writing the type of activities it seeks authorization to engage in and the type of services it seeks authorization to provide. The license shall be granted only when the commissioner of insurance is satisfied that the entity possesses the necessary organization, background, expertise, and financial integrity to supply the services sought to be offered. The commissioner of insurance may issue a license subject to restrictions or limitations, including restrictions or limitations on the type of services which may be supplied or the activities which may be engaged in. The license shall be for a two year period.

(b) To assure that group self-insurance plans are financially solvent, administered in a fair and capable fashion, and able to process claims and pay benefits in a prompt, fair and equitable manner, entities licensed to engage in such business are subject to supervision and examination by the commissioner of insurance.

(c) To carry out the purposes of this subdivision, the commissioner of insurance may promulgate administrative rules, including emergency rules, pursuant to sections 15.0411 to 15.052. These rules may:

(1) establish reporting requirements for administrators of group self-insurance plans;

(2) establish standards and guidelines to assure the adequacy of the financing and administration of group self-insurance plans;

(3) establish bonding requirements or other provisions assuring the financial integrity of entities administering group self-insurance plans;

(4) establish standards, including but not limited to minimum terms of membership in self-insurance plans, as necessary to provide stability for those plans;

(5) establish standards or guidelines governing the formation, operation, administration and dissolution of self-insurance plans; and (6) establish other reasonable requirements to further the purposes of this subdivision.

Sec. 45. Minnesota Statutes 1978, Section 176.191, is amended to read:

176.191 [DISPUTE BETWEEN TWO OR MORE EMPLOYERS OR INSURERS REGARDING LIABILITY.] *Subdivision 1.* Where compensation benefits are payable under this

chapter, and a dispute exists between two or more employers or two or more insurers as to which is liable for payment, the commissioner (OF THE DEPARTMENT) of labor and industry, compensation judge, or workers' compensation court of appeals upon appeal may direct that one or more of the employers or insurers make payment of the benefits pending a determination of liability.

When liability has been determined, the party held liable for the benefits shall be ordered to reimburse any other party for payments which the latter has made, including interest at the rate of five percent (PER-ANNUUM) a year. The claimant may also be awarded a reasonable attorney fee, to be paid by the party held liable for the benefits.

An order directing payment of benefits pending a determination of liability may not be used as evidence before (ANY COMMISSIONER,) a compensation judge, the workers' compensation court of appeals, or court in which the dispute is pending.

Subd. 2. Where compensation benefits are payable under this chapter, and a dispute exists between two or more employers or two or more insurers as to which is liable for payment, the commissioner of labor and industry may authorize the special compensation fund established in section 176.131 to make payment of the benefits pending a determination of liability.

The personal injury for which the commissioner may order compensation from the special fund is not limited by section 176.131, subdivision 8.

When liability has been determined, the party held liable for benefits shall be ordered to reimburse the special compensation fund for payments made, including interest at the rate of 12 percent a year.

Subd. 3. If a dispute exists as to whether an employee's injury is compensable under this chapter and the employee is otherwise covered by an insurer pursuant to chapters 62A, 62C and 62D, that insurer shall pay any medical costs incurred by the employee for the injury. If the injury is subsequently determined to be compensable pursuant to this chapter, the workers' compensation insurer shall be ordered to reimburse the insurer that made the payments for all medical payments made by the insurer for the injury, including interest at a rate of 12 percent a year.

If the employee's medical expenses for a personal injury are paid pursuant to any program administered by the commissioner of public welfare and it is subsequently determined that the injury is compensable pursuant to this chapter, the workers' compensation insurer shall reimburse the commissioner of public

welfare for the medical expenses paid and attributable to the personal injury including interest at a rate of 12 percent a year.

Sec. 46. Minnesota Statutes 1978, Section 176.221 is amended to read:

176.221 [PAYMENT OF COMPENSATION AND TREATMENT CHARGES, COMMENCEMENT.] Subdivision 1. [DENIAL OF LIABILITY, REQUEST FOR EXTENSION OF TIME.] Within 30 days from the date of notice to or knowledge by the employer of an injury compensable under the chapter, and unless within that 30 day period the employer or the insurer files with the commissioner of the department of labor and industry a denial of liability or a request for an extension of time within which to determine liability, the person responsible for payment of compensation, *charges for treatment under section 176.135 or retraining expenses under subdivision 9 of section 17* shall begin payment of compensation or charges for treatment.

Subd. 2. [GRANT OF EXTENSION.] Upon application made within the 30 day period referred to in subdivision 1, the commissioner of the department of labor and industry may grant an extension of time within which to determine liability. The extension shall not exceed 30 days.

Subd. 3. [PAYMENTS TO SPECIAL COMPENSATION FUND.] Where an employer or insurer fails to begin payment of compensation, *charges for treatment under section 176.135 or retraining expenses under subdivision 9 of section 17*, or to file a denial of liability, or to request an extension of time within the 30 day period referred to in subdivision 1, he shall pay to the special compensation fund an amount equal to the total amount of compensation to which the employee is entitled because of the injury. In addition, each day subsequent to the end of the 30 day period and until a compensation payment is made to the injured employee, the person responsible for payment of compensation shall pay to the special compensation fund an amount equal to the total compensation to which injured employee is entitled.

Subd. 4. [FAILURE TO MAKE PAYMENTS AFTER EXTENSION.] Where an employer or insurer has been granted an extension of time within which to determine liability and fails to begin payment of compensation, *charges for treatment under section 176.135 or retraining expenses under subdivision 9 of section 17* or to file a denial of liability within such extended period, he shall make the payments provided in subdivision 3.

Subd. 5. [DOUBLE PAYMENTS TO SPECIAL COMPENSATION FUND.] Where an employer or insurer has failed to make the payments required by subdivision 3 or subdivision 4 within 60 days from the end of the 30 day period or the extended period, the division may require him to pay to the special compensation fund, each day subsequent to the end of the period and

until a compensation payment is made to the injured employee, a sum equal to double the total amount of compensation to which the employee is entitled because of the injury. In addition, the person responsible for compensation, *charges for treatment under section 176.135 or retraining expenses under subdivision 9 of section 17* shall pay to the special compensation fund an amount equal to the total amount of compensation to which the employee is entitled.

Subd. 6. [ASSESSMENT OF PENALTIES.] The division shall assess the penalty payments provided for by subdivisions 3 to 5 against either the employer or the insurer depending upon to whom the delay is attributable in making payment of compensation, *charges for treatment under section 176.135 or retraining expenses under subdivision 9 of section 17*. The insurer is not liable for a penalty payment assessed against the employer.

Subd. 7. [INTEREST.] Any payment of compensation, *charges for treatment under section 176.135 or retraining expenses under subdivision 9 of section 17* not made when due shall bear interest at the rate of eight percent per annum from the due date to the date the payment is made.

Sec. 47. Minnesota Statutes 1978, Section 176.231, Subdivision 1, is amended to read:

176.231 [REPORT OF DEATH OR INJURY TO COMMISSIONER OF THE DEPARTMENT OF LABOR AND INDUSTRY.] Subdivision 1. [TIME LIMITATION.] Where death or serious injury occurs to an employee during the course of employment, the employer shall report the (SAME) *injury or death* to the commissioner of (THE DEPARTMENT OF) labor and industry *and insurer* within 48 hours after its occurrence. Where any other injury occurs which wholly or partly incapacitates the employee from performing labor or service for three days or longer, the employer shall report the injury to the commissioner of (THE DEPARTMENT OF) labor and industry *and insurer* within 15 days from its occurrence. Where an injury has once been reported but subsequently death ensues, the employer shall report the death to the commissioner of (THE DEPARTMENT OF) labor and industry *and insurer* within 48 hours after he receives notice of (SUCH) *this* fact.

Sec. 48. Minnesota Statutes 1978, Section 176.231, Subdivision 2, is amended to read:

Subd. 2. [INITIAL REPORT, WRITTEN REPORT.] Where subdivision 1 requires an injury to be reported within 48 hours, the employer may make his initial report by telephone, telegraph, or personal notice, and file a written report of the injury within seven days from its occurrence or within such time as the commissioner of (THE DEPARTMENT OF) labor and industry designates. All written reports of injuries *required by*

subdivision 1 shall be in (DUPLICATE) quadruplicate on a form designed by the commissioner, with two copies to the commissioner and one to the insurer.

Sec. 49. Minnesota Statutes 1978, Section 176.235, is amended to read:

176.235 [NOTICE TO EMPLOYERS AND INJURED EMPLOYEE OF RIGHTS AND DUTIES.] *Subdivision 1. When the commissioner of (THE DEPARTMENT OF) labor and industry has received notice or information that an employee has sustained an injury which may be compensable under this chapter, the commissioner of (THE DEPARTMENT OF) labor and industry shall mail a (FORM LETTER NOTICE) brochure written in language easily readable and understandable by a person of average intelligence and education, to the employee (STATING BRIEFLY AND SIMPLY) explaining the rights and (DUTIES) obligations of the employee (IN SUCH CASE.) , the assistance available to the employee, the operation of the workers' compensation system, and*

(THE NOTICE:)

((1) SHALL SUMMARIZE THE DUTY OF THE EMPLOYER TO PAY COMPENSATION AND TO FURNISH MEDICAL AND HOSPITAL TREATMENT;)

((2) SHALL INVITE THE EMPLOYEE TO ASK THE ADVICE OF THE DIVISION WITH REFERENCE TO ANY DOUBT OR DISPUTE WHICH THE EMPLOYEE HAS CONCERNING THE INJURY;)

((3) MAY CONTAIN) whatever other relevant information the commissioner of (THE DEPARTMENT OF) labor and industry deems necessary.

Subd. 2. The commissioner shall prepare in language easily readable and understandable by a person of average intelligence and education, a brochure explaining to employers their rights and obligations under this chapter and shall furnish it to employers subject to this chapter.

Sec. 50. Minnesota Statutes 1978, Section 176.241 is amended to read:

176.241 [NOTICE TO DIVISION OF INTENTION TO DISCONTINUE COMPENSATION PAYMENTS.] *Subdivision 1. [NECESSITY FOR NOTICE AND SHOWING; CONTENTS.] Where an employee claims that the right to compensation continues, or refuses to sign or objects to signing a final receipt for compensation, the employer may not discontinue payment of compensation until (HE NOTIFIES THE DIVISION IN WRITING OF HIS INTENTION TO DO SO) he provides the*

division with notice in writing of his intention to do so, together with a statement of facts which the division determines would, if true, constitute grounds to discontinue payment of compensation. (HE NOTIFIES THE DIVISION IN WRITING OF HIS INTENTION TO DO SO.)

The notice to the division shall state the date of intended discontinuance, the reason for such action, and the fact that the employee objects to the discontinuance. The notice shall be accompanied by a *statement of facts in support of the discontinuance of compensation payments and whatever medical reports are in the possession of the employer bearing on the physical condition of the employee at the time of the proposed discontinuance.*

Subd. 2. [CONTINUANCE OF EMPLOYER'S LIABILITY; SUSPENSION.] Except where the commissioner of the department of labor and industry orders otherwise, until the notice and reports have been filed with the division, the liability of the employer to make payments of compensation continues.

When the division has received a notice of discontinuance, *the statement of facts and available medical reports, and has determined that the facts, if true, constitute grounds to discontinue payment of compensation, the duty of the employer to pay compensation is suspended pending an investigation, hearing, and determination of the matter by the division as provided in the following subdivisions. If the division determines that the statement of facts and medical records do not constitute grounds, if true, for the discontinuance of payment of compensation, the employer's duty to make such payments shall continue. The division shall make such determination within 30 days of notice from the employer or the duty to make payments shall be suspended.*

Subd. 3. [COPY OF NOTICE TO EMPLOYEE, INVESTIGATION, HEARING.] When the division has received a notice of discontinuance, it shall immediately send the employee a copy of the notice and (COPIES OF WHATEVER MEDICAL REPORTS) *supporting documents which have been submitted in conjunction with the notice. The commissioner of the department of labor and industry shall make an investigation to determine whether the right to compensation has terminated. If it appears from the investigation that the right to compensation may not have terminated, the commissioner of the department of labor and industry shall schedule a hearing before a compensation judge, to determine the right of the employee, or his dependent, to further compensation.*

The hearing shall be held within a reasonable time after the division has received the notice of discontinuance. The commissioner of the department of labor and industry shall give eight days notice of the hearing to interested parties.

Subd. 4. [ORDER.] When the hearing has been held, and he has duly considered the evidence, the person who held the hearing shall promptly enter an order directing the payment of further compensation or confirming the termination of compensation. Where the order confirms a termination of compensation, the commissioner of the department of labor and industry shall notify the employer of such action. This notification relieves the employer from further liability for compensation subject to the right of review afforded by this chapter, and to the right of the division to set aside the order at any time prior to the review and grant a new hearing pursuant to this chapter.

Sec. 51. Minnesota Statutes 1978, Section 176.271, is amended to read:

176.271 [INITIATION OF PROCEEDINGS.] *Subdivision 1.* Unless otherwise provided by this chapter or by the commissioner (OF THE DEPARTMENT) of labor and industry, all proceedings before the division are initiated by the filing of a written petition on a prescribed form with the commissioner (OF THE DEPARTMENT) of labor and industry at his principal office.

Subd. 2. Before a proceeding is initiated pursuant to subdivision 1 the party contemplating initiation of a proceeding shall notify the party against whom the proceeding will be directed including an employer who has an interest in the matter and shall state the relief which will be sought in the proceeding. If the party to whom the notice is directed does not respond to the satisfaction of the party supplying the notice within 15 days of the receipt of the notice a proceeding may be initiated pursuant to subdivision 1. This notification shall not be required in cases where compliance with this subdivision would result in the claim being barred by section 176.151 or other section.

Sec. 52. Minnesota Statutes 1978, Section 176.391, Subdivision 2, is amended to read:

Subd. 2. [APPOINTMENT OF PHYSICIANS, SURGEONS, AND OTHER EXPERTS.] The workers' compensation court of appeals, or a judge of the workers' compensation court of appeals or compensation judge assigned to a matter, or the commissioner (OF THE DEPARTMENT) of labor and industry, may appoint one or more (IMPARTIAL) *neutral* physicians or surgeons to examine the injury of the employee and report thereon. Where necessary to determine the facts, the services of other experts may also be employed.

Sec. 53. Minnesota Statutes 1978, Section 176.521, Subdivision 1, is amended to read:

176.521 [SETTLEMENT OF CLAIMS.] Subdivision 1. [VALIDITY.] An agreement between an employee or his dependent and the employer or insurer to settle any claim, which is not upon appeal before the workers' compensation court of appeals, for compensation under this chapter is valid where it has been executed in writing and signed by the parties, and *intervenors in the matter*, and the division has approved the settlement and made an award thereon. If the matter is upon appeal before the workers' compensation court of appeals, the workers' compensation court of appeals is the approving body.

Sec. 54. [176.83] [STATE COMPENSATION INSURANCE FUND.] Subdivision 1. [CREATION.] *The state compensation insurance fund is created in the state treasury for the purpose of sections 54 to 62 of this act.*

Subd. 2. [ASSETS OF THE FUND.] *The fund shall consist of all premiums and assessments received and paid into the fund by insureds for compensation insurance, reinsurance and all other moneys derived from property and securities acquired by and through the use of moneys belonging to the state compensation insurance agency. Interest or profit accruing from investment of moneys in the fund shall be credited to the fund.*

Subd. 3. [LIABILITIES OF THE FUND.] *Payment of losses sustained and liabilities incurred by the state compensation insurance agency shall be paid solely from moneys in the fund.*

All operating expenses of the fund, including employee salaries and rent for facilities used shall be paid from moneys in the fund. General fund revenues shall not be used to pay any losses sustained, liabilities incurred by or operating expenses of the state compensation insurance agency except as provided in section 68.

Sec. 55. [176.84] [STATE COMPENSATION INSURANCE AGENCY.] Subdivision 1. [CREATION.] *There is created the state compensation insurance agency for the purpose of transacting workers' compensation insurance and reinsurance. The agency may transact workers' compensation insurance to the same extent as a private insurer in the state.*

Subd. 2. [BOARD OF DIRECTORS.] *The board of directors of the state compensation insurance agency are vested with full power, authority, and jurisdiction over the agency. It may perform all acts necessary or convenient in exercising this power, authority and jurisdiction as fully and completely as the governing body of a private insurance carrier.*

The board is composed of the commissioner of labor and industry or his designee, the commissioner of insurance or his

designee, and three individuals appointed by the governor with the advice and consent of the senate. One of the governor's appointees shall represent employers, one shall represent employees and one shall represent the public.

The board may delegate to the executive director any power or duty conferred upon it by law.

The membership terms, compensation, removal of members, and filling of vacancies for the governor's appointees shall be as provided in section 15.0575. The board shall select a chairman and other officers from its membership as it deems necessary.

A majority of the board constitutes a quorum for the purposes of conducting its business and exercising its power; notwithstanding the existence of any vacancies. Action may be taken by the board upon a vote of a majority of members present.

Subd. 3. [POWERS; DUTIES.] *The board of directors has the power and duty to (1) appoint the director of the state compensation insurance agency, (2) assist the director in formulating policies and discussing matters related to the administration of the state compensation insurance agency, (3) make recommendations which are necessary or advisable to the director to improve the operation of the state compensation insurance agency or its services to policyholders, (4) make recommendations which are necessary or advisable to the governor, the commissioner of labor and industry, the commissioner of insurance or the legislature for changes in existing law or administrative practice to improve the operation of the state compensation insurance agency or its services to policyholders.*

Subd. 4. [EXAMINATION OF RECORDS BY BOARD.] *The board shall consider at all times the condition of the fund and agency and may examine into its reserves, administration and all other matters relating to its operation. The board shall have access to all records and books of account and may require the personal appearance before it and require information from any officer or employee of the agency.*

Subd. 5. [EXECUTIVE DIRECTOR.] *The agency is under the administrative control of the executive director who shall be appointed by the board of directors for an eight year term.*

The executive director may appoint a deputy director and other permanent and temporary employees he deems necessary. All permanent employees of the agency, except the executive director, deputy director, and five additional positions reporting to the director and designated as such by the executive director are in the classified civil service.

Sec. 56. [176.85] [LIABILITY.] **Subdivision 1. [BOARD, DIRECTOR AND EMPLOYEES.]** *The board of directors,*

executive director and employees of the agency are not personally liable, either jointly or severally, for any debt or obligation created or incurred by the agency.

Subd. 2. [STATE.] The state is not liable for any debt or obligation created or incurred by the agency beyond the amount of the compensation fund, except as provided in section 68.

Sec. 57. [176.86] [POWERS.] For the purpose of exercising the power and authority granted in sections 54 to 62 the agency has the following powers:

- (a) It may sue and be sued;*
- (b) It may have a seal and alter it at will;*
- (c) It may intervene, at any time, in any workers' compensation proceeding in which liability of the agency may be established under this chapter;*
- (d) Pursuant to chapter 15 it may make, amend and repeal rules to carry out its power and authority; and*
- (e) It may make and enter into contracts of insurance with employers and other contracts or obligations relating to the state compensation insurance fund as is necessary.*

Sec. 58. [176.89] [RATES AND ASSESSMENTS.] Subdivision 1. The director shall determine the schedule of rates and assessment to be charged by the agency for insurance and reinsurance to be issued by it. The schedule and assessment shall be determined in a manner which will provide insureds with the coverage required by this chapter at the lowest possible cost consistent with the maintenance of a solvent fund and of reasonable and adequate reserves and surplus. The schedule of rates may not exceed the schedule approved by the commissioner of insurance pursuant to chapter 79 but may if deemed appropriate by the board be less than those rates.

Subd. 2. The director shall submit the determination made pursuant to subdivision 1 and other relevant information relative to the schedule of rates and assessment, to the rating association for a determination as to the sufficiency of the schedule and assessment to the maintenance of an actuarially sound agency. The schedule of rates and assessment is subject to the review of the commissioner of insurance under chapter 79.

Sec. 59. [176.90] [RECORDS AND INFORMATION.] Subdivision 1. The state compensation insurance agency shall be responsible for all record keeping, claims adjustment work and other administration on those claims for which it is liable under sections 54 to 62.

Subd. 2. The employer shall provide any records relevant to a claim which the state compensation insurance agency deems likely to result in liability to the fund.

Sec. 60. [176.92] [COVERAGE OF PUBLIC EMPLOYEES.] *The state, any state agency or department and all political subdivisions required to provide coverage to its employees pursuant to this chapter shall obtain the required insurance from the state compensation insurance agency.*

Sec. 61. [176.93] [REGULATION OF FUND.] *The state compensation reinsurance fund is subject to the regulatory authority of the commissioner of insurance in all respects appropriate under chapter 79.*

Sec. 62. [176.94] [REPORTS.] *The board of directors shall report to the governor and legislature no later than January 15 of each even numbered year the condition of the fund including incurred losses, investment return and the adequacy of reserves in the fund. The report may also contain recommendations designed to improve the operation of the agency.*

Sec. 63. [STUDY OF INFORMATION SYSTEMS FOR DEPARTMENT OF LABOR AND INDUSTRY.] *The commissioner of administration shall study and make recommendations for the improvement of the department of labor and industry's workers' compensation record-keeping and information systems. In making this study the commissioner shall give special attention to the application of computer and microfilming systems, and the commissioner may, if it is appropriate, hire outside consultants to assist in the study.*

Sec. 64. [COMMISSIONER TO ESTABLISH DISABILITY SCHEDULES.] *Subdivision 1. The commissioner of labor and industry may by rule establish a schedule of degrees of disability resulting from different kinds of injuries.*

Subd. 2. The commissioner shall by rule establish a schedule of internal organs which are compensable and indicate in the schedule to what extent the organs are compensable under section 176.101, subdivision 3.

Subd. 3. In order to accomplish the purposes of this section, the commissioner shall study disability or permanent impairment schedules set up by other states, the American Medical Association and other organizations.

Sec. 65. [ADDITIONAL HEARING ROOMS.] *The commissioner of administration shall provide two hearing rooms in Minneapolis and one in Saint Paul, in addition to those already in existence, for the use of the workers' compensation division.*

Sec. 66. [JOINT LEGISLATIVE COMMISSION.] *The houses of the legislature shall appoint, through the usual means, a joint legislative commission of six members from each house to study the potential impact of sections 36 to 46. The joint commission shall report to the legislature no later than January 1, 1980 with its recommendations with respect to sections 36 to 46. The commission shall have full authority to contract for expert services and opinions relevant to the purposes of this section.*

Sec. 67. [INSTRUCTIONS TO REVISOR OF STATUTES.] *In the next and subsequent editions of Minnesota Statutes, the revisor of statutes shall substitute the word "association" for the word "bureau" wherever it occurs in chapter 79.*

Sec. 68. [APPROPRIATION.] *There is appropriated from the general fund to the state compensation insurance agency for the purposes of sections 54 to 63 the sum of dollars. The agency shall repay this sum in equal installments at the end of each fiscal year over a thirty year period, plus five percent interest.*

Sec. 69. [APPROPRIATION.] *The sums set forth in this section are appropriated from the general fund to the agencies and for the purposes indicated, to be available for the fiscal year ending June 30 in the years indicated.*

1980 1981

(a) Attorney general, for legal services to the commissioner of insurance. . . \$. . . \$. . .

The approved complement of the office of attorney general is increased by 1 person.

(b) Commissioner of administration, for the purposes of section 63.

The approved complement of the department of administration is increased by . . . persons.

(c) Commissioner of insurance, for the purposes of sections 2 through 21 and 44 and to carry out other duties prescribed by law.

The approved complement of the division of insurance of the department of commerce is increased by . . . persons.

(d) *Commissioner of labor and industry, for the purposes of sections 22, 32, 39, 40, 41, 49, 50, 64 and 65, to hire three additional workers' compensation judges and to carry out other duties prescribed by law.*

The approved complement of the department of labor and industry is increased by persons.

(e) *To the joint commission in section 51 for the purposes of that section.*

Sec. 70. [REPEALER.] *Minnesota Statutes 1978, Sections 79.05; 79.06; 79.07; 175.092 and 176.101, Subdivision 7, are repealed.*

Sec. 71. [EFFECTIVE DATES.] *Section 1 is effective October 1, 1979. Sections 2 through 11, 17, 20 and 21 are effective the day following final enactment. Sections 13 through 16, 18 and 19 are effective October 1, 1979. Sections 54 through 62 are effective April 2, 1980."*

Delete the title in its entirety and insert:

"A bill for an act relating to workers' compensation; changing certain insurance rate making procedures; changing rehabilitation procedures; adding definitions; providing for a joint legislative commission; transferring functions to the commissioner of insurance; directing certain studies; providing for certain schedules and lists; increasing certain staff; relocating workers' compensation court of appeals; providing for additional workers' compensation judges; changing availability, amounts and procedures for obtaining and discontinuing certain benefits; changing certain presumptions; changing basis for attorneys' fees; changing notice provisions; establishing a reopened case fund, a state compensation insurance fund and a compensation reinsurance association; creating procedures for group self insurance pooling; providing penalties; appropriating money; amending Minnesota Statutes 1978, Sections 79.01, by adding subdivisions; 79.095; 79.10; 79.21; 79.22; 175.08; 176.011, Subdivisions 9 and 15; 176.021, Subdivision 3; 176.061, Subdivision 5; 176.081, Subdivision 5; 176.101, Subdivisions 1, 2, 3 and 4; 176.111, Subdivision 1; 176.131, Subdivisions 3, 10 and by adding a subdivision; 176.132, Subdivision 2; 176.141; 176.179; 176.181, Subdivision 2; 176.191; 176.221; 176.231, Subdivisions 1 and 2; 176.235; 176.241; 176.271; 176.391, Subdivision 2; 176.521, Subdivision 1; Chapters 79, by adding sections; and 176, by adding sections; repealing Minnesota Statutes 1978, Sections 79.05; 79.06; 79.07; 175.092; and 176.101, Subdivision 7."

With the recommendation that when so amended the bill pass and be re-referred to the Committee on Governmental Operations.

The report was adopted.

Norton from the Committee on Appropriations to which was referred:

H. F. No. 1050, A bill for an act relating to the department of veterans affairs; increasing the bed capacity at the Hastings veterans home; eliminating the requirement of certain informational reports relating to the interment of deceased veterans; amending Minnesota Statutes 1978, Section 198.31; repealing Minnesota Statutes 1978, Section 149.07.

Reported the same back with the recommendation that the bill pass and be placed on the Consent Calendar.

The report was adopted.

Sieben, H., from the Committee on Taxes to which was referred:

H. F. No. 1495, A bill for an act relating to taxation; assigning administration and enforcement of the Minnesota unfair cigarette sales act to the commissioner of revenue; amending Minnesota Statutes 1978, Section 270.06.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE I

INCOME TAX CREDITS AND SIMPLIFICATION

Section 1. Minnesota Statutes 1978, Section 290.06, Subdivision 3c, is amended to read:

Subd. 3c. [CREDITS AGAINST TAX.] Notwithstanding the provisions of subdivision 3a for taxable years which begin after December 31, (1977) 1978, the taxes due under the computation in accordance with section 290.06 shall be credited with the following amounts:

(1) In the case of an unmarried individual, and, except as provided in paragraph 6, in the case of the estate of a decedent, (\$40) \$51, and in the case of a trust, \$5;

(2) In the case of a married individual, living with husband or wife, and in the case of a head of a household, (\$80) \$102. If such husband and wife make separate returns the personal exemption may be taken by either or divided between them;

(3) In the case of an individual, (\$40) \$51 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer. One taxpayer only shall be allowed this credit with respect to any given dependent. In the case of the head of a household, a credit for one dependent shall be disallowed. A payment to a divorced or separated wife, other than a payment of the kind referred to in section 290.072, subdivision 3, shall not be considered a payment by the husband for the support of any dependent.

(4) (a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional (\$20) \$51;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional (\$20) \$51;

(c) In the case of a married individual, living with husband or wife, an additional (\$20) \$51 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional (\$20) \$51 for each spouse who is blind at the close of the individual's taxable year. If such husband and wife make separate returns, these credits may be taken by either or divided between them;

(d) For the purposes of sub-paragraphs (b) and (c) of paragraph (4), an individual is blind if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(e) In the case of an unmarried individual who is deaf at the close of the taxable year, an additional (\$20) \$51.

(f) In the case of a married individual, an additional (\$20) \$51 for each spouse who is deaf at the close of the taxable year. If the husband and wife make separate returns, these credits may be taken by either or divided between them.

(g) In the case of an individual, an additional (\$20) \$51 for each person (other than a spouse) who is deaf and dependent upon and receiving his chief support from the taxpayer.

(h) For the purposes of subparagraphs (e), (f) and (g) of paragraph (4), an individual is deaf if the average loss in

the speech frequencies (500-2000 Hertz) in the better ear, unaided, is 92 decibels, American National Standards Institute, or worse.

(5) (a) IF AN UNMARRIED INDIVIDUAL QUALIFIES FOR TWO OR MORE ADDITIONAL CREDITS UNDER THE PROVISIONS OF CLAUSES (4) (A), (4) (B) AND (4) (C), THE TOTAL AMOUNT OF HIS CREDIT SHALL BE INCREASED BY \$10 FOR EACH ADDITIONAL CREDIT IN EXCESS OF ONE.)

(b) IF A MARRIED INDIVIDUAL QUALIFIES FOR MORE THAN ONE ADDITIONAL CREDIT FOR EITHER SPOUSE UNDER THE PROVISIONS OF CLAUSES (4) (C) AND (4) (F), THE TOTAL AMOUNT OF HIS CREDIT SHALL BE INCREASED BY \$10 FOR EACH ADDITIONAL CREDIT IN EXCESS OF ONE PER SPOUSE.)

(6) (5) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under Extra Session Laws 1967, Chapter 32, is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by Extra Session Laws 1933, Chapter 53, as amended;

(7) (6) In the case of a non-resident individual, credits under paragraphs 1, 2, 3 (, 4 AND 5) and 4 shall be apportioned in the proportion of the gross income from sources in Minnesota to the gross income from all sources, and in any event a minimum credit of \$5 shall be allowed.

(7) [INFLATION ADJUSTMENT.] *The commissioner of revenue shall determine and announce by September 1, 1981, the percentage increase from June, 1980, to June, 1981, in the revised all urban consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The credits provided in this subdivision shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted credit amounts for the taxable year beginning after December 31, 1980.*

The commissioner of revenue shall determine and announce by September 1, 1982, and each succeeding year, the percentage increase from June, 1981, to June, 1982, and each year thereafter, in the revised all urban consumer price index described above. The credit amounts provided in this subdivision as adjusted in the previous year shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted credit amounts for the taxable year beginning after December 31, 1981, and each succeeding taxable year.

Sec. 2. Minnesota Statutes 1978, Section 290.06, Subdivision 11, is amended to read:

Subd. 11. [CONTRIBUTIONS TO POLITICAL PARTIES AND CANDIDATES.] (IN LIEU OF THE CREDIT AGAINST TAXABLE NET INCOME PROVIDED BY SECTION 290.21, SUBDIVISION 3, CLAUSE (E),) A taxpayer may take a credit against the tax due under this chapter of 50 percent but not more than (\$25) \$50 of his contributions to a political party, *as defined by section 200.02, subdivision 7, and candidate.* A married couple, filing jointly, may take a similar credit of not more than (\$50) \$100. No credit shall be allowed under this subdivision for a contribution to any candidate, other than a candidate for elective judicial office, who has not signed an agreement to limit his campaign expenditures as provided in section 10A.32, subdivision 3b. The commissioner of revenue shall provide in the tax instruction booklet language understandable to a person of average intelligence which states that the taxpayer may only claim a credit against his tax due for contributions to candidates for (a) judicial office or (b) state-wide or legislative office who have agreed to limit their expenditures. For purposes of this subdivision, "candidate" means a candidate as defined in section 10A.01, subdivision 5, *or a candidate for United States congressional office from the state of Minnesota.* A taxpayer taking a credit pursuant to this subdivision may not deduct a contribution under section 10. The department of revenue shall provide on the first page of the Minnesota tax form an appropriate provision for the credit provided by this subdivision.

This credit shall be allowed only if the contribution is verified in the manner the commissioner of revenue shall prescribe.

Sec. 3. Minnesota Statutes 1978, Section 290.067, Subdivision 1, is amended to read:

290.067 [DEPENDENT CARE CREDIT.] Subdivision 1. [AMOUNT OF CREDIT.] A taxpayer may take as a credit against the tax due from him and his spouse, if any, under chapter 290 an amount equal to 50 percent of the dependent care credit for which he is eligible pursuant to the provisions of section 44A of the Internal Revenue Code of 1954, as amended through December 31, (1976, SUBJECT TO THE LIMITATIONS PROVIDED IN SUBDIVISION 2) 1978.

Sec. 4. Minnesota Statutes 1978, Section 290.067, Subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] (THE CREDIT FOR EXPENSES INCURRED FOR THE CARE OF EACH DEPENDENT SHALL NOT EXCEED \$150 IN ANY TAXABLE YEAR, AND THE TOTAL CREDIT FOR ALL DEPENDENTS OF A CLAIMANT SHALL NOT EXCEED \$300 IN A TAX-

ABLE YEAR. THE TOTAL CREDIT SHALL BE REDUCED BY FIVE PERCENT OF THE AMOUNT BY WHICH THE COMBINED FEDERAL ADJUSTED GROSS INCOME OF THE CLAIMANT AND HIS SPOUSE, IF ANY, EXCEEDS \$12,000.) A married claimant shall file his income tax return for the year for which he claims the credit either jointly or separately on one form with his spouse. In the case of a married claimant only one spouse may claim the credit. No expense for which a medical expense deduction is claimed pursuant to section 290.09, subdivision 10, shall be claimed as a dependent care expense.

Sec. 5. Minnesota Statutes 1978, Section 290.09, Subdivision 4, is amended to read:

Subd. 4. [TAXES.] Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter and income or franchise taxes paid to any other state or to any province or territory of Canada for which a credit is allowed under section 290.081; (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; (c) inheritance, gift and estate taxes except as provided in section 290.077, subdivision 4; (d) cigarette and tobacco products excise tax imposed on the consumer; (e) that part of Minnesota property taxes for which a credit or refund is claimed and allowed under (SECTION 290.0603 OR 290.066) chapter 290A; (f) federal income taxes, by corporations, national and state banks except as provided in section 290.18; (g) mortgage registry tax; (h) real estate transfer tax; (i) federal telephone tax; (j) federal transportation tax; (AND) (k) *state and local taxes on the sale of gasoline, diesel fuel or other motor fuel; (l) that part of the annual registration tax on motor vehicles not deductible under section 164 of the Internal Revenue Code of 1954, as amended through December 31, 1978; (m) the federal tax on low fuel economy automobiles imposed pursuant to section 4064 of the Internal Revenue Code of 1954, as amended through December 31, 1978; (n) all miscellaneous federal taxes not contained in the computation of federal income tax liability, fees and duties; and (o) the tax paid by any corporation or national or state bank to any foreign country or possession of the United States to the extent that a credit against federal income taxes is allowed under the provisions of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978. If the taxpayer's foreign tax credit consists of both foreign taxes deemed paid and foreign taxes actually paid or withheld, it will be conclusively presumed that foreign taxes deemed paid were first used by the taxpayer in its foreign tax credit. Minnesota gross income shall include the amount of foreign tax paid which had been allowed as a deduction in a previous year, provided such foreign tax is later allowed as a credit against federal income tax. Income taxes permitted to be deducted hereunder shall, regardless of the methods of accounting employed, be deductible only in the taxable year in which paid. Taxes imposed upon a shareholder's interest in a corpo-*

ration which are paid by the corporation without reimbursement from the shareholder shall be deductible only by such corporation.

Sec. 6. Minnesota Statutes 1978, Section 290.09, Subdivision 5, is amended to read:

Subd. 5. [LOSSES.] (a) [GENERAL RULE.] There shall be allowed as a deduction any loss sustained during the taxable year and not compensated for by insurance or otherwise.

(b) [AMOUNT OF DEDUCTION.] For purposes of paragraph (a), the basis for determining the amount of the deduction for any loss shall be the adjusted basis provided in sections 290.14 and 290.15 for determining the loss from the sale or other disposition of property.

(c) [LIMITATION OF LOSSES OF INDIVIDUALS.] In the case of an individual, the deduction under paragraph (a) shall be limited to

(1) Losses incurred in a trade or business;

(2) Losses incurred in any transaction entered into for profit, though not connected with a trade or business; and

(3) Losses of property not connected with a trade or business, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft to the extent they are deductible pursuant to the provisions of section 165 (c) (3) of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978. No loss described in this paragraph shall be allowed if, at the time of the filing of the return, such loss has been claimed for inheritance tax purposes.

(d) [WAGERING LOSSES.] Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions.

(e) [THEFT LOSSES.] For purposes of paragraph (a), any loss arising from theft shall be treated as sustained during the taxable year in which the taxpayer discovers such loss.

(f) [CAPITAL LOSSES.] Losses from sales or exchanges of capital assets shall be allowed only to the extent allowed in section 290.16.

(g) [WORTHLESS SECURITIES.] (1) [GENERAL RULE.] If any security which is a capital asset becomes worthless during the taxable year, the loss resulting therefrom shall, for purposes of this chapter, be treated as a loss from the sale

or exchange, on the last day of the taxable year, of a capital asset.

(2) [SECURITY DEFINED.] For purposes of this paragraph, the term "security" means:

(A) A share of stock in a corporation;

(B) A right to subscribe for, or to receive, a share of stock in a corporation; or

(C) A bond, debenture, note, or certificate, or other evidence of indebtedness, issued by a corporation or by a government or political subdivision thereof, with interest coupons or in registered form.

(3) [SECURITIES IN AFFILIATED CORPORATION.] For purposes of paragraph (1), any security in a corporation affiliated with a taxpayer which is a domestic corporation shall not be treated as a capital asset. For purposes of the preceding sentence, a corporation shall be treated as affiliated with the taxpayer only if:

(A) At least 95 percent of each class of its stock is owned directly by the taxpayer, and

(B) More than 90 percent of the aggregate of its gross receipts for all taxable years has been from sources other than royalties, rents (except rents derived from rental from properties to employees of the corporation in the ordinary course of its operating business), dividends, interest (except interest received on deferred purchase price of operating assets sold), annuities, and gains from sales or exchanges of stocks and securities. In computing gross receipts for purposes of the preceding sentence, gross receipts from sales or exchanges of stock and securities shall be taken into account only to the extent of gains therefrom.

(h) [DISASTER LOSSES.] (1) Notwithstanding the provisions of (a), any loss

((A)) attributable to a disaster (WHICH OCCURS DURING THE PERIOD FOLLOWING THE CLOSE OF THE TAXABLE YEAR AND ON OR BEFORE THE TIME PRESCRIBED BY LAW FOR FILING THE INCOME TAX RETURN FOR THE TAXABLE YEAR (DETERMINED WITHOUT REGARD TO ANY EXTENSION OF TIME), AND)

((B)) occurring in an area subsequently determined by the President of the United States to warrant assistance by the Federal Government under section 1855-1855g of Title 42, U.S.C.A., at the election of the taxpayer, may be deducted for the taxable

year immediately preceding the taxable year in which the disaster occurred. Such election (MAY) *shall* be made (ONLY) if a similar election has been made under the provisions of Section 165(h) of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978 for federal income tax purposes. Such deduction shall not be in excess of so much of the loss as would have been deductible in the taxable year in which the casualty occurred. If an election is made under this paragraph, the casualty resulting in the loss will be deemed to have occurred in the taxable year for which the deduction is claimed.

(2) The commissioner is authorized to prescribe regulations providing the time and manner of making an election to claim a disaster loss under this clause; provided, however, that such an election relating to a disaster loss occurring during the first three and one-half months of the year 1965 may be made no later than December 31, 1965.

((I) IN LIEU OF THE DEDUCTION ALLOWED BY (A) OR (H) ANY LOSS NOT COMPENSATED FOR BY INSURANCE OR OTHERWISE:)

((1) ATTRIBUTABLE TO STORM OR OTHER NATURAL CAUSES OR FIRE, MAY, AT THE ELECTION OF THE TAXPAYER, BE CLAIMED AS A DEDUCTION IN THE TAXABLE YEAR IN WHICH SAID LOSS IS SUSTAINED OR IN THE PRECEDING TAXABLE YEAR.)

((2) IN THE EVENT THAT UNDER THE PROVISIONS OF THIS PARAGRAPH, A TAXPAYER CLAIMS THE SAME DISASTER LOSS DEDUCTION OR A NET OPERATING LOSS DEDUCTION RESULTING FROM THE INCLUSION OF A CASUALTY LOSS IN THE CALCULATION OF SUCH DEDUCTION IN DIFFERENT TAXABLE YEARS FOR STATE AND FEDERAL PURPOSES, APPROPRIATE MODIFICATIONS SHALL BE ALLOWED OR REQUIRED FOR TAXABLE YEARS AFFECTED IN ORDER TO PREVENT DUPLICATION OR OMISSION OF SUCH DEDUCTION.)

((3) THE COMMISSIONER IS AUTHORIZED TO PRESCRIBE REGULATIONS PROVIDING THE TIME AND MANNER TO MAKE AN ELECTION TO CLAIM A LOSS UNDER THE PROVISIONS OF THIS PARAGRAPH AND FOR THE FILING OF AN AMENDED RETURN OR CLAIM FOR REFUND.)

Sec. 7. Minnesota Statutes 1978, Section 290.09, Subdivision 10, is amended to read:

Subd. 10. [MEDICAL EXPENSES.] Payments (not compensated for by insurance or otherwise) for expenses for (HOS-

PITAL, NURSING, MEDICAL, SURGICAL, DENTAL, AND OTHER HEALING SERVICES, INCLUDING INSTITUTIONAL CARE AND TREATMENT FOR THE MENTALLY ILL AND PHYSICALLY HANDICAPPED AND THE COST, FEEDING AND MAINTENANCE EXPENSES OF A GUIDE DOG FOR A BLIND OR DEAF PERSON, AS DEFINED IN SECTION 290.06, SUBDIVISION 3C, CLAUSES (4) (D) AND (H), AND FOR MEDICAL PHYSICALLY HANDICAPPED, AND FOR MEDICAL SUPPLIES AND AMBULANCE HIRE, INCURRED BY THE TAXPAYER ON ACCOUNT OF SICKNESS, MENTAL ILLNESS, PHYSICAL HANDICAP OR PERSONAL INJURY TO HIMSELF OR HIS DEPENDENTS) *medical care as defined in section 213(e) of the Internal Revenue Code of 1954, as amended through December 31, 1978,* and premiums paid for hospitalization and medical insurance including nonprofit hospital service and nonprofit medical service plans. (PAYMENTS FOR TRAVELING EXPENSES SHALL NOT BE DEDUCTIBLE UNDER THE PROVISIONS OF THIS SUBDIVISION. PAYMENTS FOR HOTEL OR SIMILAR LODGING EXPENSES SHALL BE DEDUCTIBLE IN THE SAME MANNER AS PAYMENTS FOR HOSPITAL SERVICES, IF THE TAXPAYER OR HIS DEPENDENT IS NOT HOSPITALIZED BUT IS NEVERTHELESS REQUIRED TO REMAIN IN A MEDICAL CENTER AWAY FROM HIS USUAL PLACE OF ABODE, FOR THE PURPOSE OF RECEIVING PRESCRIBED MEDICAL TREATMENT.)

Sec. 8. Minnesota Statutes 1978, Section 290.09, Subdivision 15, is amended to read:

Subd. 15. [STANDARD DEDUCTION.] In lieu of all deductions provided for in this chapter other than those enumerated in section 290.18, subdivision 2, and in lieu of the credits enumerated in section 290.21, subdivision 3, an individual may claim or be allowed a standard deduction as follows:

(a) If his adjusted gross income is (\$10,000) \$20,000 or more, the standard deduction shall be (\$1,000) \$2,000.

(b) If his adjusted gross income is less than (\$10,000) \$20,000, the standard deduction shall be an amount equal to ten percent thereof; in the case in which a standard deduction tax table is provided by the commissioner of revenue pursuant to the provisions of section 290.06, subdivision 2, the standard deduction shall be available to individuals with adjusted gross income of (LESS) *not more than* \$20,000 only through the use of such table.

In the case of a husband and wife living together, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction. For the purposes of this paragraph the determination of whether an individual is living with his spouse shall be made

as of the last day of the taxable year unless the spouse dies during the taxable year in which case such determination shall be made as of the date of such spouse's death.

(c) The commissioner of revenue may establish a standard deduction tax table incorporating the rates set forth in section 290.06, subdivision 2c, and the standard deduction. The tax of any individual taxpayer whose adjusted gross income is (LESS) *not more* than \$20,000 shall, if an election is made not to itemize nonbusiness deductions, be computed in accordance with tables prepared and issued by the commissioner of revenue. The tables shall be prepared to reflect the allowance of the standard deduction and the personal and dependent credits.

Sec. 9. Minnesota Statutes 1978, Section 290.21, Subdivision 3, is amended to read:

Subd. 3. An amount for contribution or gifts made within the taxable year:

(a) to or for the use of the state of Minnesota, or any of its political subdivisions for exclusively public purposes,

(b) to or for the use of any community chest, corporation, organization, trust, fund, association, or foundation located in and carrying on substantially all of its activities within this state, organized and operating exclusively for religious, charitable, public cemetery, scientific, literary, artistic, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual,

(c) to a fraternal society, order, or association, operating under the lodge system located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in subdivision 3(b), or for or to posts or organizations of war veterans or auxiliary units or societies of such posts or organizations, if they are within the state and no part of their net income inures to the benefit of any private shareholder or individual, or to an employee stock ownership trust as defined in section 290.01, subdivision 25. Where the beneficiaries of a stock ownership trust include the transferor, his spouse, children, grandchildren, parents, siblings or their children, the amount of the deduction shall be reduced by the product of multiplying said amount by their percentage interest in the trust,

(d) to or for the use of the United States of America for exclusively public purposes, and to or for the use of any community chest, corporation, trust, fund, association, or foundation, organized and operated exclusively for any of the purposes specified in subdivision 3(b) and (c) no part of the net earnings of which inures to the benefit of any private shareholder

or individual, but not carrying on substantially all of their activities within this state, in an amount equal to the ratio of Minnesota taxable net income to total net income, provided, however, that for an individual taxpayer, the credit shall be allowed in an amount equal to the ratio of the taxpayer's gross income from sources within the state to the taxpayer's gross income from all sources,

((E) TO A POLITICAL PARTY, AS DEFINED IN SECTION 200.02, SUBDIVISION 7, OR A POLITICAL CANDIDATE, AS DEFINED IN SECTION 210A.01, OR A POLITICAL CAUSE WHEN SPONSORED BY ANY PARTY OR ASSOCIATION OR COMMITTEE, AS DEFINED IN SECTION 210A.01, IN A MAXIMUM AMOUNT NOT TO EXCEED THE FOLLOWING:)

((1) CONTRIBUTIONS MADE BY INDIVIDUAL NATURAL PERSONS, \$100,)

((2) CONTRIBUTIONS MADE BY A NATIONAL COMMITTEEMAN, NATIONAL COMMITTEEWOMAN, STATE CHAIRMAN, OR STATE CHAIRWOMAN OF A POLITICAL PARTY, AS DEFINED IN SECTION 200.02, SUBDIVISION 7, \$1,000,)

((3) CONTRIBUTIONS MADE BY A CONGRESSIONAL DISTRICT COMMITTEEMAN OR COMMITTEEWOMAN OF A POLITICAL PARTY, AS DEFINED IN SECTION 200.02, SUBDIVISION 7, \$350,)

((4) CONTRIBUTIONS MADE BY A COUNTY CHAIRMAN OR A COUNTY CHAIRWOMAN OF A POLITICAL PARTY, AS DEFINED IN SECTION 200.02, SUBDIVISION 7, \$150;)

((F)) (e) in the case of an individual, the total credit against taxable net income allowable (HEREUNDER) under subdivisions 3 and 7 of this section shall (NOT EXCEED 30 PERCENT OF THE TAXPAYER'S MINNESOTA GROSS INCOME AS FOLLOWS:) be determined pursuant to section 170 of the Internal Revenue Code of 1954, as amended through December 31, 1978. In the case of an individual who is not a resident of Minnesota, the credit allowable hereunder as a contribution or gift to organizations not carrying on substantially all of their activities within this state shall be allowed in an amount equal to the contribution or gift multiplied by the ratio of the taxpayer's gross income assignable to Minnesota to the taxpayer's gross income from all sources,

((I) THE AGGREGATE OF CONTRIBUTIONS MADE TO ORGANIZATIONS SPECIFIED IN (A), (B) AND (D)

SHALL NOT EXCEED TEN PERCENT OF THE TAXPAYER'S MINNESOTA GROSS INCOME,)

((II) THE TOTAL CREDITS UNDER THIS SUBPARAGRAPH FOR ANY TAXABLE YEAR SHALL NOT EXCEED 20 PERCENT OF THE TAXPAYER'S MINNESOTA GROSS INCOME. FOR PURPOSES OF THIS SUBPARAGRAPH, THE CREDITS UNDER THIS SECTION SHALL BE COMPUTED WITHOUT REGARD TO ANY DEDUCTION ALLOWED UNDER SUBPARAGRAPH (I) BUT SHALL TAKE INTO ACCOUNT ANY CONTRIBUTIONS DESCRIBED IN SUBPARAGRAPH (I) WHICH ARE IN EXCESS OF THE AMOUNT ALLOWABLE AS A CREDIT UNDER SUBPARAGRAPH (I);)

((G)) (f) in the case of a corporation, the total credit against net income hereunder shall not exceed 15 percent of the taxpayer's taxable net income less the credits allowable under this section other than those for contributions or gifts,

((H)) (g) in the case of a corporation reporting its taxable income on the accrual basis, if: (A) the board of directors authorizes a charitable contribution during any taxable year, and (B) payment of such contribution is made after the close of such taxable year and on or before the fifteenth day of the third month following the close of such taxable year; then the taxpayer may elect to treat such contribution as paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the commissioner shall by regulations prescribe;

((I)) (h) in the case of a contribution or property placed in trust as described in section 170(f)(2) of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, a credit shall be allowed under this subdivision to the extent that a deduction is allowable for federal income tax purposes.

Sec. 10. Minnesota Statutes 1978, Section 290.09, is amended by adding a subdivision to read:

Subd. 30. [POLITICAL CONTRIBUTIONS.] An amount for contributions made within the taxable year to a candidate, as defined in section 210A.01, subdivision 3, a political party or a political cause shall be allowed as a deduction, unless contributions to the candidate or political party would qualify for a credit under section 290.06, subdivision 11. The maximum allowable deduction under this subdivision shall be \$100 for an individual and \$200 for a married couple, filing a joint return. A taxpayer who deducts a contribution pursuant to this subdivision may not take a contribution credit pursuant to section 290.06, subdivision 11, in the same taxable year.

Sec. 11. [REPEALER.] *Minnesota Statutes 1978, Section 290.06, Subdivision 3e; and 290.21, Subdivision 3a, are repealed.*

Sec. 12. [EFFECTIVE DATE.] *This article is effective for taxable years beginning after December 31, 1978.*

ARTICLE II

INCOME TAX BRACKET EXPANSION

Section 1. Minnesota Statutes 1978, Section 290.06, Subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULE OF RATES FOR INDIVIDUALS, ESTATES AND TRUSTS.] (a) For taxable years beginning after December 31, (1977) 1978, the income taxes imposed by this chapter upon individuals, estates and trusts, other than those taxable as corporations, shall be computed by applying to their taxable net income in excess of the applicable credits allowed by section 290.21, the following schedule of rates:

- (1) On the first (\$500) \$595, one and six-tenths percent;
- (2) On the second (\$500) \$595, two and two-tenths percent;
- (3) On the next (\$1,000) \$1,190, three and five-tenths percent;
- (4) On the next (\$1,000) \$1,190, five and eight-tenths percent;
- (5) On the next (\$1,000) \$1,190, seven and three-tenths percent;
- (6) On the next (\$1,000) \$1,190, eight and eight-tenths percent;
- (7) On the next (\$2,000) \$2,380, ten and two-tenths percent;
- (8) On the next (\$2,000) \$2,380, eleven and five-tenths percent;
- (9) On the next (\$3,500) \$4,165, twelve and eight-tenths percent;
- (10) On all over (\$12,500) \$14,875, and not over (\$20,000) \$23,800, fourteen percent;
- (11) On all over (\$20,000) \$23,800, and not over (\$27,500) \$32,725, fifteen percent;

(12) On all over (\$27,500) \$32,725, and not over (\$40,000) \$47,600, sixteen percent;

(13) On all over (\$40,000) \$47,600, seventeen percent.

(b) In lieu of a tax computed according to the rates set forth in clause (a) of this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year, reduced by the applicable credits allowed by section 290.21, is less than \$20,000 shall be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

Sec. 2. Minnesota Statutes 1978, Section 290.06, Subdivision 3d, is amended to read:

Subd. 3d. [CREDITS AGAINST TAX.] The taxes due as computed in accordance with section 290.06, subdivisions 2c (,) and 3c (, AND 3E) shall be credited with the following amounts:

(1) A credit equal to his tax liability in the case of:

(a) An unmarried claimant with an income of (\$4,000) \$5,236 or less;

(b) A claimant with one dependent, with an income of (\$5,000) \$6,188 or less;

(c) A claimant with two dependents, with an income of (\$6,900) \$7,140 or less;

(d) A claimant with three dependents, with an income of (\$7,800) \$7,973 or less;

(e) A claimant with four dependents, with an income of (\$8,400) \$8,687 or less; and

(f) A claimant with five or more dependents, with an income of (\$8,900) \$9,282 or less.

(2) In the case of a claimant with an income in excess of that set forth in the appropriate category of clause (1), he may pay a tax equal to 15 percent of that portion of his income that is in excess of the amount set forth in the appropriate category of clause (1), or his tax obligation as it would have been in the absence of section 290.012 and this subdivision, whichever is less.

(3) The total income of the claimant and his spouse, if any, shall be the figure employed for the purposes of this subdivision. No individual dependent upon and receiving his chief support from any other individual may be a claimant under section 290.012 and this subdivision. The commissioner of revenue shall prescribe the additional forms or alterations in existing forms as necessary to comply with the provisions of section 290.012 and this subdivision. All claimants shall submit their returns on these forms.

The commissioner of revenue shall provide alternative tax tables which will include these credits.

Sec. 3. Minnesota Statutes 1978, Section 290.06, is amended by adding a subdivision to read:

Subd. 3f. [INFLATION ADJUSTMENT.] The commissioner of revenue shall determine and announce by September 1, 1981, the percentage increase from June, 1980, to June, 1981, in the revised all urban consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The taxable net income brackets in subdivision 2c and the income exclusion amounts contained in subdivision 3d shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted taxable net income brackets and exclusion amounts for the taxable year beginning after December 31, 1980.

The commissioner of revenue shall determine and announce by September 1, 1982, and each succeeding year, the percentage increase from June, 1981, to June, 1982, and each year thereafter, in the revised all urban consumer price index described above. The taxable net income brackets in subdivision 2c and the income exclusion amounts contained in subdivision 3d as adjusted in the previous year shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted taxable net income brackets and exclusion amounts for the taxable year beginning after December 31, 1981, and each succeeding taxable year.

Sec. 4. [EFFECTIVE DATE.] Sections 1 and 2 are effective for taxable years beginning after December 31, 1978. Section 3 is effective for taxable years beginning after December 31, 1980 and subsequent years.

ARTICLE III

PENSION INCOME EXCLUSION

Section 1. Minnesota Statutes 1978, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source; except that gross income shall not include "exempt function income" of a "home-owners association" as those terms are defined in Section 528 of the Internal Revenue Code of 1954, as amended.

For each of the taxable years beginning after December 31, 1960 and prior to January 1, 1971, the term "gross income" in its application to individuals, estates, and trusts, shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through December 31, 1970 for the applicable taxable year, with the modifications specified in this section.

For each of the taxable years beginning after December 31, 1970, the term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this section.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1970, shall be in effect for taxable years beginning after December 31, 1970 and prior to January 1, 1973.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1972, shall be in effect for taxable years beginning after December 31, 1972.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1973, shall be in effect for taxable years beginning after December 31, 1973.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1974, shall be in effect for the taxable years beginning after December 31, 1974.

(v) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of

chapter 290 at the same time they become effective for federal income tax purposes. Section 207 (relating to extension of period for nonrecognition of gain on sale or exchange of residence) and section 402 (relating to time for making contributions to pension plans of self employed people) of P.L. 94-12 shall be effective for taxable years beginning after December 31, 1974.

References to the Internal Revenue Code of 1954 in clauses (a), (b) and (c) following shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

(a) Modifications increasing federal adjusted gross income. There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any such other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) Interest income on obligations of any authority, commission, or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes;

(3) Income taxes imposed by this state or any other taxing jurisdiction, to the extent deductible in determining federal adjusted gross income and not credited against federal income tax;

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under this chapter, to the extent deductible in determining federal adjusted gross income;

(5) Amounts received as reimbursement for an expense of sickness or injury which was deducted in a prior taxable year to the extent that the deduction for such reimbursed expenditure resulted in a tax benefit;

(6) The amount of any federal income tax overpayment for any previous taxable year, received as refund or credited to another taxable year's income tax liability, proportionate to the percentage of federal income tax that was claimed as a deduction in determining Minnesota income tax for such previous taxable year.

The overpayment refund or credit, determined with respect to a husband and wife on a joint federal income tax return for a previous taxable year, shall be reported on joint or separate Minnesota income tax returns. In the case of separate Minnesota returns, the overpayment shall be reported by each spouse proportionately according to the relative amounts of federal

income tax claimed as a deduction on his or her separate Minnesota income tax return for such previous taxable year;

(7) In the case of a change of residence from Minnesota to another state or nation, the amount of moving expenses which exceed total reimbursements and which were therefore deducted in arriving at federal adjusted gross income;

(8) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, 1976, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (7) or under section 290.09, subdivision 24; and

(9) Expenses and losses arising from a farm which are not allowable under section 290.09, subdivision 29;

(10) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101; and

(11) The amount by which the gain determined pursuant to section 41.59, subdivision 2 exceeds the amount of such gain included in federal adjusted gross income;

(12) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, as amended through December 31, 1976, if the nonprofit corporation is domiciled outside of Minnesota;

(13) Exempt-interest dividends, as defined in section 852 (b) (5) (A) of the Internal Revenue Code of 1954, as amended through December 31, 1976, not included in federal adjusted gross income pursuant to section 852(b) (5) (B) of the Internal Revenue Code of 1954, as amended through December 31, 1976, except for that portion of such exempt-interest dividends derived from interest income on obligations of the state of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

(14) The amount of any excluded gain realized by a trust on the sale or exchange of property as defined in section 641(c) (1).

(b) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income:

(1) Interest income on obligations of any authority, commission or instrumentality of the United States to the extent

includible in gross income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to fifty per centum of such portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Interest or dividend income on securities to the extent exempt from income tax under the laws of this state authorizing the issuance of such securities but includible in gross income for federal income tax purposes;

(4) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether such amount is received as a refund or credited to another taxable year's income tax liability;

(6) To the extent included in federal adjusted gross income, notwithstanding any other law to the contrary, the amount, *not to exceed \$12,000*, received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408 or 409 of the Internal Revenue Code of 1954, as amended through December 31, 1977 (THE MAXIMUM AMOUNT OF THIS SUBTRACTION SHALL BE \$7,200 LESS THE SUM OF (A) SOCIAL SECURITY RETIREMENT BENEFITS RECEIVED DURING THE TAXABLE YEAR, (B) RAILROAD RETIREMENT BENEFITS RECEIVED DURING THE TAXABLE YEAR, AND (C) THE AMOUNT BY WHICH THE INDIVIDUAL'S FEDERAL

ADJUSTED GROSS INCOME EXCEEDS \$13,000. IN THE CASE OF A VOLUNTEER FIREFIGHTER WHO RECEIVES AN INVOLUNTARY LUMP SUM DISTRIBUTION OF HIS PENSION OR RETIREMENT BENEFITS, THE MAXIMUM AMOUNT OF THIS SUBTRACTION SHALL BE \$7,200 LESS THE SUM OF SOCIAL SECURITY RETIREMENT BENEFITS AND RAILROAD RETIREMENT BENEFITS; THIS SUBTRACTION SHALL NOT BE REDUCED BY THE AMOUNT OF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME IN EXCESS OF \$13,000);

(7) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(8) The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later; and

(9) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed after December 31, 1977 and before January 1, 1982 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60.

(c) Modifications affecting shareholders of electing small business corporations under section 1372 of the Internal Revenue Code of 1954, or section 290.972 of this chapter.

(1) Shareholders in a small business corporation, which has elected to be so taxed under the Internal Revenue Code of 1954, but has not made an election under section 290.972 of this chapter, shall deduct from federal adjusted gross income the amount of any imputed income from such corporation and shall add to federal adjusted gross income the amount of any loss claimed as a result of such stock ownership. Also there shall be added to federal adjusted gross income the amount of any distributions in cash or property made by said corporation to its shareholders during the taxable year.

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder

disposes of his stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

(3) In cases where the election under section 1372 of the Internal Revenue Code of 1954 antedates the election under section 290.972 of this chapter and at the close of the taxable year immediately preceding the effective election under section 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue Code of 1954, in the event and to the extent that such reserve is distributed to shareholders such distribution shall be taxed as a dividend for purposes of this act.

Items of gross income includible within these definitions shall be deemed such regardless of the form in which received. Items of gross income shall be included in gross income of the taxable year in which received by a taxpayer unless properly to be accounted for as of a different taxable year under methods of accounting permitted by section 290.07, except that (1) amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, to the extent that such amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act, and (2) amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act.

(d) Modification in computing taxable income of the estate of a decedent. Amounts allowable under section 291.07, subdivision 1(2) in computing Minnesota inheritance tax liability shall not be allowed as a deduction in computing the taxable income of the estate unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have such amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents). In the event that the election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 differs from the election made under this paragraph appropriate modification of the estate's federal taxable income shall be made to implement the election made under

this paragraph in accordance with regulations prescribed by the commissioner.

Sec. 2. Minnesota Statutes 1978, Section 290.17, Subdivision 2, is amended to read:

Subd. 2. [OTHER TAXPAYERS.] In the case of taxpayers not subject to the provisions of subdivision 1, items of gross income shall be assigned to this state or other states or countries in accordance with the following principles:

(1) The entire income of all resident or domestic taxpayers from compensation for labor or personal services, or from a business consisting principally of the performance of personal or professional services, shall be assigned to this state, and the income of nonresident taxpayers from such sources shall be assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources shall be treated as income from sources without this state;

(2) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state. Income and gains received from tangible property not employed in the business of the recipient of such income or gains, and from tangible property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, shall be assigned to this state if such property has a situs within it, and to other states only if it has no situs in this state. Income or gains from intangible personal property not employed in the business of the recipient of such income or gains, and from intangible personal property employed in the business of such recipient if such business consists principally of the holding of such property and the collection of the income and gains therefrom, wherever held, whether in trust, or otherwise, shall be assigned to this state if the recipient thereof is domiciled within this state; income or gains from intangible personal property wherever held, whether in trust or otherwise shall be assigned to this state if the recipient of such income or gains is domiciled within this state, or if the grantor of any trust is domiciled within this state and such income or gains would be taxable to such grantor under sections 290.28 or 290.29;

(3) Income derived from carrying on a trade or business, including in the case of a business owned by natural persons the income imputable to the owner for his services and the use of his property therein, shall be assigned to this state if the trade or business is conducted wholly within this state, and to other states if conducted wholly without this state. This provi-

sion shall not apply to business income subject to the provisions of clause (1);

(4) When a trade or business is carried on partly within and partly without this state, the entire income derived from such trade or business, including income from intangible property employed in such business and including, in the case of a business owned by natural persons, the income imputable to the owner for his services and the use of his property therein, shall be governed, except as otherwise provided in sections 290.35 and 290.36, by the provisions of section 290.19, notwithstanding any provisions of this section to the contrary. This shall not apply to business income subject to the provisions of clause (1). For the purposes of this clause, a trade or business located in Minnesota is carried on partly within and partly without this state if tangible personal property is sold by such trade or business and delivered or shipped to a purchaser located outside the state of Minnesota.

In determining whether or not intangible property is employed in a unitary business carried on partly within and partly without this state so that income derived therefrom is subject to apportionment under section 290.19 the following rules and guidelines shall apply.

(a) Intangible property is employed in a business if the business entity owning intangible property holds it as a means of furthering the business operation of which a part is located within the territorial confines of this state.

(b) Where a business operation conducted in Minnesota, is owned by a business entity which carries on business activity outside of the state different in kind from that conducted within this state, and such other business is conducted entirely outside the state, it will be presumed that the two business operations are unitary in nature, interrelated, connected and interdependent unless it can be shown to the contrary.

(5) All other items of gross income shall be assigned to the taxpayer's domicile.

(6) *For purposes of this section, amounts received by a non-resident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer fireman's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408 or 409 of the Internal Revenue Code of 1954, as amended through December 31, 1978, are not considered income derived from carrying on a trade or business or from performing personal*

or professional services in Minnesota, and are not taxable under this chapter.

Sec. 3. [EFFECTIVE DATE.] *This article is effective for taxable years beginning after December 31, 1978.*

ARTICLE IV

FEDERAL UPDATE

Section 1. Minnesota Statutes 1978, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source; except that gross income shall not include "exempt function income" of a "homeowners association" as those terms are defined in Section 528 of the Internal Revenue Code of 1954, as amended *through December 31, 1978.*

For each of the taxable years beginning after December 31, 1960 and prior to January 1, 1971, the term "gross income" in its application to individuals, estates, and trusts, shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through December 31, 1970 for the applicable taxable year, with the modifications specified in this section.

For each of the taxable years beginning after December 31, 1970, the term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this section.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1970, shall be in effect for taxable years beginning after December 31, 1970 and prior to January 1, 1973.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1972, shall be in effect for taxable years beginning after December 31, 1972.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1973, shall be in effect for taxable years beginning after December 31, 1973.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1974, shall be in effect for the taxable years beginning after December 31, 1974.

(v) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of chapter 290 at the same time they become effective for federal income tax purposes. Section 207 (relating to extension of period for nonrecognition of gain on sale or exchange of residence) and section 402 (relating to time for making contributions to pension plans of self employed people) of P.L. 94-12 shall be effective for taxable years beginning after December 31, 1974.

(vi) The Internal Revenue Code of 1954, as amended through December 31, 1978, shall be in effect for taxable years beginning after December 31, 1978. Those provisions of the Revenue Act of 1978, P.L. 95-600, allowance of partial rollovers of lump sum distributions provided in P.L. 95-458, and of the Tax Treatment Extension Act of 1977, P.L. 95-615, which affect federal adjusted gross income and which became effective for taxable years ending before January 1, 1979 shall become effective for purposes of chapter 290 at the same time they became effective for federal income tax purposes.

References to the Internal Revenue Code of 1954 in clauses (a), (b) and (c) following shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

(a) Modifications increasing federal adjusted gross income. There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any such other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) Interest income on obligations of any authority, commission, or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes;

(3) Income taxes imposed by this state or any other taxing jurisdiction, to the extent deductible in determining federal adjusted gross income and not credited against federal income tax;

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under this chapter, to the extent deductible in determining federal adjusted gross income;

(5) Amounts received as reimbursement for an expense of sickness or injury which was deducted in a prior taxable year to the extent that the deduction for such reimbursed expenditure resulted in a tax benefit;

(6) The amount of any federal income tax overpayment for any previous taxable year, received as refund or credited to another taxable year's income tax liability, proportionate to the percentage of federal income tax that was claimed as a deduction in determining Minnesota income tax for such previous taxable year.

The overpayment refund or credit, determined with respect to a husband and wife on a joint federal income tax return for a previous taxable year, shall be reported on joint or separate Minnesota income tax returns. In the case of separate Minnesota returns, the overpayment shall be reported by each spouse proportionately according to the relative amounts of federal income tax claimed as a deduction on his or her separate Minnesota income tax return for such previous taxable year;

(7) In the case of a change of residence from Minnesota to another state or nation, the amount of moving expenses which exceed total reimbursements and which were therefore deducted in arriving at federal adjusted gross income;

(8) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (7) or under section 290.09, subdivision 24; and

(9) Expenses and losses arising from a farm which are not allowable under section 290.09, subdivision 29;

(10) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101; and

(11) The amount by which the gain determined pursuant to section 41.59, subdivision 2 exceeds the amount of such gain included in federal adjusted gross income;

(12) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, if the nonprofit corporation is domiciled outside of Minnesota;

(13) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, except for that portion of such exempt-interest dividends derived from interest income on obligations of the state of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

(14) The amount of any excluded gain (REALIZED) *recognized* by a trust on the sale or exchange of property as defined in section 641(c)(1) *of the Internal Revenue Code of 1954, as amended;*

(15) *An amount equal to one-sixth of any gain from the sale or other disposition of property deducted under sections 1202(a) and 1202(c)(1) of the Internal Revenue Code of 1954, as amended through December 31, 1978.*

(b) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income:

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

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to fifty per centum of such portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Interest or dividend income on securities to the extent exempt from income tax under the laws of this state authoriz-

ing the issuance of such securities but includible in gross income for federal income tax purposes;

(4) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether such amount is received as a refund or credited to another taxable year's income tax liability;

(6) To the extent included in federal adjusted gross income, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408 or 409 of the Internal Revenue Code of 1954, as amended through December 31, (1977) 1978. The maximum amount of this subtraction shall be \$7,200 less the sum of (a) social security retirement benefits received during the taxable year, (b) railroad retirement benefits received during the taxable year, and (c) the amount by which the individual's federal adjusted gross income exceeds \$13,000. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$7,200 less the sum of social security retirement benefits and railroad retirement benefits; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$13,000;

(7) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(8) The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previ-

ously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later; and

(9) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed after December 31, 1977 and before January 1, 1982 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60.

(10) Wage or salary expense or program expenses disallowed under the provisions of section 280C of the Internal Revenue Code of 1954 as amended through December 31, 1978 (relating to the jobs credit and to the WIN credit).

(c) Modifications affecting shareholders of electing small business corporations under section 1372 of the Internal Revenue Code of 1954, or section 290.972 of this chapter.

(1) Shareholders in a small business corporation, which has elected to be so taxed under the Internal Revenue Code of 1954, but has not made an election under section 290.972 of this chapter, shall deduct from federal adjusted gross income the amount of any imputed income from such corporation and shall add to federal adjusted gross income the amount of any loss claimed as a result of such stock ownership. Also there shall be added to federal adjusted gross income the amount of any distributions in cash or property made by said corporation to its shareholders during the taxable year.

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder disposes of his stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

(3) In cases where the election under section 1372 of the Internal Revenue Code of 1954 antedates the election under section 290.972 of this chapter and at the close of the taxable year immediately preceding the effective election under section 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue Code of 1954, in the event and to the extent that such reserve is distributed to shareholders such distribution shall be taxed as a dividend for purposes of this act.

Items of gross income includible within these definitions shall be deemed such regardless of the form in which received. Items of gross income shall be included in gross income of the taxable

year in which received by a taxpayer unless properly to be accounted for as of a different taxable year under methods of accounting permitted by section 290.07, except that (1) amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, to the extent that such amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act, and (2) amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act.

(d) Modification in computing taxable income of the estate of a decedent. Amounts allowable under section 291.07, subdivision 1(2) in computing Minnesota inheritance tax liability shall not be allowed as a deduction in computing the taxable income of the estate unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have such amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents). In the event that the election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 differs from the election made under this paragraph appropriate modification of the estate's federal taxable income shall be made to implement the election made under this paragraph in accordance with regulations prescribed by the commissioner.

Sec. 2. Minnesota Statutes 1978, Section 290.09, Subdivision 2, is amended to read:

Subd. 2. [TRADE OR BUSINESS EXPENSES; EXPENSES FOR PRODUCTION OF INCOME.] (a) In General. There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including

(1) A reasonable allowance for salaries or other compensation for personal services actually rendered;

(2) Traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and

(3) Rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the

trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity. For purposes of the preceding sentence, the place of residence of a member of congress within the state shall be considered his home, but amounts expended by such members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000.

(4) Entertainment, amusement, or recreation expenses shall be allowed under this subdivision only to the extent that they qualify as a deduction under section 274 of the Internal Revenue Code of 1954, as amended through December 31, 1978.

(b) Expenses for Production of Income. In the case of an individual, there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year.

(1) For the production or collection of income;

(2) For the management, conservation, or maintenance of property held for the production of income; or

(3) In connection with the determination, collection, or refund of any tax.

(c) Campaign expenditures in an amount not to exceed the limits set out in section 210A.22, not subsequently reimbursed, which have been personally paid by a candidate for public office if the candidate has complied with the expenditure limitations set out in section 210A.22:

(No deduction shall be allowed under this clause for any contribution or gift which would be allowable as a credit under section 290.21 were it not for the percentage limitations set forth in such section);

(d) All expense money paid by the legislature to legislators;

(e) The provisions of section 280A (disallowing certain expenses in connection with the business use of the home and rental of vacation homes) of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978, shall be applicable in determining the availability of any deduction under this subdivision.

Sec. 3. Minnesota Statutes 1978, Section 290.09, Subdivision 28, is amended to read:

Subd. 28. [REAL ESTATE INVESTMENT TRUSTS; DEDUCTIBLE DIVIDENDS.] A "real estate investment trust," as defined in section 856 of the Internal Revenue Code of 1954, as amended through December 31, (1976) (1978), and to which

sections 856 to (858) 860 of the Code apply for the taxable year, may deduct its dividends paid to the extent permitted by section (857(B) (2) (C)) 857(b) (2) (B) of the Code (, AND ITS CAPITAL GAINS DIVIDENDS PAID AS DEFINED AND LIMITED BY SECTION 857(B) (3) (C) OF THE CODE). Such a trust and its shareholders and beneficiaries shall be subject to all of the provisions of sections 857 and 858 of the Code which are applicable under this chapter, in determining their respective taxable net incomes, provided that the (EXCESS) amount determined and (SUBJECTED TO) *available for the alternative tax* under section 857(b) (3) (A) (ii) of the Code shall be included in gross income subject to the deduction provided by section 290.16, subdivision 4.

Sec. 4. Minnesota Statutes 1978, Section 290.091, is amended to read:

290.091 [MINIMUM TAX ON PREFERENCE ITEMS.]

(a) In addition to all other taxes imposed by chapter 290 there is hereby imposed for each taxable year (BEGINNING AFTER DECEMBER 31, 1976,) a tax which, in the case of a resident individual, estate or trust, shall be equal to 40 percent of the amount of the taxpayer's minimum tax liability for tax preference items pursuant to the provisions of sections (56) 55 to 58 and 443(d) of the Internal Revenue Code of 1954 as amended through December 31, (1976) 1978 except that for purposes of the tax imposed by this section, excess itemized deductions as defined in section 57(b) shall not include any deduction taken for Minnesota income tax paid and capital gains as defined in section 57(a) of the Internal Revenue Code shall not include that portion of any gain occasioned by sale, transfer or the granting of a perpetual easement pursuant to any eminent domain proceeding or threat thereof as described in section 290.13, subdivision 5. This modification shall apply to the years in which the gain or reduction in loss is actually included in federal adjusted gross income even though amounts received pursuant to the eminent domain proceedings were received in prior years. *In the case of a taxpayer other than a corporation, an amount equal to one-half of the net capital gain for the taxable year shall be used as the definition of capital gain in place of the deduction determined under section 1202 of the Internal Revenue Code.* In the case of a resident individual, estate or trust having preference items which could not be taken to reduce income from sources outside the state pursuant to section 290.17, subdivision 1, or any other taxpayer the tax shall equal 40 percent of that federal liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17, subdivision 1, to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

The provisions of section 57 (a) (9) (A) and (D) of the Internal Revenue Code of 1954, as amended through December

31, 1978 shall be effective for the same time during 1978 that these provisions became effective for federal income tax purposes.

(b) In the case of a resident individual, estate or trust having preference items in taxable years beginning after December 31, 1976, and before January 1, 1978, which are not allocable to Minnesota under the provisions of sections 290.17 to 290.20 in effect for such years, the tax shall equal 40 percent of the taxpayer's federal minimum tax liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference items allocable to Minnesota under the provisions of sections 290.17 to 290.20 in effect for such years and the denominator of which is the taxpayer's total preference items for federal purposes.

Sec. 5. Minnesota Statutes 1978, Section 290.095, is amended by adding a subdivision to read:

Subd. 10. In the case of a taxpayer which has a product liability loss (as defined in section 172(i) of the Internal Revenue Code of 1954 as amended through December 31, 1978) for a taxable year beginning after September 30, 1979 (referred to as 'loss year'), the product liability loss shall be a net operating loss carryback to each of the 10 taxable years preceding the loss year.

Sec. 6. Minnesota Statutes 1978, Section 290.14, is amended to read:

290.14 [GAIN OR LOSS ON DISPOSITION OF PROPERTY, BASIS.] The basis for determining the gain or loss from the sale or other disposition of property acquired on or after January 1, 1933, shall be the cost to the taxpayer of such property, with the following exceptions:

(1) If the property should have been included in the last inventory, it shall be the last inventory value thereof;

(2) If the property was acquired by gift, it shall be the same as it would be if it were being sold or otherwise disposed of by the last preceding owner not acquiring it by gift; if the facts required for this determination cannot be ascertained, it shall be the fair market value as of the date, or approximate date, of acquisition by such last preceding owner, as nearly as the requisite facts can be ascertained by the commissioner;

(3) If the property was acquired by gift through an inter vivos transfer in trust, it shall be the same as it would be if it were being sold or otherwise disposed of by the grantor;

(4) Except as otherwise provided in this clause (4), the basis of property in the hands of a person acquiring the property

from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged or otherwise disposed of before the decedent's death by such person, be the fair market value of the property at the date of decedent's death.

For the purposes of the preceding paragraph, the following property shall be considered to have been acquired from or to have passed from the decedent:

(a) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent;

(b) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before his death to revoke the trust;

(c) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent with the right reserved to the decedent at all times before his death to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust;

(d) Property passing without full and adequate consideration under a general power of appointment exercised by the decedent by will;

(e) In the case of a decedent's dying after December 31, 1956, property acquired from the decedent by reason of death, form of ownership, or other conditions (including property acquired through the exercise or non-exercise of a power of appointment), if by reason thereof the property is required to be included in determining the value of the decedent's gross estate for Minnesota inheritance tax purposes. In such case, if the property is acquired before the death of the decedent, the basis shall be the amount determined under the first paragraph of this clause reduced by the amount allowed to the taxpayer as deductions in computing taxable net income under this chapter or prior Minnesota income tax laws for exhaustion, wear and tear, obsolescence, amortization, and depletion on such property before the death of the decedent. Such basis shall be applicable to the property commencing on the death of the decedent. This paragraph shall not apply to annuities described in section 290.08; and property described in paragraphs (a), (b), (c) and (d) of this clause (4).

Clause (4) shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 290.077. Nor shall it apply to restricted stock options described in section 290.078 which the employee has not exercised at death.

(5) If the property was acquired after December 31, 1932, upon an exchange described in section 290.13, subdivision 1, the basis shall be the same as in the case of the property exchanged, decreased in the amount of any money received by the taxpayer and increased in the amount of gain or decreased in the amount of loss to the taxpayer that was recognized upon such exchange under the law applicable to the year in which the exchange was made. If the property so acquired consisted in part of the type of property permitted by section 290.13, subdivision 1, to be received without the recognition of gain or loss, and in part of other property, the basis provided in this clause shall be allocated between the properties, other than money, received, and for the purpose of the allocation there shall be assigned to such other property an amount equivalent to its fair market value at the date of the exchange. This clause shall not apply to property acquired by a corporation by the issuance of its stock or securities as the consideration, in whole or in part, for the transfer of the property to it;

(6) If substantially identical property was acquired in the place of stocks or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under section 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as in the case of the stock or securities so sold or disposed of, increased by the excess of the repurchase price of such property over the sale price of such stock or securities, or decreased by the excess of the sale price of such stock or securities over the repurchase price of such property;

(7) If the property was acquired after December 31, 1932, as the result of a compulsory or involuntary conversion described in section 290.13, subdivision 5, the basis shall be the same as in the case of the property so converted, decreased in the amount of any money received by the taxpayer which was not expended in accordance with the provisions of law applicable to the year in which such conversion was made, determining the taxable status of the gain or loss upon such conversion, and increased in the amount of gain or decreased in the amount of loss to the taxpayer recognized upon such conversion under the law applicable to the year in which such conversion was made.

(8) Neither the basis nor the adjusted basis of any portion of real property shall, in the case of a lessor of such property, be increased or diminished on account of income derived by the lessor in respect of such property and excludable from gross income under section 290.08, subdivision 14.

If an amount representing any part of the value of real property attributable to buildings erected or other improvements made by a lessee in respect of such property was included in gross income of the lessor for any taxable year beginning before January 1, 1943, the basis of each portion of such property shall be properly adjusted for the amount so included in gross income.

(9) *The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1978 (relating to the rollover of gain on sale of principal residence) shall be the same as the basis for federal income tax purposes. The basis shall be increased by the amount of gain realized on the sale of a principal residence outside of Minnesota, while a nonresident of this state, which gain was not recognized because of the provisions of section 1034.*

Sec. 7. Minnesota Statutes 1978, Section 290.26, Subdivision 2, is amended to read:

Subd. 2. [EMPLOYER CONTRIBUTIONS.] Contributions of an employer to an employee's trust or annuity plan and compensation under a deferred-payment plan *or to a simplified employee pension* shall be allowed as a deduction in accordance with the provisions of (SECTION) *Sections 404 or 408(k)* of the Internal Revenue Code of 1954, as amended through December 31, (1976) *1978* as adapted to the provisions of this (ACT) *chapter* under (REGULATIONS) *rules* issued by the commissioner of revenue.

Sec. 8. Minnesota Statutes 1978, Section 290.971, Subdivision 1, is amended to read:

290.971 [ELECTION OF CERTAIN SMALL BUSINESS CORPORATIONS AS TO TAXABLE STATUS; DEFINITIONS.] Subdivision 1. [SMALL BUSINESS CORPORATION.] For purposes of this chapter, the term "small business corporation" means a domestic corporation of the United States which is not a member of an affiliated group (as defined in section 1504 of the Internal Revenue Code of 1954, as amended through December 31, (1976) *1978*) and which does not

(1) have ((EXCEPT AS PROVIDED IN SUBDIVISION 5)) more than (TEN) *15* shareholders;

(2) have as a shareholder a person (other than an estate and other than a trust described in subdivision 6) who is not an individual;

(3) have a nonresident alien as a shareholder; and

(4) have more than one class of stock, and has elected under the provisions of section 1372(a) of the Internal Revenue Code of 1954, as amended through December 31, (1976) *1978* to be taxed as a small business corporation under the provisions of said Internal Revenue Code of 1954, as amended through December 31, (1976) *1978*.

Sec. 9. Minnesota Statutes 1978, Section 290.971, Subdivision 3, is amended to read:

Subd. 3. [STOCK OWNED BY HUSBAND AND WIFE.]
For purposes of subdivision 1(1) (STOCK WHICH)

((1) IS COMMUNITY PROPERTY OF A HUSBAND AND WIFE (OR THE INCOME FROM WHICH IS COMMUNITY INCOME) UNDER THE APPLICABLE COMMUNITY PROPERTY LAW OF A STATE, OR)

((2) IS HELD BY A HUSBAND AND WIFE AS JOINT TENANTS, TENANTS BY THE ENTIRETY, OR TENANTS IN COMMON, OR)

((3) WAS, ON THE DATE OF DEATH OF A SPOUSE, STOCK DESCRIBED IN PARAGRAPH (1) OR (2), AND IS, BY REASON OF SUCH DEATH, HELD BY THE ESTATE OF THE DECEASED SPOUSE AND THE SURVIVING SPOUSE, OR BY THE ESTATES OF BOTH SPOUSES (BY REASON OF THEIR DEATHS ON THE SAME DATE), IN THE SAME PROPORTION AS HELD BY THE SPOUSES BEFORE SUCH DEATH, OR)

((4) WAS, ON THE DATE OF THE DEATH OF A SURVIVING SPOUSE, STOCK DESCRIBED IN PARAGRAPH (3), AND IS, BY REASON OF SUCH DEATH, HELD BY THE ESTATES OF BOTH SPOUSES IN THE SAME PROPORTION AS HELD BY THE SPOUSES BEFORE THEIR DEATHS, SHALL BE TREATED AS OWNED BY ONE SHAREHOLDER) *a husband and wife (and their estates) shall be treated as one shareholder.*

Sec. 10. Minnesota Statutes 1978, Section 290.971, Subdivision 6, is amended to read:

Subd. 6. [CERTAIN TRUSTS PERMITTED AS SHAREHOLDERS.] For purposes of subdivision 1, the following trusts may be shareholders:

(1) (a) A trust all of which is treated as owned by the grantor *(who is an individual who is a citizen or resident of the United States)* under sections 671 to 679 of the Internal Revenue Code of 1954, as amended through December 31, (1976) 1978.

(b) *A trust which was described in subparagraph (a) immediately before the death of the grantor and which continues in existence after such death, but only for the 60-day period beginning on the day of the grantor's death. If a trust is described in the preceding sentence and if the entire corpus of the trust is includable in the gross estate of the grantor, the preceding sentence shall be applied by substituting "2-year period" for "60-day period."*

(2) A trust created primarily to exercise the voting power of stock transferred to it.

(3) Any trust with respect to stock transferred to it pursuant to the terms of a will, but only for the 60 day period beginning on the day on which such stock is transferred to it.

In the case of a trust described in paragraph (1), the grantor shall be treated as the shareholder.

In the case of a trust described in paragraph (2), each beneficiary of the trust shall, for the purposes of subdivision 1, paragraph (1), be treated as a shareholder.

Sec. 11. Minnesota Statutes 1978, Section 290.972, Subdivision 1, is amended to read:

290.972. [ELECTION BY SMALL BUSINESS CORPORATION.] Subdivision 1. [ELIGIBILITY.] Except as provided in subdivision 6 any small business corporation subject to the laws imposed by this chapter, and its shareholders may, in accordance with the provisions of this section, elect to have said corporation and its shareholders taxed as though said corporation were a partnership. Such election shall be valid only if all persons who are shareholders in such corporation *on the day on which such election is made*

((1) ON THE FIRST DAY OF THE FIRST TAXABLE YEAR FOR WHICH SUCH ELECTION IS EFFECTIVE, IF SUCH ELECTION IS MADE ON OR BEFORE SUCH FIRST DAY, OR)

((2) ON THE DAY ON WHICH THE ELECTION IS MADE, IF THE ELECTION IS MADE AFTER SUCH FIRST DAY,)

consent to such election.

Sec. 12. Minnesota Statutes 1978, Section 290.972, Subdivision 3, is amended to read:

Subd. 3. [WHERE AND HOW MADE.] (1) [IN GENERAL.] An election under subdivision 1 may be made by a small business corporation for any taxable year at any time during the (FIRST MONTH OF SUCH) *preceding* taxable year, or at any time during the (MONTH PRECEDING SUCH FIRST MONTH) *first 75 days of the taxable year*. Such election shall be made in such manner as the commissioner shall prescribe by regulation.

(2) [TREATMENT OF CERTAIN LATE ELECTIONS.]
If

(a) a small business corporation makes an election under subdivision 1 for any taxable year, and

(b) such election is made after the first 75 days of the taxable year and on or before the last day of such taxable year,

then such election shall be treated as made for the following taxable year.

(3) In case of sickness, absence, or other disability, or when in the judgment of the commissioner good cause exists, he may upon application extend the time for making the election under subdivision 1 for not more than twelve months following the close of the taxable year for which the election is sought; provided, however, that an application for an extension of time with respect to taxable years beginning after December 31, 1960 and prior to December 31, 1963 may be filed not later than December 31, 1965.

Sec. 13. Minnesota Statutes 1978, Section 290.972, Subdivision 5, is amended to read:

Subd. 5. [TERMINATION.] (1) [NEW SHAREHOLDERS.] (A) An election under subdivision 1 made by a small business corporation shall terminate if any person who was not a shareholder in such corporation

((I) ON THE FIRST DAY OF THE FIRST TAXABLE YEAR OF THE CORPORATION FOR WHICH THE ELECTION IS EFFECTIVE, IF SUCH ELECTION IS MADE ON OR BEFORE SUCH FIRST DAY, OR)

((II)) on the day on which election is made (, IF SUCH ELECTION IS MADE AFTER SUCH FIRST DAY),

becomes a shareholder in such corporation and affirmatively refuses to consent to such election on or before the 60th day after the day on which he acquires the stock.

(B) If the person acquiring the stock is the estate of a decedent, the period under subparagraph (A) for affirmatively refusing to consent to the election shall expire on the 60th day after whichever of the following is the earlier:

(i) The day on which the executor or administrator of the estate qualifies; or

(ii) The last day of the taxable year of the corporation in which the decedent died.

(C) Any termination of an election under subparagraph (A) by reason of the affirmative refusal of any person to consent to such election shall be effective for the taxable year of the corporation in which such person becomes a shareholder in the corporation (AND FOR ALL SUCCEEDING TAXABLE YEARS OF THE CORPORATION.) *or, if later, the first taxable year for which such election would otherwise have been effective, and for all succeeding taxable years of the corporation.*

(2) [REVOCATION.] An election under subdivision 1 made by a small business corporation may be revoked by it for any taxable year of the corporation after the first taxable year for which the election is effective. An election may be revoked only if all persons who are shareholders in the corporation on the day on which the revocation is made consent to the revocation. A revocation under this paragraph shall be effective

(A) for the taxable year in which made, if made before the close of the first month of such taxable year,

(B) for the taxable year following the taxable year in which made, if made after the close of such first month,

and for all succeeding taxable years of the corporation. Such revocation shall be made in such manner as the commissioner shall prescribe by regulation.

(3) [CEASES TO BE SMALL BUSINESS CORPORATION.] An election under subdivision 1 made by a small business corporation shall terminate if at any time

(A) after the first day of the first taxable year of the corporation for which the election is effective, if such election is made on or before such first day, or

(B) after the day on which the election is made, if such election is made after such first day,

the corporation ceases to be a small business corporation (as defined in section 290.971, subdivision 1). Such termination shall be effective for the taxable year of the corporation in which the corporation ceases to be a small business corporation and for all succeeding taxable years of the corporation.

(4) [FOREIGN INCOME.] An election under subdivision 1 made by a small business corporation shall terminate if for any taxable year of the corporation for which the election is in effect, such corporation derives more than 80 percent of its gross receipts from sources outside the United States. Such termination shall be effective for the taxable year of the corporation in which it derives more than 80 percent of its gross receipts from sources outside the United States, and for all succeeding taxable years of the corporation.

(5) [PASSIVE INVESTMENT INCOME.] (A) Except as provided in subparagraph (B), an election under subdivision 1 made by a small business corporation shall terminate if, for any taxable year of the corporation for which the election is in effect, such corporation has gross receipts more than 20 percent of which is passive investment income. Such termination shall be effective for the taxable year of the corporation in which it has gross receipts of such amount, and for all succeeding taxable years of the corporation.

(B) Subparagraph (A) shall not apply with respect to a taxable year in which a small business corporation has gross receipts more than 20 percent of which is passive investment income, if

(i) such taxable year is the first taxable year in which the corporation commenced the active conduct of any trade or business or the next succeeding taxable year; and

(ii) the amount of passive investment income for such taxable year is less than \$3,000.

(C) For purposes of this paragraph, the term "passive investment income" means gross receipts derived from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities (gross receipts from such sales or exchanges being taken into account for purposes of this paragraph only to the extent of gains therefrom). Gross receipts derived from sales or exchanges of stock or securities for purposes of this paragraph shall not include amounts received by an electing small business corporation which are treated under section 331 of the Internal Revenue Code of 1954, as amended through December 31, 1976 (relating to corporate liquidations), as payments in exchange for stock where the electing small business corporation owned more than 50 percent of each class of the stock of the liquidating corporation.

Sec. 14. Minnesota Statutes 1978, Section 290A.03, Subdivision 3, is amended to read:

Subd. 3. [INCOME.] "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through December 31, (1976) 1978; and

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

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, Section 290.01, Subdivision 20, Clause (a)(1), (a)(2), (a)(3), (a)(10), (a)(13), and (a)(14);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends excluded from federal adjusted gross income under section 116 of the Internal Revenue Code of 1954;

(v) cash public assistance and relief;

(vi) any pension or annuity (including railroad retirement benefits, all payments received under the federal social security act, supplemental security income, and veterans disability pensions), 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;

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

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits; and

(xi) 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. In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, Sections 101(a), 102, 117, and 121;

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

(c) gifts from nongovernmental sources;

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

(e) relief granted under sections (273.012, SUBDIVISION 2 OR) 290A.01 to 290A.21(.) ; or

(f) federal adjusted gross income shall be reduced by the subtraction allowed in section 290.01, subdivision 20, clause (b) (10).

Sec. 15. [DIRECTION TO REVISOR.] *In the next and subsequent editions of Minnesota Statutes the revisor of statutes shall substitute the words "Internal Revenue Code of 1954, as amended through December 31, 1978" for the words "Internal Revenue Code of 1954, as amended through December 31, 1976" wherever such words occur in chapter 290, except section 290.01, subdivision 20.*

Sec. 16. [REPEALER.] *Minnesota Statutes 1978, Section 290.971, Subdivision 5 is repealed.*

Sec. 17. [EFFECTIVE DATE.] *The amendment made in section 1, clause (a)(15) is effective at the same time that the change became effective for federal income tax purposes during 1978.*

The rest of this article is effective for taxable years beginning after December 31, 1978, except as otherwise provided.

ARTICLE V

RESIDENTIAL ENERGY CREDIT

Section 1. Minnesota Statutes 1978, Section 290.06, is amended by adding a subdivision to read:

Subd. 13. [RESIDENTIAL ENERGY CREDIT.] *A credit of 20 percent of the first \$10,000 of renewable energy source expenditures, made by the taxpayer on a Minnesota building of six dwelling units or less in a taxable year, may be deducted from the tax due under this chapter for the taxable year.*

A "renewable energy source expenditure" which qualifies shall include:

(a) *Expenditures which qualify for the federal renewable energy credit, pursuant to Section 44C of the Internal Revenue Code of 1954, as amended through December 31, 1978, and any regulations promulgated pursuant thereto;*

(b) *Expenditures for earth sheltered dwelling units. For purposes of this credit, an "earth sheltered dwelling unit" shall mean a structure which complies with applicable building standards and which is constructed so that:*

(1) *80 percent or more of the roof area is covered with a minimum depth of twelve inches of earth;*

(2) 50 percent or more of the wall area is covered with a minimum depth of twelve inches of earth; and

(3) Those portions of the structure not insulated with a minimum of seven feet of earth shall have additional insulation;

(c) Expenditures for biomass conversion equipment which produces ethanol, methane or methanol for use as a fuel which is not offered for sale; and

(d) Expenditures for passive solar energy systems. For purposes of this credit, a "passive solar energy system" is defined to include systems which utilize elements of the building and its operable components to heat or cool a building with the sun's energy by means of conduction, convection, radiation, or evaporation. A passive system shall include:

(1) Collection aperture, including glazing installed in south facing walls and roofs; and

(2) Storage element, including thermal mass in the form of water, masonry, rock, concrete, or other mediums which is designed to store heat collected from solar radiation.

A passive system may include:

(1) Control and distribution element, including fans, louvers, and air ducts; and/or

(2) Retention element, including movable insulation used to minimize heat loss caused by nocturnal radiation through areas used for direct solar heat gain during daylight hours.

Eligible passive expenditures shall be for equipment, materials or devices that are an integral part of the components listed above and essential to the functioning of a passive design which qualifies pursuant to rules promulgated by the commissioner of revenue in cooperation with the director of the energy agency. Expenditures for equipment, materials, or devices which are a part of the normal heating, cooling, or insulation system of a building are not eligible for the credit.

If a credit was allowed to a taxpayer under this subdivision for any prior taxable year with respect to a dwelling unit by reason of energy conservation expenditures or renewable energy source expenditures, the dollar amount of the credit allowable for each kind of expenditure for the current taxable year shall be reduced by the amount of expenditures of that kind taken into account in prior years.

The credit provided in this subdivision shall not be allowed in a taxable year if the amount of the credit would be less than

\$10. The credit shall not exceed the amount of tax due under chapter 290.

If the credit allowable under this subdivision exceeds the amount of tax due in a taxable year, the excess credit may be carried forward to the succeeding taxable year and added to the credit allowable for that year. No amount may be carried forward to a taxable year beginning after December 31, 1984.

A shareholder in a family farm corporation and each partner in a partnership operating a family farm shall be eligible for the credit provided by this subdivision in the same manner and to the same extent allowed a joint owner of property under clause (a). "Family farm corporation" and "family farm" have the meanings given in section 500.24.

The credit provided in this subdivision is subject to the provisions of Section 44C, (c) (7), (d) (1) to (3), and (e), of the Internal Revenue Code of 1954, as amended through December 31, 1978, and any regulations promulgated pursuant thereto.

Sec. 2. [RULES.] *The commissioner of revenue in cooperation with the director of the energy agency may promulgate rules establishing additional qualifications and definitions for the credits provided in clauses (a) to (d).*

Sec. 3. [EFFECTIVE DATE.] *This act is effective for expenditures made during the tax years beginning after December 31, 1978 and before January 1, 1983.*

ARTICLE VI

INHERITANCE TAX

Section 1. Minnesota Statutes 1978, Section 291.01, Subdivision 4, is amended to read:

Subd. 4. [JOINTLY OWNED PROPERTY.] Whenever any property, real or personal, is held in the joint names of two or more persons, or is deposited in banks or in other institutions or depositories in the joint names of two or more persons payable to either or the survivor, upon the death of one of such persons the right of the survivor or survivors, to the immediate ownership or possession and enjoyment of such property, shall be deemed a transfer and subject to the inheritance tax imposed by this chapter, except such part thereof as may be shown to have originally belonged to the survivor or survivors and never to have been received or acquired by them from the decedent for less than an adequate and full consideration in money or money's worth; in which case there shall be excepted only such part as is proportionate to the consideration furnished by the survivor or survivors. Provided, (WHERE ANY PROPERTY HAS BEEN AC-

QUIRED PRIOR TO APRIL 29, 1935,) *when any property, real or personal, is held only by the decedent and spouse, as joint tenants, the surviving spouse shall be irrebuttably presumed to have provided consideration to the extent of one-half of the value of the jointly held property and not in excess of one-half of the value thereof shall be taxable. If the spouse has provided consideration to an extent greater than one-half of the value of the jointly held property, the presumption shall not apply.* Provided, further, where property has been acquired at any time by gift, bequest, devise, or inheritance, by the decedent and any other person or persons, as joint tenants, the taxable portion shall be the value of a fractional part of said property to be determined by dividing the value of the property by the number of joint tenants.

Where personal property is held in joint names, such property shall be deemed to be transferred to the survivors as provided in this subdivision unless it is established to the satisfaction of the commissioner that the decedent intended a different disposition. Upon the showing of evidence of that intent to the commissioner, the right of survivorship shall not be deemed to be a transfer to the named survivors subject to the inheritance tax, provided the survivors make the disposition according to the evidenced intention of the decedent and present to the commissioner statements signed by the transferees acknowledging receipt of the property from the named survivors; the disposition by the survivors to the transferees shall be deemed a transfer from the decedent to the transferees and shall be subject to the inheritance tax imposed by this chapter. This paragraph shall not apply to cases where the aggregate value of joint tenancy assets exceeds \$30,000.

Sec. 2. Minnesota Statutes 1978, Section 291.05, is amended to read:

291.05 [EXEMPTIONS.] The following exemptions from the tax are hereby allowed:

(1) Any devise, bequest, gift, or transfer to or for the use of the United States of America or any state or any political subdivision thereof for public purposes exclusively, and any devise, bequest, gift, or transfer to or for the use of any corporation, fund, foundation, trust, or association operated within this state for religious, charitable, scientific, literary, education or public cemetery purposes exclusively, including the encouragement of art and the prevention of cruelty to children or animals, no part of which devise, bequest, gift, or transfer inures to the profit of any private stockholder or individual, and any bequest or transfer to a trustee or trustees exclusively for such purposes, shall be exempt. Any devise, bequest, gift, or transfer to an employee stock ownership trust as defined in section 290.01, subdivision 25, shall be exempt. Where the beneficiaries of a stock ownership trust include the transferor, his spouse, children, grand-

children, parents, siblings or their children, the amount of the exemption shall be reduced by the product of multiplying said amount by their percentage interest in the trust.

Any devise, bequest, gift, or transfer, not to exceed \$1,000 made to a clergyman, the proceeds of which are to be used for religious purposes or rites designated by the testator, shall be exempt. Any devise, bequest, gift, or transfer to or for the use of any corporation, fund, foundation, trust, or association operated for religious, charitable, scientific, literary, education, or public cemetery purposes exclusively, including the encouragement of art, and the prevention of cruelty to children or animals, no part of which devise, bequest, gift, or transfer inures to the profit of any private stockholder or any individual, and any bequest or transfer to a trustee or trustees exclusively for such purposes, shall be exempt, if, at the date of the decedent's death, the laws of the state under the laws of which the transferee was organized or existing, either (1) did not impose a death tax of any character, in respect of property transferred to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of this state, or (2) contained a reciprocal provision under which transfers to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of another state were exempted from death taxes of every character if such other state allowed a similar exemption to a similar corporation, fund, foundation, trust, or association, organized under the laws of such state.

(2) The homestead of a decedent, and the proceeds thereof if sold during administration, transferred to the spouse or to any minor or dependent child of the decedent, or to any minor or dependent legally adopted child of the decedent, shall be exempt to the extent of \$45,000 of the appraised value thereof. *On July 1, 1979, the commissioner of revenue shall adjust the maximum allowable homestead exemption by the percentage increase in the annual statewide market value of homestead property determined under section 273.122 on December 1, 1978. The adjusted maximum homestead exemption shall be applicable to the estates of decedents dying on or after July 1, 1979. Prior to July 1 of each subsequent year, the commissioner shall increase the adjusted maximum allowable homestead exemption in effect for the immediately preceding year by the percentage increase determined the preceding December 1 pursuant to section 273.122. The annually adjusted maximum homestead exemption shall be applicable to the estates of decedents dying in the 12 months following July 1, 1980, and July 1 in each subsequent year. In no case shall the quantity of land considered to be the homestead of a decedent for the purpose of this exemption exceed 120 acres if the land is not included in the laid out or platted portion of a city. If the land is within a laid out or platted portion of a city, its area shall not exceed one-half of an acre. In the case of a decedent's estate wherein no property or beneficial interest therein passing by reason of death is eligible for the homestead exemption because the decedent did not have an interest in property*

constituting a homestead at the time of his death, there shall be allowed an exemption in lieu of the homestead exemption, in the amount of \$10,000. The exemption shall be allocated among the surviving spouse and the decedent's natural or adopted minor or dependent children in proportion to the total amount of property or any interest therein passing to such spouse and children.

Proceeds of any insurance policy issued by the United States and generally known as war risk insurance, United States government life insurance or national service life insurance payable upon the death of any person dying on or after June 24, 1950, shall be exempt.

Proceeds of life insurance issued pursuant to Public Law 89-214 and generally known as servicemen's group life insurance payable upon the death of any person on or after September 1, 1965, shall be exempt. Claims for refunds of inheritance tax paid on such proceeds shall be accepted by the commissioner if filed with him by December 31, 1970, or within 18 months after such payment, whichever is later.

Proceeds of payments from the United States railroad retirement fund; or from the United States as social security benefit, shall be exempt.

Proceeds of payments made by the United States government as compensation for the decedent's service as a member of the armed forces of the United States during a period while he was classified as missing in action prior to being declared dead, shall be exempt.

(3) (i) Property or any beneficial interest therein of the clear value of \$60,000 transferred to the surviving spouse, shall be exempt.

(ii) Provided, where the amount of family maintenance allowed by the probate court is less than the maximum deductible under the provisions of section 291.10, or if no such maintenance is allowed, there shall be allowed to the surviving spouse an additional exemption equal in amount to the difference between the maximum deduction as provided by section 291.10 and the amount of such family maintenance allowed by the probate court. Further provided, where no probate proceedings are had there shall be allowed to the surviving spouse an additional exemption equal to the maximum deduction allowed for family maintenance under the provisions of section 291.10.

(4) (i) Property or any beneficial interest therein of the clear value of \$30,000 transferred to each minor or dependent child of the decedent, or any minor or dependent legally adopted child of the decedent, shall be exempt.

(ii) Provided, where the decedent left no surviving spouse entitled to the exemption allowed by clause (3) of this section the exemption allowed by subparagraph (ii) of clause (3) shall be allowed to beneficiaries entitled to exemption under the provisions of this clause. In no event shall the aggregate amount of exemption so allowed be in excess of the additional amount that would have been allowed under subparagraph (ii) of clause (3) had such paragraph been applicable.

(5) Property or any beneficial interest therein of the clear value of \$6,000 transferred to any adult child or other lineal descendant of the decedent, any adult legally adopted child, step-child as defined in section 291.005, or any child to whom the decedent, for not less than ten years prior to his death, stood in the mutually acknowledged relation of a parent; provided, such mutually acknowledged relationship began at or before the child's fifteenth birthday, and was continuous for ten years thereafter, or any lineal issue of such adopted or mutually acknowledged child, or any lineal ancestor of the decedent, shall be exempt.

(6) Property or any beneficial interest therein of the clear value of \$1,500 transferred to any brother or sister or a descendant of a brother or sister of the decedent, a wife or widow of a son, or a husband or widower of a daughter of the decedent, shall be exempt.

(7) Property or any beneficial interest therein of the clear value of \$500 transferred to any person in any other degree of collateral consanguinity than is hereinbefore stated, or shall be a stranger in blood to the decedent, or shall be a body politic or corporate not exempt under this chapter, shall be exempt.

Sec. 3. Minnesota Statutes 1978, Section 291.065, is amended to read:

291.065 [EMPLOYEE RETIREMENT PLANS, EXEMPTION.] *Subdivision 1.* The value of an annuity or other payment receivable by a surviving spouse or minor or dependent child of the decedent or a trust for their benefit after December 31, 1956, shall be exempt from inheritance tax if received under (1) an employees' trust (or under a contract purchased by an employees' trust) forming part of a pension, stock bonus, or profit-sharing plan, which at the time of the decedent's separation from employment (whether by death or otherwise), or at the time of termination of the plan if earlier, met the requirement of section 401(a) of the Internal Revenue Code of 1954, as adapted to the provisions of this chapter under regulations issued by the commissioner of revenue; (2) a retirement annuity contract purchased by an employer (and not by an employees' trust) pursuant to a plan, which at the time of the decedent's separation from employment (by death or otherwise), or at the time of termination of the plan if earlier, met the requirements

of paragraph (3) of section 401(a) of such code, as adapted to the provisions of this chapter under regulations issued by the commissioner of revenue; or (3) a retirement annuity contract purchased by an employer which is an organization referred to in section 503(b) (1) (2) or (3) of such code and which is exempt from tax under section 501(a) of such code, as adapted to the provisions of this chapter under regulations issued by the commissioner of revenue. If such amounts payable after the death of the decedent under a plan described in clause ((1) (2) OR) (3) are attributable to any extent to payments or contributions made by the decedent, no exemption shall be allowed for that part of the value of such amounts in the proportion that the total payments or contributions made by the decedent bears to the total payments or contributions made. For purposes of the preceding sentence, contributions or payments made by the decedent's employer or former employer under a trust or plan described in clause ((1) (2) OR) (3) shall not be considered to be contributed by the decedent.

Subd. 2. The value of an annuity or other payment receivable by a surviving spouse or minor or dependent child or a trust for their benefit shall be exempt from the inheritance tax if received from a public pension plan as defined in section 356.60, subdivision 1, clause (a); or pursuant to chapter 73, of Title 10, of the United States Code, to the extent the payments are exempt from federal estate taxation by section 2039 of the Internal Revenue Code of 1954, as amended through December 31, 1978; or from a volunteer firefighter's relief association pension fund pursuant to sections 69.771 to 69.774; or from the peace officer's pension fund pursuant to chapter 352E.

Sec. 4. Minnesota Statutes 1978, Section 292.04, is amended to read:

292.04 [EXEMPTIONS.] The following transfers by gift shall be exempt from and excluded in computing the tax imposed by this chapter:

(1) Gifts to or for the use of the United States of America or any state or any political subdivision thereof for exclusively public purposes;

(2) Gifts to or for the use of any fund, foundation, trust, association, organization or corporation operated within this state for religious, charitable, scientific, literary, or educational purposes exclusively, including the promotion of the arts, or the conduct of a public cemetery, if no part thereof inures to the profit of any private shareholder or individual. Gifts to or for the use of any corporation, fund, foundation, trust, or association operated for religious, charitable, scientific, literary, or educational purposes, including the promotion of the arts, or the conduct of a public cemetery, no part of which inures to

the profit of any private shareholders or individual, shall be exempt, if at the date of the gift, the laws of the state under the laws of which the donee is organized or existing either (1) do not impose a gift tax in respect of property transferred to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of this state, or (2) contain a reciprocal provision under which gifts to a similar corporation, fund, foundation, trust, or association organized or existing under the laws of another state are exempt from gift taxes if such other state allows a similar exemption to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of such state;

(3) Gifts to a fraternal society, order, or association operating under the lodge system, but only if such gifts are to be used exclusively for the purposes designated in clause (2) ;

(4) Gifts to or for the use of posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units or societies are organized within the state of Minnesota and if such gifts are to be used exclusively for the purposes designated in clause (2) ;

(5) All property transferred, money, service, or other thing of value, paid, furnished, or delivered by any person, corporation, organization, or association to his or its employees, or to any organization of his or its employees, directly or indirectly, or to any person, firm, or corporation for them or it, including payments to cover insurance, sickness, and death benefits, pensions, relief activities, or to any other employees benefit fund of any kind, and medical service to such employees and their families;

(6) The first \$3,000 in value of gifts (other than of future interests in property) made to any person by the donor during any calendar year. No part of a gift to a minor donee shall be considered a gift of future interest in property for purposes of this clause if it complies with the provisions of the Minnesota uniform gifts to minors act, chapter 527, or if it is a transfer for the benefit of a minor, and if the property and income therefrom:

(a) May be expended by or for the benefit of the donee before his attaining the age of (18) 21 years; and

(b) Will to the extent not so expended

(1) pass to the donee on his attaining the age of (18) 21 years and

(2) in the event the donee dies before attaining the age of (18) 21 years, be payable to the estate of the donee, or as he may

appoint under a general power of appointment as defined in section 2514(C) of the Internal Revenue Code of 1954;

(7) Gifts to an employee stock ownership trust as defined in section 290.01, subdivision 5. Where the beneficiaries of a stock ownership trust include the transferor, his spouse, children, grandchildren, parents, siblings or their children, the amount of the exemption shall be reduced by the product of multiplying said amount by their percentage interest in the trust.

Sec. 5. Minnesota Statutes 1978, Section 292.07, Subdivision 1, is amended to read:

292.07 [RATES OF TAX.] Subdivision 1. [SCHEDULE TO APPLY.] In computing the tax imposed by this chapter the schedule or rates specified in subdivisions (2) (AND), (3), and (3a) of this section shall apply.

Sec. 6. Minnesota Statutes 1978, Section 292.07, Subdivision 5, is amended to read:

Subd. 5. [CLASSES OF DONEES DEFINED.] Class A donees shall include only the (WIFE) spouse and minor or dependent child, as defined in section 291.005, of the donor, and a minor or dependent legally adopted child of the donor. Class B donees shall include only the (HUSBAND OF THE DONOR,) adult child, stepchild as defined in section 291.005, or adult legally adopted child and the lineal issue of such stepchild or adopted child, lineal descendants and ancestors of the donor, any child of the donor to whom he or she has stood in the mutually acknowledged relation of parent for not less than ten years prior to the making of the gift if such relationship began at or before such child's fifteenth birthday and was continuous for ten years thereafter, and the lineal issue of such child. Class C donees shall include only a brother or sister of the donor, a descendant of such brother or sister, a wife or widow of a son of the donor, and the husband or widower of a daughter of the donor. Class D donees shall include all donees other than those includible in the foregoing classes.

Sec. 7. Minnesota Statutes 1978, Section 292.07, is amended by adding a subdivision to read:

Subd. 3a. An additional tax credit in the amount of \$355 shall be allowed, in computing gift taxes due under this chapter for gifts to the husband of the donor. The credit provided by this subdivision shall be allowed once only with respect to gifts by the donor to the same donee, and shall apply only to offset tax which would otherwise be due on gifts made on or after January 1, 1979.

Sec. 8. [REFUNDS.] Subdivision 1. The commissioner of revenue shall make refunds for inheritance taxes paid which are

attributable to payments exempt as compensation made by the United States government for the decedent's military service while classified as missing in action as provided in section 2 upon the filing of a claim by each beneficiary of the estate for his portion of the inheritance tax paid. Claims for refunds must be filed with the commissioner of revenue no later than July 1, 1982.

Subd. 2. Persons who paid gift taxes after June 1, 1973 on a transfer excludable pursuant to section 4 shall be entitled to a refund of taxes paid provided a claim is made to the commissioner pursuant to the procedures of section 292.12.

Sec. 9. [APPROPRIATION.] *Subdivision 1. There is appropriated for fiscal years 1980, 1981 and 1982 from the general fund to the commissioner of revenue the amount necessary to make the refunds provided by section 8, subdivision 1.*

Subd. 2. There is appropriated from the general fund to the commissioner of revenue the amount necessary to make the refunds provided by section 8, subdivision 2.

Sec. 10. [EFFECTIVE DATE.] *Section 1 is effective for estates of decedents dying after June 30, 1979. The provisions of section 2 relating to the adjusted homestead exemption is effective the day following final enactment. The provisions of section 2 relating to payments to a decedent while missing in action is retroactively effective for estates of decedents declared dead after January 1, 1975. Section 3 is effective for estates of decedents dying after December 31, 1978. Section 4 is retroactively effective June 1, 1978. Sections 5, 6 and 7 are effective for gifts made on or after January 1, 1979.*

ARTICLE VII

MILITARY INCOME EXCLUSION

Section 1. Minnesota Statutes 1978, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source; except that gross income shall not include "exempt function income" of a "home-owners association" as those terms are defined in Section 528 of the Internal Revenue Code of 1954, as amended.

For each of the taxable years beginning after December 31, 1960 and prior to January 1, 1971, the term "gross income" in its application to individuals, estates, and trusts, shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through December 31, 1970 for the applicable taxable year, with the modifications specified in this section.

For each of the taxable years beginning after December 31, 1970, the term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this section.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1970, shall be in effect for taxable years beginning after December 31, 1970 and prior to January 1, 1973.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1972, shall be in effect for taxable years beginning after December 31, 1972.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1973, shall be in effect for taxable years beginning after December 31, 1973.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1974, shall be in effect for the taxable years beginning after December 31, 1974.

(v) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of chapter 290 at the same time they become effective for federal income tax purposes. Section 207 (relating to extension of period for nonrecognition of gain on sale or exchange of residence) and section 402 (relating to time for making contributions to pension plans of self employed people) of P.L. 94-12 shall be effective for taxable years beginning after December 31, 1974.

References to the Internal Revenue Code of 1954 in clauses (a), (b) and (c) following shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

(a) Modifications increasing federal adjusted gross income. There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any such other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) Interest income on obligations of any authority, commission, or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes;

(3) Income taxes imposed by this state or any other taxing jurisdiction, to the extent deductible in determining federal adjusted gross income and not credited against federal income tax;

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under this chapter, to the extent deductible in determining federal adjusted gross income;

(5) Amounts received as reimbursement for an expense of sickness or injury which was deducted in a prior taxable year to the extent that the deduction for such reimbursed expenditure resulted in a tax benefit;

(6) The amount of any federal income tax overpayment for any previous taxable year, received as refund or credited to another taxable year's income tax liability, proportionate to the percentage of federal income tax that was claimed as a deduction in determining Minnesota income tax for such previous taxable year.

The overpayment refund or credit, determined with respect to a husband and wife on a joint federal income tax return for a previous taxable year, shall be reported on joint or separate Minnesota income tax returns. In the case of separate Minnesota returns, the overpayment shall be reported by each spouse proportionately according to the relative amounts of federal income tax claimed as a deduction on his or her separate Minnesota income tax return for such previous taxable year;

(7) In the case of a change of residence from Minnesota to another state or nation, the amount of moving expenses which exceed total reimbursements and which were therefore deducted in arriving at federal adjusted gross income;

(8) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, 1976, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (7) or under section 290.09, subdivision 24; and

(9) Expenses and losses arising from a farm which are not allowable under section 290.09, subdivision 29;

(10) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101; and

(11) The amount by which the gain determined pursuant to section 41.59, subdivision 2 exceeds the amount of such gain included in federal adjusted gross income;

(12) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, as amended through December 31, 1976, if the non-profit corporation is domiciled outside of Minnesota;

(13) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, as amended through December 31, 1976, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, as amended through December 31, 1976, except for that portion of such exempt-interest dividends derived from interest income on obligations of the state of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

(14) The amount of any excluded gain realized by a trust on the sale or exchange of property as defined in section 641(c)(1).

(b) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income:

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

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to fifty per centum of such portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Interest or dividend income on securities to the extent exempt from income tax under the laws of this state authorizing the issuance of such securities but includible in gross income for federal income tax purposes;

(4) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether such amount is received as a refund or credited to another taxable year's income tax liability;

(6) To the extent included in federal adjusted gross income, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408 or 409 of the Internal Revenue Code of 1954, as amended through December 31, 1977. The maximum amount of this subtraction shall be \$7,200 less the sum of (a) social security retirement benefits received during the taxable year, (b) railroad retirement benefits received during the taxable year, and (c) the amount by which the individual's federal adjusted gross income exceeds \$13,000. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$7,200 less the sum of social security retirement benefits and railroad retirement benefits; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$13,000;

(7) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(8) The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later; (AND)

(9) To the extent included in federal adjusted gross income, the first \$3,000 received by any person as compensation for personal services in the armed forces of the United States or the United Nations; and

(9)) (10) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed after December 31, 1977 and before January 1, 1982 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60.

(c) Modifications affecting shareholders of electing small business corporations under section 1372 of the Internal Revenue Code of 1954, or section 290.972 of this chapter.

(1) Shareholders in a small business corporation, which has elected to be so taxed under the Internal Revenue Code of 1954, but has not made an election under section 290.972 of this chapter, shall deduct from federal adjusted gross income the amount of any imputed income from such corporation and shall add to federal adjusted gross income the amount of any loss claimed as a result of such stock ownership. Also there shall be added to federal adjusted gross income the amount of any distributions in cash or property made by said corporation to its shareholders during the taxable year.

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder disposes of his stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

(3) In cases where the election under section 1372 of the Internal Revenue Code of 1954 antedates the election under section 290.972 of this chapter and at the close of the taxable year immediately preceding the effective election under section 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue Code of 1954, in the event and to the extent that such reserve is distributed to shareholders such distribution shall be taxed as a dividend for purposes of this act.

Items of gross income includible within these definitions shall be deemed such regardless of the form in which received. Items of gross income shall be included in gross income of the taxable year in which received by a taxpayer unless properly to be accounted for as of a different taxable year under methods of accounting permitted by section 290.07, except that (1) amounts

transferred from a reserve or other account, if in effect transfers to surplus, shall, to the extent that such amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act, and (2) amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act.

(d) Modification in computing taxable income of the estate of a decedent. Amounts allowable under section 291.07, subdivision 1(2) in computing Minnesota inheritance tax liability shall not be allowed as a deduction in computing the taxable income of the estate unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have such amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents). In the event that the election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 differs from the election made under this paragraph appropriate modification of the estate's federal taxable income shall be made to implement the election made under this paragraph in accordance with regulations prescribed by the commissioner.

Sec. 2. [REPEALER.] *Minnesota Statutes 1978, Section 290.06, Subdivision 12, is repealed.*

Sec. 3. [EFFECTIVE DATE.] *This article shall be effective for taxable years beginning after December 31, 1978.*

ARTICLE VIII

PROPERTY TAX

Section 1. Minnesota Statutes 1978, Section 272.02, Subdivision 1, is amended to read:

272.02 [EXEMPT PROPERTY.] Subdivision 1. Except as provided in other subdivisions of this section (OR), in section 272.025, or section 273.13, subdivisions 17 or 17b, all property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds;
- (2) All public schoolhouses;

- (3) All public hospitals;
- (4) All academies, colleges, and universities, and all seminaries of learning;
- (5) All churches, church property, and houses of worship;
- (6) Institutions of purely public charity *except property assessed pursuant to section 273.13, subdivisions 17 and 17b*;
- (7) All public property exclusively used for any public purpose;
- (8) All natural cheese held in storage for aging by the original Minnesota manufacturer;
- (9) (a) Class 2 property of every household of the value of \$100, maintained in the principal place of residence of the owner thereof. The county auditor shall deduct such exemption from the total valuation of such property as equalized by the revenue commissioner assessed to such household, and extend the levy of taxes upon the remainder only. The term "household" as used in this section is defined to be a domestic establishment maintained either (1) by two or more persons living together within the same house or place of abode, subsisting in common and constituting a domestic or family relationship, or (2) by one person.
- (b) During the period of his active service and for six months after his discharge therefrom, no member of the armed forces of the United States shall lose status of a householder under paragraph (a) which he had immediately prior to becoming a member of the armed forces.

In case there is an assessment against more than one member of a household the \$100 exemption shall be divided among the members assessed in the proportion that the assessed value of the Class 2 property of each bears to the total assessed value of the Class 2 property of all the members assessed. The Class 2 property of each household claimed to be exempt shall be limited to property in one taxing district, except in those cases where a single domestic establishment is maintained in two or more adjoining districts.

Bonds and certificates of indebtedness hereafter issued by the state of Minnesota, or by any county or city of the state, or any town, or any common or independent school district of the state, or any governmental board of the state, or any county or city thereof, shall hereafter be exempt from taxation; provided, that nothing herein contained shall be construed as exempting such bonds from the payment of a tax thereon, as provided for by section 291.01, when any of such bonds constitute, in whole or in

part, any inheritance or bequest, taken or received by any person or corporation.

(10) Farm machinery manufactured prior to 1930, which is used only for display purposes as a collectors item;

(11) The taxpayer shall be exempted with respect to, all agricultural products, inventories, stocks of merchandise of all sorts, all materials, parts and supplies, furniture and equipment, manufacturers material, manufactured articles including the inventories of manufacturers, wholesalers, retailers and contractors; and the furnishings of a room or apartment in a hotel, rooming house, tourist court, motel or trailer camp, tools and machinery which by law are considered as personal property, and the property described in section 272.03, subdivision 1 (c), except personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures.

(12) Containers of a kind customarily in the possession of the consumer during the consumption of commodities, the sale of which are subject to tax under the provisions of the excise tax imposed by Extra Session Laws 1967, Chapter 32;

(13) All livestock, poultry, all horses, mules and other animals used exclusively for agricultural purposes;

(14) All agricultural tools, implements and machinery used by the owners in any agricultural pursuit.

(15) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used.

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. Any such equipment or device shall meet standards, regulations or criteria prescribed by the Minnesota Pollution Control Agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information or advice to the commissioner. If the commissioner determines that property qualifies for exemption, he shall issue an order exempting such property from taxation. Any such equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota Pollution Control Agency remains in effect.

Sec. 2. Minnesota Statutes 1978, Section 273.11, is amended to read:

273.11 [VALUATION OF PROPERTY.] Subdivision 1. Except as provided in (SUBDIVISIONS 2 AND) *subdivision 6* or (SECTION) *sections 273.1105; 273.1106; and 273.17*, subdivision 1, all property shall be valued at its market value. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall he adopt as a criterion of value the price for which such property would sell at auction or at a forced sale, or in the aggregate with all the property in the town or district; but he shall value each article or description of property by itself, and at such sum or price as he believes the same to be fairly worth in money. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such property, including the mine or quarry, would sell for a fair, voluntary sale, for cash. In valuing real property which is vacant, the fact that such property is platted shall not be taken into account. An individual lot of such platted property shall not be assessed in excess of the assessment of the land as if it were unplatted until the lot is improved with a permanent improvement all or a portion of which is located upon the lot, or for a period of three years after final approval of said plat whichever is shorter. When a lot is sold or construction begun, the assessed value of that lot or any single contiguous lot fronting on the same street shall be eligible for reassessment. All property, or the use thereof, which is taxable under sections 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

(SUBD. 2. (A) THE ASSESSOR AFTER DETERMINING THE VALUE OF ANY PROPERTY SHALL COMPARE THE VALUE WITH THAT DETERMINED IN THE PRECEDING ASSESSMENT. NOTWITHSTANDING THE PROVISIONS OF SECTION 273.17, THE AMOUNT OF THE INCREASE ENTERED IN THE CURRENT ASSESSMENT SHALL NOT EXCEED TEN PERCENT OF THE VALUE IN THE PRECEDING ASSESSMENT OR ONE FOURTH OF THE TOTAL AMOUNT OF THE INCREASE IN VALUATION WHICHEVER IS GREATER; THE EXCESS SHALL BE ENTERED IN A SUBSEQUENT YEAR OR YEARS; PROVIDED, HOWEVER, THAT IF THE AMOUNT OF THE INCREASE IN MARKET VALUE IS)

((i) MORE THAN TEN PERCENT BUT NO MORE THAN 20 PERCENT, THE EXCESS SHALL BE ENTERED IN THE FOLLOWING YEAR;)

((ii) MORE THAN 20 PERCENT BUT NO MORE THAN 40 PERCENT, TEN PERCENT SHALL BE ENTERED IN EACH SUBSEQUENT YEAR UNTIL THE AMOUNT REMAINING TO BE ENTERED IS LESS THAN 10 PERCENT IN WHICH CASE THE AMOUNT REMAINING WILL BE ENTERED IN THE NEXT SUBSEQUENT YEAR; OR)

((iii) MORE THAN 40 PERCENT, THE EXCESS SHALL BE ENTERED EQUALLY IN THE THREE SUBSEQUENT YEARS.)

((b) IN THE CASE OF PROPERTY DESCRIBED IN SECTION 273.13, SUBDIVISIONS 6, 7, 7b, 10, 12, 17, 17b AND 19, PLUS ALL AGRICULTURAL PROPERTY AND ALL REAL ESTATE DEVOTED TO TEMPORARY AND SEASONAL RESIDENTIAL OCCUPANCY FOR RECREATIONAL PURPOSES WHICH WAS NOT SUBJECT TO THE FIVE PERCENT LIMITATION IN VALUATION INCREASE FOR THE 1973 OR THE 1974 ASSESSMENT THAT WAS PREVIOUSLY PROVIDED PURSUANT TO MINNESOTA STATUTES 1974, SECTION 273.11, SUBDIVISION 2, THE VALUE TO BE USED FOR LEVYING THE 1976 TAXES PAYABLE IN 1977 SHALL BE SET AT THE AVERAGE PERCENT OF MARKET VALUE USED FOR THE RESPECTIVE CLASS OF PROPERTY IN THE 1976 TAX LEVIES IN ITS ASSESSMENT DISTRICT IF THE MARKET VALUE AS DETERMINED BY THE ASSESSOR PURSUANT TO SECTION 273.11, SUBDIVISION 1 EXCEEDS BY MORE THAN TEN PERCENT THE LIMITED MARKET VALUE ESTABLISHED FOR THAT CLASS OF PROPERTY. SUCH PROPERTY SHALL SUBSEQUENTLY INCREASE IN VALUE FOR PROPERTY TAX PURPOSES AS PRESCRIBED IN CLAUSE (A).)

Subd. 5. Notwithstanding any other provision of law to the contrary, the limitation contained in (SUBDIVISIONS) *subdivision* 1 (TO 5) shall also apply to the authority of the local board of review as provided in section 274.01, the county board of equalization as provided in section 274.13, and the state board of equalization and the commissioner of revenue as provided in section 270.11, 270.12 and 270.16 (, AND ANY INCREASE EFFECTED BY THESE BOARDS OVER THE VALUATION CURRENTLY BEING USED IN COMPUTING TAXES SHALL BE ADDED TO THE PREVIOUS ASSESSED VALUATION IN ANNUAL INCREMENTS AS PROVIDED IN SUBDIVISION 2).

Subd. 6. For purposes of property taxation, the market value of real and personal property installed prior to January 1, 1984,

which is a solar, wind, or agriculturally derived methane gas system used as a heating, cooling, or electric power source of a building or structure shall be excluded from the market value of that building or structure if the property is not used to provide energy for sale.

Sec. 3. Minnesota Statutes 1978, Section 273.122, is amended to read:

273.122 [FLEXIBLE HOMESTEAD BASE VALUE.] Subdivision 1. [HOMESTEAD BASE VALUE.] For (1975 AND PRIOR YEARS) *the 1979 assessment*, the homestead base value shall mean (\$12,000) *\$30,000* of market value of any property which qualifies as homestead property for assessment purposes. The homestead base value shall be increased in any subsequent assessment year as provided in subdivision 2.

Subd. 2. [HOMESTEAD BASE VALUE INDEX.] In assessment years subsequent to (1975) *1979*, the homestead base value shall be adjusted pursuant to the homestead base value index. The homestead base value index shall be computed by the equalization aid review committee for each year immediately preceding an assessment year. This index is computed in the following manner. The annual statewide average market value of homestead property as indicated by bona fide real estate sales during the year shall be divided by the statewide average market value of all homestead property sold in (1974) *1978*. This quotient is multiplied by 100. For each increase of a full three and one-half points in the index the homestead base value shall be increased (\$500) *\$1,000* in the following assessment year. On or before December 1 of any year preceding an assessment year the commissioner of revenue shall certify the homestead base value for that year.

Sec. 4. Minnesota Statutes 1978, Section 273.13, Subdivision 4, is amended to read:

Subd. 4. [CLASS 3.] (a) Tools, implements and machinery of an electric generating, transmission or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures, all agricultural land, except as provided by classes 1, 3b, 3e, all buildings and structures assessed as personal property and situated upon land of the state of Minnesota or the United States government which is rural in character and devoted or adaptable to rural but not necessarily agricultural use shall constitute class 3 and shall be valued and assessed at $33\frac{1}{3}$ percent of the market value thereof, except as provided in clause (b). Except as provided in subdivision 5a, all real property devoted to temporary and seasonal residential occupancy for recreational purposes, and which is not devoted to

commercial purposes for more than 200 days in the year preceding the year of assessment, shall be class 3 property and assessed accordingly. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for such use.

(b) For taxes (ASSESSED) *levied* in (1977) 1979, payable in (1978) 1980 and *subsequent years*, agricultural land and real property devoted to temporary and seasonal residential occupancy for recreation purposes which is classified as class 3 shall be assessed at (31) 26 percent of its market value (, AND FOR TAXES ASSESSED IN 1978, PAYABLE IN 1979 AND THEREAFTER, IT SHALL BE ASSESSED AT 30 PERCENT OF ITS MARKET VALUE).

Sec. 5. Minnesota Statutes 1978, Section 273.13, Subdivision 6, is amended to read:

Subd. 6. [CLASS 3B.] Agricultural land, except as provided by class 1 hereof, and which is used for the purposes of a homestead shall constitute class 3b and shall be valued and assessed at (18) 12 percent of the market value thereof in (1977) 1979, for taxes payable in (1978) 1980, and (AT 16 PERCENT THEREAFTER) *subsequent years*. The property tax to be paid on class 3b property as otherwise determined by law not exceeding (120) 240 acres less any reduction received pursuant to section 273.135, regardless of whether or not the market value is in excess of the homestead base value, shall be reduced by (45) 60 percent of the tax; provided that the amount of said reduction shall not exceed (\$325) \$700. (VALUATION SUBJECT TO RELIEF IN 1977 FOR TAXES PAYABLE IN 1978 SHALL BE LIMITED TO 120 ACRES OF LAND, MOST CONTIGUOUS SURROUNDING, OR BORDERING THE HOUSE OCCUPIED BY THE OWNER AS HIS DWELLING PLACE, AND, SUCH OTHER STRUCTURES AS MAY BE INCLUDED THEREON UTILIZED BY THE OWNER IN AN AGRICULTURAL PURSUIT. FOR TAXES LEVIED IN 1978 PAYABLE 1979 AND SUBSEQUENT YEARS.) Valuation subject to relief shall be limited to (160) 240 acres of land, most contiguous surrounding, (OR) bordering, or *closest to* the house occupied by the owner as his dwelling place, and such other structures as may be included thereon utilized by the owner in an agricultural pursuit. If the market value is in excess of the homestead base value, the amount in excess of that sum shall be valued and assessed at (31) 26 percent of its market value in (1977,) 1979 for taxes payable in (1978,) 1980 and (AT 30 PERCENT THEREAFTER) *subsequent years*. The first \$12,000 market value of each tract of real estate which is rural in character and devoted or adaptable to rural but not necessarily agricultural use, used for the purpose of a homestead shall be exempt from taxation for state purposes; except as specifically provided otherwise by law.

Agricultural land as used herein, and in section 273.132, shall mean contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land and land included in federal farm programs.

Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

Ses. 6. Minnesota Statutes 1978, Section 273.13, Subdivision 6a, is amended to read:

Subd. 6a. [HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP.] (a) Each family farm corporation and each partnership operating a family farm shall be entitled to class 3b assessment and shall be eligible for the credit provided in subdivision 6 for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Such a homestead shall not exceed (160) 240 acres, and shall be assessed as provided in subdivision 6, notwithstanding the fact that legal title to the property may be in the name of the corporation or partnership and not in the name of the person residing thereon. "Family farm corporation" and "family farm" shall mean as defined in section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership shall also be assessed as class 3b property, and be entitled to the credit provided in subdivision 6, but the property eligible shall be limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and shall not include any other structures that may be located thereon.

Sec. 7. Minnesota Statutes 1978, Section 273.13, Subdivision 7, is amended to read:

Subd. 7. [CLASS 3C, 3CC.] All other real estate and class 2a property, except as provided by classes 1 and 3cc, which is used for the purposes of a homestead, shall constitute class 3c, and shall be valued and assessed at (22) 19 percent of the market value thereof in (1977,) 1979 for taxes payable in (1978,) 1980 and (AT 20 PERCENT THEREAFTER) subsequent years. The property tax to be paid on class 3c property as otherwise determined by law, less any reduction received pursuant to section

273.135, regardless of whether or not the market value is in excess of the homestead base value, shall be reduced by (45) 60 percent of the amount of such tax; provided that the amount of said reduction shall not exceed (\$325) \$700. If the market value is in excess of the sum of the homestead base value, the amount in excess of that sum shall be valued and assessed at (36) 32 percent of market value in (1977,) 1979 for taxes payable in (1978,) 1980 and (AT 33 1/3 PERCENT THEREAFTER) *subsequent years*. The first \$12,000 market value of each tract of such real estate used for the purposes of a homestead shall be exempt from taxation for state purposes; except as specifically provided otherwise by law. Class 3cc property shall include (ONLY) real estate or *class 2a property* which is

(A) used for the purposes of a homestead by

((A)) (1) any blind person (, IF SUCH BLIND PERSON IS THE OWNER THEREOF OR IF SUCH BLIND PERSON AND HIS OR HER SPOUSE ARE THE SOLE OWNERS THEREOF) *or the surviving spouse of a blind person who continues to own and occupy the homestead of the deceased blind person and has not remarried; or*

((B)) (2) any person (hereinafter referred to as veteran) who:

((1)) (a) served in the active military or naval service of the United States and

((2)) (b) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair, and

((3)) (c) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability; or

(3) *the surviving spouse of a deceased veteran who received the 3cc classification pursuant to clause (2) and has retained the veteran's special housing unit as his or her homestead and has not remarried; or*

((C)) (4) any person who:

((1)) (a) is permanently and totally disabled and

((2)) (b) is receiving

(i) aid from any state or political subdivision as a result of that disability, or

(ii) supplemental security income for the disabled, or

(iii) workers' compensation based on a finding of total and permanent disability, or

(iv) social security disability, or

(v) aid under the federal railroad retirement act of 1937, 45 United States Code Annotated, Section 228b(a)5, or

(vi) income from a private disability plan; (WHICH AID IS AT LEAST 90 PERCENT OF THE TOTAL INCOME OF SUCH DISABLED PERSON FROM ALL SOURCES) or

(5) the surviving spouse of a permanently and totally disabled person who received the 3cc classification pursuant to clause (4) and who continues to own and occupy the homestead of the deceased disabled person and has not remarried; or

(6) a person who has residing in his household a blind person as described in clause (1), or a paraplegic veteran as described in clause (2), or a permanently and totally disabled person as described in clause (4) and who has made major improvements to his homestead such as wheelchair ramps, bathroom modifications, widened doorways or similar improvements, which are necessary for such person to remain a resident in that home; and

(B) the "household income" of the claimant filing for the property tax refund pursuant to chapter 290A for the preceding year was \$20,000 or less. For purposes of this clause, the definitions contained in section 290A.03 shall be applicable.

Class 3cc property shall be valued and assessed at five percent of the market value thereof. 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 him an income. For purposes of this subdivision a person is said to be blind if his central acuity is 20/200 or less in his better eye with the use of a correcting lens. An eye which is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees shall be considered as having a central visual acuity of 20/200 or less. The property tax to be paid on class 3cc property as otherwise determined by law, less any reduction received pursuant to section 273.135, regardless of whether or not the market value is in excess of the homestead base value, for all purposes shall be reduced by (45) 60 percent of the amount of such tax; provided that the amount

of said reduction shall not exceed (\$325) \$700. If the market value is in excess of the sum of (\$28,000) \$30,000, the amount in excess of that sum shall be valued and assessed at (31) 26 percent in (1977,) 1979 for taxes payable in (1978) 1980 and (30 PERCENT THEREAFTER) subsequent years, in the case of agricultural land used for a homestead and (36) 32 percent in the case of all other real estate used for a homestead for taxes payable in (1978) 1980 (AND 33 1/3 PERCENT FOR TAXES PAYABLE IN 1979) and subsequent years. *If a homestead is owned and occupied by a person described in clause (A) of this subdivision and one other joint tenant, and the household income requirement in clause (B) is satisfied, then that property shall receive the 3cc classification.*

Sec. 8. Minnesota Statutes 1978, Section 273.13, Subdivision 14a, is amended to read:

Subd. 14a. [BUILDINGS AND APPURTENANCES ON LAND NOT OWNED BY OCCUPANT.] The property tax to be paid in respect of the value of all buildings and appurtenances thereto owned and used by the occupant as a permanent residence, which are located upon land subject to property taxes and the title to which is vested in a person or entity other than the occupant, for all purposes shall be reduced by (45) 60 percent of the amount of the tax in respect of said value as otherwise determined by law, but not by more than (\$325) \$700.

Sec. 9. Minnesota Statutes 1978, Section 273.13, Subdivision 19, is amended to read:

Subd. 19. [CLASS 3D.] Residential real estate, other than seasonal residential, recreational and homesteads shall be classified as class 3d property and shall have a taxable value (EQUAL TO 40 PERCENT OF MARKET VALUE,) *as follows:*

(a) *Residential real estate containing three or less units shall be valued and assessed at 32 percent except as provided in clause (d);*

(b) *Residential real estate containing four or more units shall be valued and assessed at 40 percent;*

(c) Residential real estate as used (HEREIN) in this subdivision means real property used or held for use by the owner thereof; or by his tenants or lessees as a residence for rental periods of 30 days or more, but shall not include homesteads, or real estate devoted to temporary or seasonal residential occupancy for recreational purposes. Where a portion of a parcel of property qualified for class 3d and a portion does not qualify for class 3d the valuation shall be apportioned according to the respective uses (.);

(d) Residential real estate containing less than three units when entitled to homestead classification for one or more units shall be classed as 3b, 3c or 3cc according to the provisions of subdivisions 6 and 7.

Sec. 10. Minnesota Statutes 1978, Section 273.17, Subdivision 1, is amended to read:

273.17 [ASSESSMENT OF REAL PROPERTY.] Subdivision 1. In every year, on January 2, the assessor shall also assess all real property that may have become subject to taxation since the last previous assessment, including all real property platted since the last real estate assessment, and all buildings or other structures of any kind, whether completed or in process of construction, of over \$1,000 in value, the value of which has not been previously added to or included in the valuation of the land on which they have been erected. The newly assessed property shall be valued initially at a value not exceeding the average percent of market value used in the tax levies for its respective class of property in its assessment district (IF THE MARKET VALUE AS DETERMINED BY THE ASSESSOR PURSUANT TO SECTION 273.11, SUBDIVISION 1 EXCEEDS BY MORE THAN TEN PERCENT THE LIMITED MARKET VALUE ESTABLISHED FOR THAT CLASS OF PROPERTY. THE ASSESSMENT SHALL BE INCREASED TO MARKET VALUE IN ANNUAL INCREMENTS AS PROVIDED IN SECTION 273.11, SUBDIVISION 2 UNTIL SUCH TIME AS THE PROPERTY IS REASSESSED). He shall make return thereof to the county auditor, with his return of personal property, showing the tract or lot on which each structure has been erected and the market value added thereto by such erection. Every assessor shall list, without revaluing, in each year, on a form to be prescribed by the commissioner of revenue, all parcels of land that shall have become homesteads or shall have ceased to be homesteads for taxation purposes since the last real estate assessment, and other parcels of land when the use of the land requires a change in classification or the land has been incorrectly classified in a previous assessment.

The county auditor shall note such change in the assessed valuation upon the tax lists, caused by a change in classification, and shall calculate the taxes for such year on such changed valuation. In case of the destruction by fire, flood, or otherwise of any building or structure, over \$100 in value, which has been erected previous to the last valuation of the land on which it stood, or the value of which has been added to any former valuation, the assessor shall determine, as nearly as practicable, how much less such land would sell for at private sale in consequence of such destruction, and make return thereof to the auditor.

Sec. 11. Minnesota Statutes 1978, Section 273.132, is amended to read:

273.132 [STATE PAID AGRICULTURAL CREDIT.] The county auditor shall reduce the tax for school purposes on all property receiving the homestead credit pursuant to section 273.13, subdivision 6, by an amount equal to the tax levy that would be produced by applying a rate of (15) 17 mills on the property. The county auditor shall reduce the tax for school purposes on all other agricultural lands and all real estate devoted to temporary and seasonal residential occupancy for recreational purposes, but not devoted to commercial purposes, by an amount that would be produced by applying a rate of ten mills on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections.

In 1977, payment shall be made according to the procedure provided in section 273.13, subdivision 15a, for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in this section. In 1978, payment shall be made pursuant to sections 124.212, subdivision 7b and 124.11, for the purpose of replacing revenue lost as a result of the reduction in property taxes provided in this section. There is appropriated from the general fund in the state treasury to the commissioner of revenue the amount necessary to make these payments in fiscal year 1978. There is appropriated from the general fund in the state treasury to the department of education the amount necessary to make these payments in fiscal year 1979 and thereafter.

Sec. 12. Minnesota Statutes 1978, Section 290A.03, Subdivision 11, is amended to read:

Subd. 11. [RENT CONSTITUTING PROPERTY TAXES.] "Rent constituting property taxes" means (22) 25 percent of the gross rent actually paid in cash, or its equivalent, or that portion of gross rent which is paid in lieu of property taxes, in (1977) 1979 or any subsequent calendar year by a claimant solely for the right of occupancy of his Minnesota homestead in the calendar year, and which rent constitutes the basis, in the succeeding calendar year of a claim for relief under sections 290A.01 to 290A.21 by the claimant.

Sec. 13. Minnesota Statutes 1978, 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 home-

stead before reductions made pursuant to section 273.13, subdivisions 6 and 7, but after deductions made pursuant to sections 273.132 and 273.135, in 1977 or any calendar year thereafter. 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 in the determination of federal adjusted gross income. For homesteads which are mobile homes as defined in section 168.011, subdivision 8, "property taxes payable" shall also include (22) 25 percent of gross rent paid in the preceding year for the site on which the homestead is located, exclusive of charges for utilities or services. 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 and his 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.

Sec. 14. Minnesota Statutes 1978, Section 290A.04, Subdivision 2, is amended to read:

Subd. 2. The refund shall be paid to claimants whose property taxes payable exceed the following percentages of their income, up to the designated maximum credit amounts:

For claimants earning:

\$0 to (\$2,999) \$3,599, 0.5 percent up to \$475;

(3,000) 3,600 to (3,999) 4,799, 0.6 percent, up to \$475;

(4,000) 4,800 to (4,999) 5,999, 0.7 percent, up to \$475;

(5,000) 6,000 to (5,999) 7,199, 0.8 percent, up to \$475;

(6,000) 7,200 to (6,999) 8,399, 0.9 percent, up to \$475;

(7,000) 8,400 to (7,999) 9,599, 1.0 percent up to \$475;

(8,000) 9,600 to (8,999) 10,799, 1.1 percent, up to \$475;

(9,000) 10,800 to (9,999) 11,999, 1.2 percent, up to \$475;

(10,000) 12,000 to (10,999) 13,199, 1.3 percent, up to \$475;

(11,000) 13,200 to (11,999) 14,399, 1.4 percent, up to \$475;
(12,000) 14,400 to (19,999) 23,999, 1.5 percent, up to \$475;
(20,000) 24,000 to (22,999) 27,599, 1.6 percent, up to \$475;
(23,000) 27,600 to (25,999) 31,199, 1.8 percent, up to \$425;
(26,000) 31,200 to (30,999) 37,199, 2.0 percent, up to \$375;
(31,000) 37,200 to (35,999) 43,199, 2.2 percent, up to \$350;
(36,000) 43,200 to (40,999) 49,199, 2.4 percent, up to \$325;
(41,000) 49,200 to (44,999) 53,999, 2.6 percent, up to \$325;
(45,000) 54,000 to (52,999) 63,599, 2.8 percent, up to \$325;
(53,000) 63,600 to (65,999) 79,199, 3.0 percent, up to \$325;
(66,000) 79,200 to (81,999) 98,399, 3.2 percent, up to \$325;
(82,000) 98,400 to (99,999) 119,999, 3.5 percent, up to \$325;
(100,000) 120,000 and over, 4.0 percent, up to \$325;

provided that maximum credits for incomes above (\$20,000) \$24,000 decline according to the following schedule:

between (\$20,000) \$24,000 and (\$26,000) \$31,200 decline (\$16.67) \$1.39 per (\$1,000) \$100; between (\$26,000) \$31,200 and (\$36,000) \$43,200 decline (\$5) \$.42 per (\$1,000) \$100.

The payment made to a claimant shall be the amount of refund calculated pursuant to this subdivision, but not exceeding \$675, less the homestead credit given pursuant to section 273.13, subdivisions 6 and 7.

Sec. 15. Minnesota Statutes 1978, Section 290A.04, Subdivision 2a, is amended to read:

Subd. 2a. An additional refund shall be allowed each claimant who was not disabled or who had not attained the age of 65 by June 1 of the year in which the taxes were payable (AND WHOSE CLAIM IS BASED ON TAXES PAID ON THE HOME HE OWNS) in an amount equal to (35) 50 percent of the amount by which property taxes payable (AND) or rent constituting property taxes exceed the sum of (a) the refund calculated pursuant to subdivision 2 and (b) the percentage of the claimant's household income specified in subdivision 2. The

sum of the refunds provided in subdivision 2 and this subdivision shall not exceed the maximum amounts provided below.

For claimants earning:

\$0 to (19,999) 23,999, up to (\$800) \$1,100;

(20,000) 24,000 to (25,999) 43,199, up to (\$800) \$1,100;

(26,000 TO 35,999, UP TO \$650;)

(36,000) 43,200 and over, up to \$325;

provided that maximum refunds for incomes above (\$20,000) \$24,000 decline according to the following schedule:

between (\$20,000) \$24,000 and (\$26,000) \$43,200 decline (\$25) \$4.04 per (\$1,000; BETWEEN \$26,000 AND \$36,000 DECLINE \$32.50 PER \$1,000) \$100. A claimant who owns his own homestead part of the year and rents part of the year may add his rent constituting property taxes to the qualifying tax on his homestead and receive the additional refund provided in subdivision 2a.

Sec. 16. Minnesota Statutes 1978, Section 290A.04, Subdivision 2b, is amended to read:

Subd. 2b. An additional refund shall be allowed each claimant who is disabled or has attained the age of 65 by June 1 of the year in which the taxes were payable in an amount equal to 50 percent of the amount by which property taxes payable or rent constituting property taxes exceed the sum of (a) the refund calculated pursuant to subdivision 2 and (b) the percentage of the claimant's household income specified in subdivision 2. The sum of the refunds provided in subdivision 2 and this subdivision shall not exceed the maximum amounts provided below.

For claimants earning:

\$0 to (19,999) 23,999, up to (\$800) \$1,100;

(20,000) 24,000 to (22,999) 43,199, up to (\$800) \$1,100;

(23,000 TO 25,999, UP TO \$763;)

(26,000 TO 35,999, UP TO \$725;)

(36,000) 43,200 and over, up to \$525;

provided that maximum refunds for incomes above (\$20,000) \$24,000 decline according to the following schedule:

between (\$20,000) \$24,000 and (\$26,000) \$43,200 decline (\$12.50) \$3.00 per (\$1,000; BETWEEN \$26,000 AND \$36,000 DECLINE \$20 PER \$1,000) \$100.

In the case of a claimant who was disabled on or before June 1 or who attained the age of 65 on the date specified in subdivision 1, the refund shall not be less than the refund which the claimant's household income as defined in section 290A.03 and property tax or rent constituting property tax would have entitled him to receive under Minnesota Statutes 1974, Section 290.0618.

Sec. 17. Minnesota Statutes 1978, Section 290A.04, is amended by adding a subdivision to read:

Subd. 2c. [INFLATION ADJUSTMENT.] For claims based on property taxes payable in 1981 and rent constituting property taxes paid in 1980 and thereafter, the income amounts in subdivisions 2, 2a, and 2b shall be adjusted for inflation. The commissioner of revenue shall determine and announce by September 1, 1981, the percentage increase from June, 1980, to June, 1981, in the revised all urban consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The income amounts in subdivisions 2, 2a and 2b shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted income amounts which shall be allowed under this subdivision for claims based on property taxes payable in 1981 and rent constituting property taxes paid in 1980.

The commissioner of revenue shall determine and announce by September 1, 1982, and each succeeding year, the percentage increase from June, 1981, to June, 1982, in the revised all urban consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The income amounts in subdivisions 2, 2a and 2b, as adjusted the previous year, shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted income amounts for claims based on property taxes payable in 1982 and rent constituting property taxes paid in 1981 and each succeeding year.

Sec. 18. Minnesota Statutes 1978, Section 290A.04, Subdivision 3, is amended to read:

Subd. 3. The commissioner of revenue shall construct and make available to taxpayers a comprehensive table showing the property taxes to be paid and credit allowed at various levels of income and assessment. The table shall follow the schedule of

income percentages, maximums and other provisions specified in (SUBDIVISION) subdivisions 2, 2a, 2b, and 2c, except that the commissioner may graduate the transition between income brackets.

For homestead property owners who are disabled or are 65 or older, as provided in subdivision 1, the commissioner shall base his determination of the credit on the gross qualifying tax reduced by the average statewide effective homestead credit percentage for taxes payable in 1975 calculated under section 273.13, subdivisions 6 and 7.

Sec. 19. Minnesota Statutes 1978, Section 462.358, is amended by adding subdivisions to read:

Subd. 1a. Municipalities may apply subdivision regulations, or portions thereof, to the separation of new parcels of less than 20 acres from existing parcels of record and may deny building permits to any parcels so separated which do not comply with the subdivision regulations.

Subd. 4b. [DISCLOSURE BY SELLER; BUYER'S ACTION FOR DAMAGES.] After the effective date of this section, any person conveying a new parcel of land which, or the plat for which, has not previously been filed or recorded, and which is part of or would constitute a subdivision to which adopted municipal subdivision regulations apply, shall attach to the instrument of conveyance either: (a) recordable certification by the municipality that the subdivision has been approved, or that the subdivision regulations do not apply, or that the restrictions on the division of taxes and filing and recording have been waived by resolution of the governing body of the municipality in this case because compliance will create an unnecessary hardship and failure to comply will not interfere with the purpose of the regulations; or (b) a statement which names and identifies the location of the appropriate municipal offices and advises the buyer that municipal subdivision and zoning regulations may restrict the use or restrict or prohibit the development of the parcel, or construction on it, and that the division of taxes and the filing or recording of the conveyance may be prohibited without prior recordable certification of approval or waiver from the municipality. In any action commenced by a buyer of such a parcel against the seller thereof, the misrepresentation of or the failure to disclose material facts in accordance with this subdivision shall be a grounds for damages. If the buyer establishes his right to damages, a district court hearing the matter may in its discretion also award to the buyer an amount sufficient to pay all or any part of the costs incurred in maintaining the action, including reasonable attorney fees, and an amount for punitive damages not exceeding five per centum of the purchase price of the land.

Subd. 4c. [MUNICIPALITY; INJUNCTION; FINES.] A municipality may enjoin a conveyance or transfer which would violate the provisions of subdivision 4b or section 19 of this article. Any subdivider or seller of land who conveys or causes to be conveyed a lot or parcel in violation of subdivision 4b and any subdivider or seller or buyer who causes the transfer or division of land or assessed valuation upon the books of the county auditor or the recording thereof in violation of section 19 of this article shall forfeit and pay to the municipality a fine of not more than \$1,000. A municipality may recover the penalty by a civil action in a court of competent jurisdiction. The court may in its discretion award to the municipality an amount sufficient to pay all or any part of the costs incurred by the municipality in maintaining the action, including reasonable attorney fees.

Sec. 20. Minnesota Statutes 1978, Chapter 272, is amended by adding a section to read:

[272.162] [TRANSFER OF SPECIFIC PART; RESTRICTIONS.] *When a deed or other instrument creating or conveying a new parcel of land which, or the plat for which has not previously been filed or recorded, is presented to the county auditor for transfer or division pursuant to sections 272.12, 272.16, and 272.161, if the part to be conveyed is located within the area of application of municipal subdivision regulations adopted and filed pursuant to section 462.36, subdivision 1, and is part of or would constitute a subdivision, the auditor shall not transfer or divide the land or assessed valuation upon the books of his office nor certify the instrument for recording by the county recorder or registrar of titles unless the conveyance includes recordable certification by the municipality that the subdivision has been approved, or that the municipal subdivision regulations do not apply, or that the restrictions on the division of taxes and filing and recording have been waived by resolution of the governing body of the municipality in this case because compliance will create an unnecessary hardship and failure to comply will not interfere with the purpose of the regulations. The exceptions and the penalties for violation prescribed by section 272.12 shall apply also to the requirements imposed by this section.*

Sec. 21. Minnesota Statutes 1978, Section 462.36, Subdivision 1, is amended to read:

462.36 [CERTIFIED COPIES FILED.] Subdivision 1. [REQUIRED DOCUMENTS.] *A certified copy of every municipal ordinance, resolution, map, or regulation adopted under the provisions of sections 462.358 and 462.359 and amendments thereto, together with a description of the territory to which they apply, shall be filed with the county recorder and auditor of the county or counties in which the municipality (ADOPTING IT IS) and territory are located. Ordinances, resolutions, maps or regulations filed with the county recorder pursuant to this subdivision do not constitute encumbrances on real property.*

Sec. 22. *Minnesota Statutes 1978, Section 462.352, Subdivision 4, is repealed.*

Sec. 23. [EFFECTIVE DATE.] *Sections 1 through 11 are effective for taxes levied in 1979 payable in 1980 and subsequent years, except that the portion of section 7 which redefines who is eligible to receive the 3cc classification is effective for taxes levied in 1980, payable in 1981 and thereafter. If a taxpayer received the 3cc homestead classification for taxes levied in 1979 payable in 1980 and as a result of the changes made in section 7 does not continue to qualify for the 3cc classification, the assessor shall continue the 3cc classification to that homestead. Sections 12 through 16 and 18 are effective for claims based on property taxes payable in 1980 and rent constituting property taxes paid in 1979 and subsequent years. Section 17 is effective for claims based on property taxes payable in 1981 and rent constituting property taxes paid in 1980 and subsequent years.*

ARTICLE IX RAILROAD TAXATION

Section 1. *Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:*

[270.80] [DEFINITIONS.] *Subdivision 1. The following words and phrases when used in sections 1 to 13, unless the context clearly indicates otherwise, shall have the meanings ascribed to them in this section.*

Subd. 2. *"Railroad company" means any company which as a common carrier operates a railroad or a line or lines of railway situated within or partly within Minnesota.*

Subd. 3. *"Operating property" means all property owned or used by a railroad company in the performance of railroad transportation services, including without limitation franchises, rights-of-way, bridges, trestles, shops, docks, wharves, buildings and structures.*

Subd. 4. *"Nonoperating property" means and includes all property other than property defined in subdivision 3. Nonoperating property shall include real property which is leased or rented or available for lease or rent to any person which is not a railroad company. Vacant land shall be presumed to be available for lease or rent if it has not been used as operating property for a period of one year preceding the valuation date.*

Subd. 5. *"Commissioner" means the commissioner of revenue.*

Sec. 2. *Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:*

[270.81] [TAXATION AND ASSESSMENT OF RAILROAD COMPANY PROPERTY.] *Subdivision 1. The operating property of every railroad company doing business in Minnesota shall be valued by the commissioner in the manner prescribed by sections 1 to 13.*

Subd. 2. The nonoperating property of every railroad company doing business in Minnesota shall be assessed as otherwise provided by law.

Subd. 3. The commissioner shall have exclusive primary jurisdiction to determine what is operating property and what is nonoperating property. In making such determination, the commissioner shall solicit information and opinions from outside his department and afford all interested persons an opportunity to submit data or views on the subject in writing or orally.

Subd. 4. In no event shall property owned or used by a railroad, whether operating property or nonoperating property, be subject to tax hereunder unless such property is of a character which would otherwise be subject to tax under the provisions of Minnesota Statutes, Chapter 272.

Subd. 5. Prior to the promulgation of permanent rules the commissioner may exercise temporary rule-making authority as provided in section 15.0412, subdivision 5, to implement the provisions of this act. The commissioner shall solicit information and opinions from outside his department as provided in section 15.0412, subdivision 6, before adopting these rules. Notwithstanding the provisions of section 15.0412, subdivision 5, rules adopted pursuant to this section shall be effective until permanent rules are adopted pursuant to chapter 15 or until May 1, 1980, whichever occurs first.

Sec. 3. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.82] [REPORTS OF RAILROAD COMPANIES.] *Subdivision 1. Every railroad company doing business in Minnesota shall annually file with the commissioner on or before April 30 a report under oath setting forth the information prescribed by the commissioner to enable him to make the valuation and equalization required by sections 1 to 13.*

Subd. 2. The commissioner for good cause may extend the time for filing the report required by subdivision 1.

Sec. 4. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.83] [EXAMINATIONS AND INVESTIGATIONS.]

Subdivision 1. The commissioner shall have the power to examine or cause to be examined any books, papers, records, or memoranda relevant to the determination of the valuation of operating property as herein provided. The commissioner shall have the further power to require the attendance of any person having knowledge or information in the premises, to compel the production of books, papers, records, or memoranda by persons so required to attend, to take testimony on matters material to such determination and administer oaths or affirmations.

Subd. 2. For the purpose of making such examinations, the commissioner may appoint such persons as he may deem necessary. Such persons shall have the rights and powers of the examining of books, papers, records or memoranda, and of subpoenaing witnesses, administering oaths and affirmations, and taking of testimony, which are conferred upon the commissioner hereby. The clerk of any court of record, upon demand of any such person, shall issue a subpoena for the attendance of any witness or the production of any books, papers, records, or memoranda before such person. The commissioner may also issue subpoenas for the appearance of witnesses before him or before such persons. Disobedience of subpoenas so issued shall be punished by the district court of the district in which the subpoena is issued for a contempt of the district court.

Subd. 3. If any railroad company shall refuse or neglect to make the report required by this section to the commissioner, or shall refuse or neglect to permit an inspection and examination of its property, records, books, accounts or other papers when requested by the commissioner, or shall refuse or neglect to appear before the commissioner or a person appointed under subdivision 2 when required so to do, the commissioner shall make the valuation provided for by sections 1 to 13 against the railroad company according to his best judgment on available information.

Sec. 5. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.84] [ANNUAL VALUATION OF OPERATING PROPERTY.]

Subdivision 1. The commissioner shall annually between April 30 and July 31 make a determination of the fair market value of the operating property of every railroad company doing business in this state as of January 2 of the year in which the valuation is made. In determining the fair market value of the portion of operating property within this state, the commissioner shall value the operating property as a unit, taking into consideration the value of the operating property of the entire system, and shall allocate to this state that part thereof which is a fair and reasonable proportion of said entire system valuation. If the commissioner uses original cost as a factor in determining the unit value of operating property, no deprecia-

tion or obsolescence allowance shall be permitted. However, if the commissioner uses replacement cost as a factor in determining the unit value of operating property, then a reasonable depreciation and obsolescence allowance may be used.

The commissioner shall give a report to the legislature in February 1980 and in February 1981 on the formula which he has used to determine the unit value of railroad operating property pursuant to this article. This report shall also contain the valuation for payable 1980 and 1981 by company and the taxes payable in 1980 and 1981 by company based upon the valuation of operating property. The legislature may review the formula, the valuation, and the resulting taxes and may make changes in the formula that it deems necessary.

Subd. 2. After the commissioner has determined the fair market value of the operating property of each railroad company, he shall give notice by first class mail to the railroad company of the valuation.

Sec. 6. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.85] [REVIEW OF VALUATION.] A railroad company may within 15 days of receipt of the notice of valuation file a written request for a conference with the commissioner relating to the value of its operating property. The commissioner shall thereupon designate a time and place for the conference which he shall conduct, upon commissioner's entire files and records and such further information as may be offered. Said conference shall be held no later than 30 days after mailing of the commissioner's valuation notice. At a reasonable time after such conference the commissioner shall make a final determination of the fair market value of the operating property of the railroad company and shall notify the company promptly thereof.

Sec. 7. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.86] [APPORTIONMENT OF VALUATION.] Upon determination by the commissioner of the fair market value of the operating property of each railroad company, he shall apportion such value to the respective counties and to the taxing districts therein in conformity with fair and reasonable rules and standards to be established by the commissioner pursuant to notice and hearing, except as provided in section 2 of this article. In establishing such rules and standards the commissioner may consider (a) the physical situs of all station houses, depots, docks, wharves, and other buildings and structures with an original cost in excess of \$10,000; (b) the proportion that the length and type of all the tracks used by the railroad in such county and taxing district bears to the length and type of all the track used

in the state; and (c) other facts as will result in a fair and equitable apportionment of value.

Sec. 8. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.87] [CERTIFICATION TO COUNTY ASSESSORS.] *When the commissioner has made his annual determination of the fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein, he shall certify the fair market value to the county assessor, which shall constitute the fair market value of the operating property of the railroad company in such county and the taxing districts therein upon which taxes shall be levied and collected in the same manner as on the commercial and industrial property of such county and the taxing districts therein.*

Sec. 9. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.88] [PROCEEDINGS AND APPEALS.] *The commissioner's final determination under section 6 and his certification to county assessors under section 8 shall be final orders appealable to the tax court in accordance with chapter 271. Appeals by railroad companies under this article shall be taken against the commissioner and not against the county or taxing district to which payment is made. Upon the filing of any appeal by a railroad company, the commissioner shall give notice thereof by first class mail to each county which would be affected by the appeal.*

Sec. 10. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.89] [APPLICABILITY OF OTHER PROVISIONS.] *Section 297A.25, subdivision 1, clause (1) shall remain applicable to railroad companies subject to this article.*

Sec. 11. Minnesota Statutes 1978, Chapter 270, is amended by adding a section to read:

[270.90] [PAYMENT OF TAXES IN 1980 AND 1981 ONLY.] *For the years 1979 and 1980 only, after the commissioner has determined the market value of the operating property of each company under the provisions of sections 5 and 6, he shall compute the assessed value of the operating property by applying the classification percentage contained in section 273.13, subdivision 9. By March 1, 1980 and 1981, the commissioner shall compute the tax due from each company by applying the average statewide mill rate. The statement of taxes shall be sent to each company on or before April 1, 1980 and 1981, and shall indicate the assessed value of operating property, the mill rate applied in determining the taxes and the total amount of taxes due and*

payable. That amount shall be compared to the amount of gross earnings tax imposed under section 13 of this article. If the amount paid pursuant to section 13 is less than the amount computed in this section, the additional tax shall be payable to the commissioner and shall be deposited by him in the general fund of the state treasury. The provisions of section 279.01 pertaining to due dates and penalties for late payment of taxes for non-homestead property shall be applicable to the taxes payable under this section. If the amount paid pursuant to section 13 exceeds the amount computed in this section, the commissioner shall refund the amount of excess within 60 days. The amounts necessary to make the refunds provided in this section are appropriated to the commissioner from the general fund in the state treasury.

Sec. 12. Minnesota Statutes 1978, Section 272.02, Subdivision 1, is amended to read:

272.02 [EXEMPT PROPERTY.] Subdivision 1. Except as provided in other subdivisions of this section or in section 272.025, all property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds;
- (2) All public schoolhouses;
- (3) All public hospitals;
- (4) All academies, colleges, and universities, and all seminaries of learning;
- (5) All churches, church property, and houses of worship;
- (6) Institutions of purely public charity;
- (7) All public property exclusively used for any public purpose;
- (8) All natural cheese held in storage for aging by the original Minnesota manufacturer;
- (9) (a) Class 2 property of every household of the value of \$100, maintained in the principal place of residence of the owner thereof. The county auditor shall deduct such exemption from the total valuation of such property as equalized by the revenue commissioner assessed to such household, and extend the levy of taxes upon the remainder only. The term "household" as used in this section is defined to be a domestic establishment maintained either (1) by two or more persons living together within the same house or place of abode, subsisting in common and constituting a domestic or family relationship, or (2) by one person.

(b) During the period of his active service and for six months after his discharge therefrom, no member of the armed forces of the United States shall lose status of a householder under paragraph (a) which he had immediately prior to becoming a member of the armed forces.

In case there is an assessment against more than one member of a household the \$100 exemption shall be divided among the members assessed in the proportion that the assessed value of the Class 2 property of each bears to the total assessed value of the Class 2 property of all the members assessed. The Class 2 property of each household claimed to be exempt shall be limited to property in one taxing district, except in those cases where a single domestic establishment is maintained in two or more adjoining districts.

Bonds and certificates of indebtedness hereafter issued by the state of Minnesota, or by any county or city of the state, or any town, or any common or independent school district of the state, or any governmental board of the state, or any county or city thereof, shall hereafter be exempt from taxation; provided, that nothing herein contained shall be construed as exempting such bonds from the payment of a tax thereon, as provided for by section 291.01, when any of such bonds constitute, in whole or in part, any inheritance or bequest, taken or received by any person or corporation.

(10) Farm machinery manufactured prior to 1930, which is used only for display purposes as a collectors item;

(11) The taxpayer shall be exempted with respect to, all agricultural products, inventories, stocks of merchandise of all sorts, all materials, parts and supplies, furniture and equipment, manufacturers material, manufactured articles including the inventories of manufacturers, wholesalers, retailers and contractors; and the furnishings of a room or apartment in a hotel, rooming house, tourist court, motel or trailer camp, tools and machinery which by law are considered as personal property, and the property described in section 272.03, subdivision 1 (c), except personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures. *Railroad docks and wharves which are part of the operating property of a railroad company as defined in section 1 of this article are not exempt.*

(12) Containers of a kind customarily in the possession of the consumer during the consumption of commodities, the sale of which are subject to tax under the provisions of the excise tax imposed by Extra Session Laws 1967, Chapter 32;

(13) All livestock, poultry, all horses, mules and other animals used exclusively for agricultural purposes;

(14) All agricultural tools, implements and machinery used by the owners in any agricultural pursuit.

(15) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used.

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. Any such equipment or device shall meet standards, regulations or criteria prescribed by the Minnesota Pollution Control Agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information or advice to the commissioner. If the commissioner determines that property qualifies for exemption, he shall issue an order exempting such property from taxation. Any such equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota Pollution Control Agency remains in effect.

Sec. 13. Minnesota Statutes 1978, Section 295.02, is amended to read:

295.02 [ANNUAL RETURN.] Every railroad company owning or operating any line of railroad situated within, or partly within, this state shall, annually, pay to the commissioner of revenue, in lieu of all taxes upon all property within this state owned or operated for railway purposes by such company, including equipment, appurtenances, appendages and franchises thereof, a sum of money equal to (FIVE) *two* percent of the gross earnings derived from the operation of such line of railway within this state.

On or before September first, annually, each such railroad company shall file a true and just return of all such gross earnings for the six months ending June thirtieth, next preceding, and the tax of (FIVE) *two* percent thereon shall become due and payable to the state of Minnesota, in manner provided by law, on September first.

On or before March first, annually, each such railroad company shall file a true and just return of all such gross earnings for the six months ending December thirty-first, next preceding, and tax of (FIVE) *two* percent thereon shall become due and payable to the state of Minnesota, in manner provided by law, on March first. The payments of such sums at the times

hereinbefore set forth shall be in full and in lieu of all other taxes upon the property and franchises so taxed.

Such returns shall be filed with the commissioner, in such form as he shall prescribe, and the provisions of chapter 294 and acts amendatory thereto, shall be applicable to such railroad companies and to the returns and the taxes submitted therewith by them.

The lands acquired by public grant shall be and remain exempt from taxation until sold or contracted to be sold or conveyed, as provided in the respective acts whereby such grants were made or recognized.

Sec. 14. *Minnesota Statutes 1978, Sections 295.01, Subdivisions 2 and 3; 295.02; 295.03; 295.04; 295.05; 295.12; 295.13; and 295.14 are repealed.*

Sec. 15. *Section 14 shall be effective beginning for taxable years after December 31, 1980. The remainder of this article shall be in effect for all years beginning after December 31, 1978.*

ARTICLE X

HISTORICAL HERITAGE PRESERVATION PROPERTY

Section 1. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.1106] [HISTORICAL HERITAGE PRESERVATION PROPERTY; DELAYED ASSESSMENT OF VALUE ADDED DUE TO PRESERVATION ACTIVITIES.] *Subdivision 1. When property designated for heritage preservation by either the state historical society together with the local heritage preservation commission, if any, or by the local heritage preservation commission, if any, or by the local heritage preservation commission increases in value, any increase in value which results from restoration, preservation, or rehabilitation of the property shall not increase the assessed valuation of the property for a period of five years from the commencement of the restoration, preservation, or rehabilitation except as provided in this section. At the end of one year from the date of commencement of the restoration, preservation, or rehabilitation of the property, 20 percent of the increased value attributable to the restoration, preservation, or rehabilitation of the property shall be added to the assessed valuation of the property. At the end of each of the succeeding four years, an additional 20 percent of the increase in such value shall be added to the assessed valuation, so that at the end of five years the total assessed valuation of the property includes all the value added due to the restoration, preservation, or rehabilitation of the property. The five year delayed assess-*

ment period shall not be extended by the commencement of additional restoration, preservation, or rehabilitation of the property during the five year period following the initial commencement of the restoration, preservation, or rehabilitation.

Subd. 2. Application for delayed assessment shall be on forms prescribed by the commissioner of revenue. An application for delayed assessment shall be filed with the local assessor prior to the commencement of restoration, preservation, or rehabilitation of the property. If the application is filed after commencement of the restoration, preservation, or rehabilitation of the property, delayed assessment shall not be allowed for the year in which the application was filed, and the property shall be assessed for the year of filing at its full improved value, but shall have the benefit of the reduction in the four subsequent years, beginning with assessment of the added value at 40 percent in the year after filing, and adding 20 percent of the value of the improvements each year thereafter. If the period between commencement of restoration, preservation, or rehabilitation of the property and filing of the application is more than one year, delayed assessment shall not be allowed for that period but shall begin for the year after the filing at the level of assessment appropriate for that year. When delayed assessment is granted, the assessor shall record a notice thereof with the county recorder of the county where the property is located. After the restoration, preservation, or rehabilitation of the property is completed, the assessor shall file an amended notice which shall set forth the portion of market value to be added at the expiration of each year remaining in the five year period by reason of the delayed assessment. Filing fees to be paid to the county recorder shall be collected by the assessor from the person making application, for both filing of the notice and filing of the amended notice. Filing fees for the notice shall be forwarded to the county recorder of the county together with the notice within 30 days after granting the delayed assessment. Filing fees for filing the amended notice shall be forwarded to the county recorder of the county with the amended notice.

Subd. 3. In determining the value of lands for taxation, this section does not prohibit the recognition of factors independent of the restoration, preservation, or rehabilitation of the property which increase the value of the property. Restoration, preservation, or rehabilitation of the property shall not include the following activities: enlargement of or additions to or construction of annexes to the structure; construction of out buildings; or work performed on the structure after the completion of restoration, preservation, or rehabilitation of the property.

Sec. 2. [EFFECTIVE DATE.] This article is effective for restoration, preservation, or rehabilitation of property commenced after September 1, 1978, and for taxes levied in 1979 and thereafter, payable 1980 and thereafter.

ARTICLE XI

SEVERANCE PAY

Section 1. Minnesota Statutes 1978, Section 290.032, is amended by adding a subdivision to read:

Subd. 5. An amount distributed to an individual as severance pay upon discontinuation of the individual's employment due to termination of business operations by the individual's employer may be treated as a lump sum distribution according to the provisions of this section. For the payment to be treated as a lump sum distribution under this subdivision, the termination of the employer's business operation must be reasonably likely to be permanent and to involve the discharge within a period of one year of at least 75 percent of the persons employed by that employer at that site. For the purposes of this subdivision, "severance pay" shall mean an amount received for the cancellation of an employment contract or a collectively bargained termination payment in the nature of a substitute for income which would have been earned for personal services to be rendered in the future.

The minimum distribution allowance provided in sections 402 (e)(1)(C) and (D) of the Internal Revenue Code of 1954, as amended through December 31, 1978, shall not apply to the computation allowed under this subdivision.

Sec. 2. [EFFECTIVE DATE.] *Section 1 is effective for taxable years beginning after December 31, 1978."*

ARTICLE XII

POLLUTION CONTROL CREDIT

Section 1. Minnesota Statutes 1978, Section 290.06, Subdivision 9, is amended to read:

Subd. 9. [POLLUTION CONTROL EQUIPMENT, CREDIT.] (a) A credit of five percent of the net cost of equipment used primarily to abate or control pollutants to meet or exceed state laws, rules or standards to the extent the property is so used and which is included in section 290.09, subdivision 7, paragraph (A) (a) (THAT IS INSTALLED AND OPERATED WITHIN MINNESOTA EXCLUSIVELY TO PREVENT POLLUTION OF AIR, WATER, OR LAND IN ACCORDANCE WITH ENGINEERING PRINCIPLES APPROVED BY THE MINNESOTA POLLUTION CONTROL AGENCY,) may be deducted from the tax due under this chapter in the first year for which a depreciation deduction is allowed for the equipment. The credit allowed by this subdivision shall not exceed so much of the

liability for tax for the taxable year as does not exceed (\$50,000) \$75,000. *The credit shall apply only if the equipment meets rules prescribed by the Minnesota pollution control agency and is installed or operated in accordance with a permit or order issued by the agency.*

(b) If the amount of the credit determined under (a) for any taxable year for which a depreciation deduction is allowed exceeds the limitation provided by (a) for such taxable year (hereinafter in this subdivision referred to as the "unused credit year"), such excess shall be,

((1) A CREDIT CARRYBACK TO EACH OF THE THREE TAXABLE YEARS PRECEDING THE UNUSED CREDIT YEAR, AND)

((2)) a credit carryover to each of the (SEVEN) *four* taxable years following the unused credit year.

The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the (TEN) *four* taxable years to which ((BY REASON OF (1) AND (2))) such credit may be carried and then to each of the other (NINE) *three* taxable years; provided, however, the maximum credit allowable in any one taxable year under this subdivision (including the credit allowable under (a) and the (CARRYBACK OR) carry-forward allowable under this paragraph) shall in no event exceed (\$50,000) \$75,000.

(c) This subdivision shall apply to property acquired in taxable years beginning on or after January 1, (1969) 1977.

Sec. 2. Minnesota Statutes 1978, Section 290.06, Subdivision 9a, is amended to read:

Subd. 9a. [FEEDLOT POLLUTION CONTROL EQUIPMENT.] A credit of 10 percent of the net cost of pollution control and abatement equipment, including but not limited to, lagoons, concrete storage pits, slurry handling equipment, and other equipment and devices approved by the pollution control agency, purchased, installed and operated within the state by a feedlot operator to prevent pollution of air, land, or water in connection with the operation of a livestock feedlot, poultry lot or other animal lot, may be deducted from the tax due under this chapter in the taxable year in which such equipment is purchased; provided that no deduction shall be taken for any portion of the cost of the same equipment pursuant to subdivision 9. (THE CREDIT PROVIDED FOR IN SUBDIVISION 9 SHALL TERMINATE ON DECEMBER 31, 1976. THE CREDIT PROVIDED FOR IN THIS SUBDIVISION SHALL TERMINATE ON DECEMBER 31, 1980, EXCEPT ANY AMOUNTS THAT ARE CARRIED FORWARD TO A SUBSEQUENT YEAR

MAY BE TAKEN AS A CREDIT IN SUCH SUBSEQUENT YEARS.)

If the amount of the credit provided by this subdivision exceeds the taxpayer's liability for taxes pursuant to chapter 290 in the taxable year, beginning after December 31, 1972, in which the equipment is purchased, the excess amount may be carried forward to the four taxable years following the year of purchase. The entire amount of the credit not used in the year purchased shall be carried to the earliest of the four taxable years to which the credit may be carried and then to each of the three successive taxable years.

Sec. 3. Minnesota Statutes 1978, Chapter 298, is amended by adding a section to read:

[298.028] [POLLUTION CONTROL TAX CREDIT.] *Subdivision 1. A credit of five percent of the net cost of equipment used primarily to abate or control pollutants to meet or exceed state laws, rules or standards to the extent the property is so used may be deducted from the tax due under this chapter in the first year in which the equipment is installed.*

The credit allowed by this subdivision shall not exceed so much of the liability for tax for the taxable year as does not exceed \$75,000. The credit shall apply only if the equipment meets rules prescribed by the Minnesota pollution control agency and is installed or operated in accordance with a permit or order issued by the agency.

Subd. 2. If the amount of the credit determined under subdivision 1 for any taxable year exceeds the limitation provided in subdivision 1 for such taxable year, hereinafter referred to as the "unused credit year", such excess shall be a credit carryover to each of the four taxable years following the unused credit year.

The entire amount of the unused credit for an unused credit year shall be carried to the earliest of the four taxable years to which such credit may be carried and then to each of the other three taxable years; provided, however, the maximum credit allowable in any one taxable year under this subdivision, including the credit allowable under subdivision 1 and the carry-forward allowable under this paragraph, shall in no event exceed \$75,000.

Sec. 4. **[EFFECTIVE DATE.]** *Except as otherwise provided, sections 1 and 2 are effective the day following final enactment. Section 3 is effective for property acquired in a taxable year beginning after December 31, 1978.*

ARTICLE XIII

LEVY LIMITS

Section 1. Minnesota Statutes 1978, Section 275.11, Subdivision 2, is amended to read:

Subd. 2. In any (CITY OR) statutory *or home rule charter* city, (EXCEPT THOSE ORGANIZED ACCORDING TO CHAPTER 8, LAWS OF 1895,) in addition to the levy provided for in subdivision 1, an additional levy may be made for general and special fund purposes as herein provided:

If the Revised Consumer Price Index, as published by the United States Department of Labor, Bureau of Labor Statistics, for the city of Minneapolis (or if no such index is published for the city of Minneapolis, for the nearest city to Minneapolis for which such index is published), as of December 15 of any year (or for the date nearest to December 15 if no such index is published as of December 15), shall be above 102 (using the average for the years 1947-1949 as a base), the maximum levy limit shall, subject to the restrictions of this subdivision, be increased by $3\frac{1}{3}$ percent for each of the first 6 points that said index may be increased and by one percent for each additional point increased above 6. A fractional point increase shall be disregarded if less than one-half point and treated as one point if one-half point, or more. In any city where more than 25 percent of the assessed valuation consists of iron ore and in any statutory city, the levy permitted by this paragraph shall be in addition to any statutory or charter limitations. In any other city, the levy authorized by this paragraph shall be made within charter limitations.

Sec. 2. Minnesota Statutes 1978, Section 275.50, Subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in (1977) 1978 payable in (1978) 1979 and thereafter, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

(a) satisfy judgments rendered against the governmental subdivision by a court of competent jurisdiction in any tort action, or to pay the costs of settlements out of court against the governmental subdivision in a tort action when substantiated by a stipulation for the dismissal of the action filed with the court of competent jurisdiction and signed by both the plaintiff and the legal representative of the governmental subdivision, but only to the extent of the increase in levy for such judgments and out of court settlements over levy year 1970, taxes payable in 1971;

(b) pay the costs of complying with any written lawful order (INITIALLY) issued (PRIOR TO JANUARY 1, 1977) by the state of Minnesota, or the United States, or any agency or subdivision thereof, which is authorized by law, statute, special act or ordinance and is enforceable in a court of competent jurisdiction, or any stipulation agreement or permit for treatment works or disposal system for pollution abatement in lieu of a lawful order signed by the governmental subdivision and the state of Minnesota, or the United States, or any agency or subdivision thereof which is enforceable in a court of competent jurisdiction. The commissioner of revenue shall in consultation with other state departments and agencies, develop a suggested form for use by the state of Minnesota, its agencies and subdivisions in issuing orders pursuant to this subdivision;

(c) pay the costs to a governmental subdivision for their minimum required share of any program otherwise authorized by law, including the administrative costs of social services but not administrative costs of public assistance programs or of county welfare systems, for which matching funds have been appropriated by the state of Minnesota or the United States, but only to the extent that the costs to the governmental subdivision for the program exceed those expended in calendar year 1970, subject to rules promulgated by the commissioner of revenue pursuant to the administrative procedures act. Amounts levied pursuant to this clause which are in excess of the amount necessary to meet the minimum required share of a program shall be deducted from the general levy made in the following year;

(d) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law;

(e) pay the costs of principal and interest on bonded indebtedness, or, effective for taxes levied in 1973 and years thereafter, to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(f) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency;

(g) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

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

(i) pay the amounts required to compensate for a decrease in revenues from public service enterprises, municipal liquor stores, licenses, permits, fines and forfeits and no other, to the extent that the aggregate of revenues from these sources in the calendar year preceding the year of levy are less than the aggregate of revenues from these sources in calendar year 1971. "Revenues" from a public service enterprise or a municipal liquor store shall mean the net income or loss of such public service enterprise or municipal liquor store, determined by subtracting total expenses from total revenues, and before any contribution to or from the governmental subdivision. "Fines" for a municipal court means the net amount remaining after subtracting total municipal court expenses from total collections of municipal court fines. A governmental subdivision shall qualify for this special levy only if the decrease in aggregate revenues as computed herein and divided by the population of the governmental subdivision in the preceding levy year is equal to or greater than two percent of the per capita levy limitation for the preceding levy year;

(j) pay the amounts required to compensate for a decrease in mobile homes property tax receipts to the extent that the governmental subdivision's portion of the total levy in the current levy year, pursuant to section 273.13, subdivision 3, as amended, is less than the distribution of the mobile homes tax to the governmental subdivision pursuant to section 273.13, subdivision 3, in calendar year 1971;

(k) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission in levy year 1971 or a subsequent levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(l) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(m) pay the increased cost of municipal services as the result of an annexation or consolidation ordered by the Minnesota municipal board in levy year 1971 or a subsequent levy year, but only to the extent and for the levy years as provided

by the board in its order pursuant to section 414.01, subdivision 15. Special levies authorized by the board shall not exceed 50 percent of the levy limit base of the governmental subdivision and may not be in effect for more than three years after the board's order;

(n) pay the increased costs of municipal services provided to new private industrial and nonresidential commercial development, to the extent that the extension of such services are not paid for through bonded indebtedness or special assessments, and not to exceed the amount determined as follows. The governmental subdivision may calculate the aggregate of:

(1) The increased expenditures necessary in preparation for the delivering of municipal services to new private industrial and nonresidential commercial development, but limited to one year's expenditures one time for each such development;

(2) The amount determined by dividing the overall levy limitation established pursuant to sections 275.50 to 275.56, and exclusive of special levies and special assessments, by the total taxable value of the governmental subdivision, and then multiplying this quotient times the total increase in assessed value of private industrial and nonresidential commercial development within the governmental subdivision. For the purpose of this clause, the increase in the assessed value of private industrial and nonresidential commercial development is calculated as the increase in assessed value over the assessed value of the real estate parcels subject to such private development as most recently determined before the building permit was issued. In the fourth levy year subsequent to the levy year in which the building permit was issued, the increase in assessed value of the real estate parcels subject to such private development shall no longer be included in determining the special levy.

The aggregate of the foregoing amounts, less any costs of extending municipal services to new private industrial and nonresidential commercial development which are paid by bonded indebtedness or special assessments, equals the maximum amount that may be levied as a "special levy" for the increased costs of municipal services provided to new private industrial and nonresidential commercial development. In the levy year following the levy year in which the special levy made pursuant to this clause is discontinued, one-half of the amount of that special levy made in the preceding year shall be added to the permanent levy base of the governmental subdivision;

(o) recover a loss or refunds in tax receipts incurred in non-special levy funds resulting from abatements or court action in the previous year pursuant to section 275.48;

(p) pay amounts required by law to be paid to reduce unfunded accrued liability of public pension funds, including interest

thereon, in accordance with the actuarial standards and guidelines specified in sections 69.71 to 69.776 and 356.215 reduced for levy year 1977 and subsequent years by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(q) (THE AMOUNTS ALLOWED UNDER SECTION 174.27 TO) establish and administer a commuter van program as allowed under section 174.27;

(r) pay reasonable and necessary expenses incurred in preventing, preparing for or repairing the effects of a natural disaster. For purposes of this clause, "natural disaster" means the occurrence of or the threat of an occurrence of widespread or severe property damage, injury or loss of life resulting from natural causes, limited to fire, flood, earthquake, windstorm, wave action, oil spill, or other water contamination requiring action to avert danger or damage, volcanic activity, drought or air contamination. The emergency services division of the department of public safety shall formulate standards defining the level of property damage, injury or loss of life that has occurred or that would occur if preventive action were not taken, which will be deemed a natural disaster;

(s) pay the cost of complying with a law enacted by the 1971 or a subsequent legislature that directly requires a new or altered activity of the government after levy year 1977, taxes payable in 1978, but only to the extent of the increased cost of the activity resulting from legislatively mandated changes initially effective after levy year 1977, taxes payable in 1978; and

(t) pay the cost of complying with the social security amendments of 1977, Pub. L. 95-216, 91 Stat. 1509, but only to the extent of the resulting increased social security costs after levy year 1977, taxes payable in 1978.

Sec. 3. Minnesota Statutes 1978, Section 275.50, Subdivision 6, is amended to read:

Subd. 6. The cost to a governmental unit of implementing section 18.023, including sanitation and reforestation, as defined in section 18.023, subdivision 1, is a "special levy" and is not subject to tax levy limitations including those contained in sections 275.50 to 275.56 and in Laws 1969, Chapter 593, as amended by Laws 1974, Chapter 108, commencing with the levy made

in 1976, payable in 1977, and terminating with the levy made in (1978) 1980, payable in (1979) 1981. (A GOVERNMENTAL SUBDIVISION MAY MAKE A SUPPLEMENTARY LEVY IN 1977, PAYABLE IN 1978, FOR ALL COSTS OF IMPLEMENTING SECTION 18.023 INCURRED IN CALENDAR YEAR 1977 FOR WHICH A LEVY WAS NOT MADE IN 1976, PAYABLE IN 1977. FOR THE PURPOSE OF CALCULATING THE TAX LEVY LIMIT BASE UNDER SECTION 275.51, FOR LEVY YEAR 1977, TAXES PAYABLE 1978, THERE SHALL BE SUBTRACTED FROM THE LEVY LIMIT BASE OF ANY GOVERNMENTAL SUBDIVISION AN AMOUNT EQUAL TO 112 PERCENT OF THE AMOUNT LEVIED UNDER SECTION 18.023 IN LEVY YEAR 1974, TAXES PAYABLE 1975, AND INCLUDED IN THE LEVY LIMIT BASE OF THE GOVERNMENTAL SUBDIVISION AS A RESULT OF LAWS 1975, CHAPTER 437.)

Sec. 4. Minnesota Statutes 1978, Section 275.51, is amended by adding a subdivision to read:

Subd. 3e. The property tax levy limitation for governmental subdivisions in 1979 payable in 1980 and subsequent years shall be calculated as follows:

(a) *The sum of the following amounts shall be computed:*

(1) *the property tax permitted to be levied in 1978 payable 1979 computed pursuant to Minnesota Statutes 1978, Section 275.51, Subdivision 3d, plus*

(2) *the amount of any state aids the governmental subdivision was entitled to receive in calendar year 1979 pursuant to sections 477A.01; 298.26; 298.28, subdivisions 1 and 1a; 298.281, subdivision 1; 298.282; and 294.26, plus*

(3) *one-half of the amount of the special levy authorized under section 275.50, subdivision 5, clause (i) shall be added to the permanent levy limit base of the governmental subdivision in the year following the year in which it has been discontinued as a special levy pursuant to the provisions of section 275.50, subdivision 5, clause (i).*

(b) *The sum computed in clause (a) shall be increased annually in the manner provided in section 275.52 to derive the levy limit base for successive years.*

(c) *For taxes levied in 1980 payable 1981 and subsequent years, the levy limit base is the levy limit base which was computed for the immediately preceding year under the provisions of this section increased according to the provisions of section 275.52. Any amount levied in 1976 payable 1977 under the provisions of section 275.50, subdivision 5, clauses (a), (c), (e) or (f) of the 1976 edition of Minnesota Statutes, to meet the costs*

of programs, services or legal requirements which cease to exist in a subsequent year shall be subtracted from the levy limit base in the year in which the programs, services or legal requirements for which the levy was made cease to exist.

(d) The levy limit base shall be reduced by the total amount of state formula aids pursuant to section 477A.01 and taconite taxes and aids pursuant to sections 294.26; 298.26; 298.28, subdivision 1; and 298.282, to be paid in the calendar year in which property taxes are payable. As provided in section 298.28, subdivision 1, for taxes payable in 1980 and thereafter, one cent per taxable ton of the amount distributed under section 298.28, subdivision 1, clause (4)(c) shall not be deducted from the levy limit base of the counties that receive that aid. The resulting figure is the amount of property taxes which a governmental subdivision may levy for all purposes other than those for which special levies and special assessments are made.

Sec. 5. Minnesota Statutes 1978, Section 275.52, Subdivision 2, is amended to read:

Subd. 2. The levy limit base, as adjusted for previous increases pursuant to this section, may be increased each year by the governing body of the governmental subdivision affected thereby in the amount not to exceed (SIX) eight percent of the previous year's levy limit base for levy years 1978 and 1979 and in an amount not to exceed six percent of the previous year's base for subsequent years.

Sec. 6. Minnesota Statutes 1978, Section 275.52, Subdivision 5, is amended to read:

Subd. 5. For taxes levied in (1977) 1979 payable in (1978) 1980 or for taxes levied in (1978) 1980 payable in (1979) 1981 a city other than a city of the first class, town, or county not containing a city of the first class which, in the preceding levy year, levied at least 98 percent of its total limited levy amount, may determine to levy in excess of the limitation provided in sections 275.50 to 275.56 by not to exceed 10 percent of its levy limit base by passing a resolution setting forth the amount by which the levy limit is proposed to be exceeded. The resolution shall be published for four successive weeks in the official newspaper of the governmental subdivision or if there is no official newspaper, in a newspaper of general circulation therein, together with a notice fixing a date for a public hearing on the proposed increase which hearing shall be held not less than four weeks nor more than six weeks after the first publication of the resolution. Following the public hearing, the governing body may determine to take no further action, or in the alternative, adopt a resolution authorizing the levy as originally proposed, or adopt a resolution approving a levy in such lesser amount as it so determines. The resolution shall be published in the official newspaper of the governmental subdivision or

if there is no official newspaper, in a newspaper of general circulation therein. If within 30 days thereafter, a petition signed by voters equal in number to five percent of the votes cast in the governmental subdivision in the last general election or 2,000 voters, whichever is less, requesting a referendum on the proposed resolution is filed with the clerk or recorder of the governmental subdivision if the governmental subdivision is a city or town, or with the county auditor if the governmental subdivision is a county, the resolution shall not be effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at any such referendum. A levy increased pursuant to this subdivision, whether not challenged or approved at a referendum held at a special or general election held prior to October 1 in any levy year, increases the allowable levy in that same levy year and provides a permanent adjustment to the levy limit base of the governmental subdivision for future levy years. There shall be no reduction in distributions of formula aids to the governmental subdivision as a result of the additional levy.

Sec. 7. [REPEALER.] *Minnesota Statutes 1978, Section 275.51, Subdivision 3d, is repealed.*

ARTICLE XIV

INCOME OF NONRESIDENTS

Section 1. Minnesota Statutes 1978, Section 290.081, is amended to read:

290.081 [INCOME OF NONRESIDENTS, RECIPROCITY.] (a) The compensation received for the performance of personal or professional services within this state by an individual who resides and has his place of abode and place to which he customarily returns at least once a month in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of his residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein, or

(b) Whenever a nonresident taxpayer has become liable for income taxes to the state where he resides upon his net income for the taxable year derived from the performance of personal or professional services within this state and subject to taxation under this chapter, there shall be allowed as a credit against the amount of income tax payable by him under this chapter, such proportion of the tax so paid by him to the state where he resides as his gross income subject to taxation under this chapter bears to his entire gross income upon which the tax so paid to such other state was imposed; provided, that such

credit shall be allowed only if the laws of such state grant a substantially similar credit to residents of this state subject to income tax under such laws, or

(c) If any taxpayer who is a resident of this state, or a domestic corporation or corporation commercially domiciled therein, has become liable for taxes on or measured by net income to another state or a *province or territory of Canada* upon, if the taxpayer is an individual or a resident estate or resident trust, any income, or if it is a corporation, upon income derived from the performance of personal or professional services within such other state or *province or territory of Canada* and subject to taxation under this chapter he or it shall be entitled to a credit against the amount of taxes payable under this chapter, of such proportion thereof, as such gross income subject to taxation in such state or *province or territory of Canada* bears to his entire gross income subject to taxation under this chapter; provided (1) that such credit shall in no event exceed the amount of tax so paid to such other state or *province or territory of Canada* on the gross income earned within such other state and subject to taxation under this chapter, and (2) that such credit shall not be allowed if such other state or *province or territory of Canada* allows residents of this state a credit against the taxes imposed by such state or *province or territory of Canada* for taxes payable under this chapter substantially similar to the credit provided for by paragraph (b) of this section, and (3) the allowance of such credit shall not operate to reduce the taxes payable under this chapter to an amount less than would have been payable if the gross income earned in such other state or *province or territory of Canada* had been excluded in computing net income under this chapter.

(d) The commissioner shall by regulation determine with respect to gross income earned in any other state the applicable clause of this section. When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of clause (a) shall not apply.

(e) "Tax So Paid" as used in this section means taxes on or measured by net income payable to another state or *province or territory of Canada* on income earned within the taxable year for which the credit is claimed, provided that such tax is actually paid in that taxable year, or subsequent taxable years.

(f) For the purposes of clause (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without clause (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without clause (a), or vice versa, then the state with the net revenue loss resulting from clause (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chairman. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

Notwithstanding the provisions of section 290.61, the commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that he will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

Sec. 2. [EFFECTIVE DATE.] *This article is effective for taxable years beginning after December 31, 1978.*

ARTICLE XV

COMMISSIONER OF REVENUE POWERS AND DUTIES

Section 1. Minnesota Statutes 1978, Section 270.06, is amended to read:

270.06 [POWERS AND DUTIES.] It shall be the duty of the commissioner of revenue and he shall have power and authority:

(1) To have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

(2) To confer with, advise and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state, and to that end call meetings of local assessors of each county, to be held at the county-seat of such county, for the

purpose of receiving necessary instructions from the commissioner as to the laws governing the assessment and taxation of all classes of property, which meetings at least one member of each local board of review shall attend.

(3) To direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and to cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty.

(4) To require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) To require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the department of revenue, in such form and upon such blanks as he may prescribe;

(6) To require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) To summon witnesses to appear and give testimony, and to produce books, records, papers and documents relating to any tax matter which he may have authority to investigate or determine;

(8) To cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which he may have authority to investigate or determine;

(9) To investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as he may deem expedient to prevent evasions of assessment and taxing laws, and to secure just and equal taxation and improvement in the system of assessment and taxation in this state;

(10) To consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department of revenue, and to furnish the governor, from time to time, such assistance and information as he may require relating to tax matters;

(11) To transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even numbered year, the report of the department of revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

(12) To visit at least one-half of the counties of the state annually and every county in the state at least once in two years and inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

(13) To exercise and perform such further powers and duties as may be required or imposed upon the commissioner of revenue by law;

(14) The commissioner of revenue may promulgate rules and regulations for the administration and enforcement of the property tax. Such rules and regulations shall have the force and effect of law;

(15) To execute and administer any agreement with the secretary of the treasury of the United States regarding the exchange of information and administration of the tax laws of both the United States and the state of Minnesota;

(16) *To administer and enforce the provisions of sections 325.64 to 325.76, the Minnesota unfair cigarette sales act.*

ARTICLE XVI

SMALL BUSINESS TAXATION

Section 1. Minnesota Statutes 1978, Section 290.06, Subdivision 1, is amended to read:

290.06 [RATES OF TAX; CREDITS AGAINST TAX.]
Subdivision 1. [COMPUTATION, CORPORATIONS.] *For taxable years beginning after December 31, 1980, the privilege and income taxes imposed by this chapter upon corporations shall be computed by applying to their taxable net income in excess of the applicable credits allowed under section 290.21*

the (RATE OF) following schedule of rates: (a) on the first \$20,000, ten percent; (b) on the remainder, 12 percent. The amount of tax payable by a corporation required to file a return shall not be less than \$100.

Sec. 2. [EFFECTIVE DATE.] *This article shall be effective for taxable years beginning after December 31, 1980.*

ARTICLE XVII

SALES TAX

Section 1. Minnesota Statutes 1978, Section 297A.01, Subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property, for a consideration in money or by exchange or barter;

(b) 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;

(c) The furnishing, preparing or serving for a consideration of food, meals or drinks, not including hospitals, sanatoriums, nursing homes or senior citizens homes, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges, or the occasional meal thereof by a charitable or church organization;

(d) The granting of the privilege of admission to places of amusement or athletic events and the privilege of use of amusement devices;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service and intrastate toll service except such service provided by means of coin operated telephones; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. *The furnishing of water and sewer services for residential use shall not be considered a sale.*

Sec. 2. Minnesota Statutes 1978, Section 297A.14, is amended to read:

297A.14 [USING, STORING OR CONSUMING TANGIBLE PERSONAL PROPERTY; ADMISSIONS; UTILITIES.] For the privilege of using, storing or consuming in Minnesota tangible personal property, tickets or admissions to places of amusement and athletic events, electricity, gas, and local exchange telephone service purchased for use, storage or consumption in this state, there is hereby imposed on every person in this state a use tax at the rate of four percent of the sales price of sales at retail of any of the aforementioned items made to such person after October 31, 1971, unless the tax imposed by section 297A.02 was paid on said sales price.

Motor vehicles subject to tax under this section shall be taxed at the fair market value at the time of transport into Minnesota if such motor vehicles were acquired more than three months prior to its transport into this state.

Notwithstanding any other provisions of sections 297A.01 to 297A.44 to the contrary, the cost of paper and ink products exceeding \$100,000 in any calendar year, used or consumed in producing a publication as defined in section 297A.25, subdivision 1, clause (i) is subject to the tax imposed by this section, *except for sales made after June 30, 1979 the tax imposed shall be at a rate of three percent.*

Sec. 3. Minnesota Statutes 1978, Section 297A.25, Subdivision 1, is amended to read:

297A.25 [EXEMPTIONS.] Subdivision 1. The following are specifically exempted from the taxes imposed by sections 297A.01 to 297A.44:

(a) The gross receipts from the sale of food products including but not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, cocoa and cocoa products;

(b) The gross receipts from the sale of prescribed drugs and medicine intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings and products consumed by humans for the preservation of health, including prescription glasses, therapeutic and prosthetic devices, but not including cosmetics or toilet articles notwithstanding the presence of medicinal ingredients therein;

(c) The gross receipts from the sale of and the storage, use or other consumption in Minnesota of tangible personal property, tickets, or admissions, electricity, gas, or local exchange telephone service, which under the Constitution or laws of the United States or under the Constitution of Minnesota, the state of Minnesota is prohibited from taxing;

(d) The gross receipts from the sale of tangible personal property (i) which, without intermediate use, is shipped or transported outside Minnesota and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); or (ii) which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(e) The gross receipts from the sale of packing materials used to pack and ship household goods, the ultimate destination of which is outside the state of Minnesota and which are not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(f) The gross receipts from the sale of and storage, use or consumption of petroleum products upon which a tax has been imposed under the provisions of chapter 296, whether or not any part of said tax may be subsequently refunded;

(g) The gross receipts from the sale of clothing and wearing apparel except the following:

(i) all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with precious metals or imitations thereof; watches; clocks; cases and movements for watches and clocks; gold, gold-plated, silver, or sterling flatware or hollow ware and

silver-plated hollow ware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars.

(ii) articles made of fur on the hide or pelt, and articles of which such fur is the component material or chief value, but only if such value is more than three times the value of the next most valuable component material.

(iii) perfume, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous and toilet powders. The tax imposed by this act shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the case of babies.

(iv) trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, salesmen's sample and display cases, purses, handbags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases.

(h) The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein;

(i) The gross receipts from the sale of and storage, use or other consumption in Minnesota of tangible personal property (except as provided in section 297A.14) which is used or consumed in producing any publication regularly issued at average intervals not exceeding three months, and any such publication. For purposes of this subsection, "publication" as used herein

shall include, without limiting the foregoing, a legal newspaper as defined by Minnesota Statutes 1965, Section 331.02, and any supplements or enclosures with or part of said newspaper; and the gross receipts of any advertising contained therein or therewith shall be exempt. For this purpose, advertising in any such publication shall be deemed to be a service and not tangible personal property, and persons or their agents who publish or sell such newspapers shall be deemed to be engaging in a service with respect to gross receipts realized from such newsgathering or publishing activities by them, including the sale of advertising. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures used in such publication and fuel, electricity, gas or steam used for space heating or lighting, are not exempt;

(j) The gross receipts from all sales of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities or a state and its agencies, instrumentalities and political subdivisions;

(k) The gross receipts from the isolated or occasional sale of tangible personal property in Minnesota not made in the normal course of business of selling that kind of property, and the storage, use, or consumption of property acquired as a result of such a sale;

(l) The gross receipts from sales of rolling stock and the storage, use or other consumption of such property by railroads, freight line companies, sleeping car companies and express companies taxed on the gross earnings basis in lieu of ad valorem taxes. For purposes of this clause "rolling stock" is defined as the portable or moving apparatus and machinery of any such company which moves on the road, and includes, but is not limited to, engines, cars, tenders, coaches, sleeping cars and parts necessary for the repair and maintenance of such rolling stock.

(m) The gross receipts from sales of airlflight equipment and the storage, use or other consumption of such property by airline companies taxed under the provisions of sections 270.071 to 270.079. For purposes of this clause, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airlflight equipment, and flight simulators.

(n) The gross receipts from the sale of telephone central office telephone equipment used in furnishing intrastate and interstate telephone service to the public.

(o) The gross receipts from the sale of and the storage, use or other consumption by persons taxed under the in lieu provisions of chapter 298, of mill liners, grinding rods and grinding balls which are substantially consumed in the production of

taconite, the material of which primarily is added to and becomes a part of the material being processed.

(p) The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious or educational purposes if the property purchased is to be used in the performance of charitable, religious or educational functions, or any senior citizen group organized and operated exclusively for pleasure, recreation and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders;

(q) The gross receipts from the sale of caskets and burial vaults;

(r) The gross receipts from the sale of cigarettes.

(s) The gross receipts from the sale of an automobile or other conveyance if the purchaser is assisted by a grant from the United States in accordance with 38 United States Code, Section 1901, as amended.

(t) The gross receipts from the sale to the licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654, if the aircraft is resold while the permit is in effect.

(u) The gross receipts from the sale of building materials to be used in the construction or remodeling of a residence when the construction or remodeling is financed in whole or in part by the United States in accordance with 38 United States Code, Sections 801 to 805, as amended. This exemption shall not be effective at time of sale of the materials to contractors, subcontractors, builders or owners, but shall be applicable only upon a claim for refund to the commissioner of revenue filed by recipients of the benefits provided in Title 38 United States Code, Chapter 21, as amended. The commissioner shall provide by regulation for the refund of taxes paid on sales exempt in accordance with this paragraph.

(v) The gross receipts from the sale of textbooks which are prescribed for use in conjunction with a course of study in a public or private school, college, university and business or trade school to students who are regularly enrolled at such institutions. For purposes of this clause a "public school" is defined as one that furnishes course of study, enrollment and staff that meets standards of the state board of education and a private school is one which under the standards of the state board of education, provides an education substantially equivalent to that furnished at a public school. Business and trade schools shall mean such schools licensed pursuant to section 141.25.

(w) The gross receipts from the sale of and the storage of material designed to advertise and promote the sale of merchandise or services, which material is purchased and stored for the purpose of subsequently shipping or otherwise transferring outside the state by the purchaser for use thereafter solely outside the state of Minnesota.

(x) The gross receipt from the sale of residential heating fuels in the following manner:

(i) all fuel oil, coal, wood, steam, propane gas, and L.P. gas sold to residential customers for residential use;

(ii) natural gas sold for residential use to customers who are metered and billed as residential users and who use natural gas for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

(iii) electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat, for the billing months of November, December, January, February, March and April.

(y) *The gross receipts from the sale of sanitary napkins or similar items used for feminine hygiene.*

Sec. 4. [EFFECTIVE DATE.] *This article is effective July 1, 1979 and for sales made after June 30, 1979."*

Further, delete the title and insert:

"A bill for an act relating to taxation; providing for an ad valorem tax on railroads in lieu of the gross earnings tax; repealing limited market value; changing homestead base value; decreasing classification ratios on certain property; establishing a new category for certain residential nonhomestead property; increasing homestead credit percentages and maximum amounts; increasing agricultural aid credit; extending 3cc classification to qualifying mobile homeowners; extending 3cc classification to the surviving spouse of certain deceased veterans, blind and disabled persons; changing income sources and requirements for owners of 3cc property; allowing homestead owned by joint tenant to qualify for 3cc classification; providing for deferred assessment of value added by historical preservation; providing an exclusion of \$12,000 for pension income; excluding pensions of nonresidents from gross income; expanding the taxable net income brackets for individuals, estates and trusts; increasing personal, dependent, special credits and credits for certain low income taxpayers; providing for inflation adjustment to income tax and property tax refund brackets and

credits; providing residential energy credit; allowing use of lump sum distribution tax computation for certain severance pay; altering the definition of gross income for income tax purposes for individuals, trusts and estates; placing restrictions on certain deductions; making certain changes in the minimum tax and in the treatment of small business corporations; allowing a ten year carryback of products liability losses; allowing adjustments to basis; allowing deductions for employer contributions to simplified employee plans; excluding from income certain payments to members of the armed services; increasing the maximum income tax credit for political contributions; providing an income tax deduction for certain political contributions; conforming individual deductions for business expenses, taxes, disaster losses, medical expenses and charitable contributions to federal deductions; removing certain limitations on the dependent care credit; standardizing the personal, dependent and special credits; increasing the standard deduction; updating the definition of income for property tax refund purposes; expanding inheritance and gift tax exemptions and credits; establishing a presumption of contribution by a spouse in property held jointly with the decedent; adjusting homestead exemption for inheritance tax purposes; providing a tax credit for feedlot and pollution control equipment; providing an income tax credit to a Minnesota resident for income taxes paid to a province or territory of Canada; reducing the income tax rate applicable to corporations; clarifying the purposes for which an additional property tax levy by governmental subdivisions is authorized; authorizing an additional property tax levy by governmental subdivisions in certain cases; providing for the calculation of tax levy limitations for governmental subdivisions; clarifying the taxable status of Title II property owned by a non-profit entity; providing that the commissioner of revenue shall administer and enforce the Minnesota unfair cigarette sales act; reducing the sales tax on newsprint and ink; excluding certain feminine hygiene products from the sales tax; exempting from the sales tax the furnishing of water and sewer services for residential use; providing for municipal regulation of subdivisions; providing penalties; appropriating money; amending Minnesota Statutes 1978, Sections 270.06; 272.02, Subdivision 1; 273.11; 273.122; 273.13, Subdivisions 4, 6. 6a. 7, 14a and 19; 273.132; 273.17, Subdivision 1; 275.11, Subdivision 2; 275.50, Subdivisions 5 and 6; 275.51, by adding a subdivision; 275.52, Subdivisions 2 and 5; 290.01, Subdivision 20; 290.032, by adding a subdivision; 290.06, Subdivisions 1, 2c, 3c, 3d, 9, 9a, 11, and by adding subdivisions; 290.067, Subdivisions 1 and 2; 290.081; 290.09, Subdivisions 2, 4, 5, 10, 15, 28, and by adding a subdivision; 290.091; 290.095, by adding a subdivision; 290.14; 290.17, Subdivision 2; 290.21, Subdivision 3; 290.26, Subdivision 2; 290.971, Subdivisions 1, 3 and 6; 290.972, Subdivisions 1, 3, and 5; 290A.03, Subdivisions 3, 11 and 13; 290A.04, Subdivisions 2, 2a, 2b, 3, and by adding a subdivision; 290.01, Subdivision 4; 291.05; 291.065; 292.04; 292.07, Subdivisions

1, 5, and by adding a subdivision; 295.02; 297A.01, Subdivision 3; 297A.14; 297A.25, Subdivision 1; 462.358, by adding subdivisions; 462.36, Subdivision 1; Chapters 270, by adding sections; 272, by adding a section; 273, by adding a section; and 298, by adding a section; repealing Minnesota Statutes 1978, Sections 275.51, Subdivision 3d; 290.06, Subdivisions 3e and 12; 290.21, Subdivision 3a; 290.971, Subdivision 5; 295.01, Subdivisions 2 and 3; 295.02; 295.03; 295.04; 295.05; 295.12; 295.13; 295.14; and 462.352, Subdivision 4."

With the recommendation that when so amended the bill pass.

The report was adopted.

Biersdorf from the Committee on Commerce, Economic Development and Housing to which was referred:

S. F. No. 895, A bill for an act relating to intoxicating liquor; permitting earlier hours for Sunday sale; amending Minnesota Statutes 1978, Section 340.14, Subdivision 5.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Biersdorf from the Committee on Commerce, Economic Development and Housing to which was referred:

S. F. No. 951, A bill for an act relating to small businesses; establishing a uniform definition of small business; amending Minnesota Statutes 1978, Section 161.321, Subdivisions 1 and 3; and Chapter 645, by adding a section; repealing Minnesota Statutes 1978, Section 16.082, Subdivisions 2, 3, 4 and 5.

Reported the same back with the following amendments:

Page 4, after line 9, insert:

"Sec. 4. Minnesota Statutes 1978, Section 16.085, is amended to read:

16.085 [RULES.] The commissioner of administration shall promulgate by rule standards and procedures for certifying that small businesses and small businesses owned and operated by socially and economically disadvantaged persons are eligible to participate under the requirements of sections 16.081 to 16.086. The procedure for determination of eligibility may in-

clude self-certification by a business, provided that the commissioner retains the ability to verify a self-certification. The commissioner shall promulgate other rules as may be necessary to carry out the duties set forth in sections 16.081 to 16.086. *The commissioner may make rules which exclude or limit the participation of non-manufacturing business, including third-party lessors, jobbers, manufacturers' representatives and others from eligibility under this act.*"

Renumber the remaining sections

Further, amend the title:

Page 1, line 4, delete "Section" and insert "Sections 16.085;"

With the recommendation that when so amended the bill pass.

The report was adopted.

SECOND READING OF HOUSE BILLS

H. F. Nos. 277, 368, 899, 1050 and 1495 were read for the second time.

SECOND READING OF SENATE BILLS

S. F. Nos. 255, 1436, 615, 1099, 1040, 1376, 768, 895 and 951 were read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Munger introduced:

H. F. No. 1589, A bill for an act relating to natural resources; allowing certain containers for dairy products; repealing Minnesota Statutes 1978, Sections 116F.21 and 116F.22.

The bill was read for the first time and referred to the Committee on Environment and Natural Resources.

Eken; Munger; Searle; Anderson, G., and Jennings introduced:

H. F. No. 1590, A bill for an act relating to natural resources; setting forth the rights of property owners whose property is purchased for conservation purposes; revising responsibilities of the commissioner of natural resources and the commissioner of administration in property acquisition; authorizing the commissioner of natural resources, with the approval of the state executive council to convey the interests of the state in lands for the purpose of correcting boundary description errors; amending Minnesota Statutes 1978, Sections 84.0272; 85.012, Subdivision 1; 85.015, Subdivision 1; 85.021, Subdivisions 1 and 2; 104.37, Subdivision 1; and 117.232, Subdivision 1.

The bill was read for the first time and referred to the Committee on Environment and Natural Resources.

Sviggum, Mehrkens, Simoneau and Fudro introduced:

H. F. No. 1591, A bill for an act relating to transportation; abolishing the functions, powers and duties of the department of transportation relating to the inspection, grading, sampling and analysis of hay and straw, and establishing a board of hay and straw standards in the department of agriculture; clarifying laws relating to the regulation of railroads and removing obsolete and duplicative language; prescribing certain powers of the commissioner of transportation and the public service commission relating to rates and charges; requiring track scales, and regulating the weighing of railroad cars and freight; providing for railroad grade crossing safety devices and other safety devices; prescribing penalties; amending Minnesota Statutes 1978, Sections 218.011, Subdivision 2; 218.021; 218.031, Subdivision 1; 218.041; 219.01; 219.07; 219.08; 219.10; 219.14, Subdivision 2; 219.17; 219.19; 219.23; 219.28; 219.383, Subdivision 4; 219.39; 219.40; 219.47; 219.50; 219.52; 219.54; 219.64; 219.70; 219.741; 219.85; 219.92; 219.97, Subdivision 7; 222.48, Subdivisions 2 and 3; 222.49; 222.50, Subdivisions 2, 3, 4 and 5; 222.51; 222.52; 222.53; 222.54; Chapters 25, by adding sections; 219, by adding a section; and 239, by adding a section; repealing Minnesota Statutes 1978, Sections 219.02; 219.03; 219.04; 219.05; 219.11; 219.12; 219.22; 219.25; 219.43; 219.58; 219.59; 219.60; 219.61; 219.62; 219.63; 219.65; 219.66; 219.67; 219.84; 219.86; 219.87; 219.89; 219.90; 219.91; 219.94; 219.95; 219.96; 219.97, Subdivisions 1, 2, 3, 8, 9, 11, 14, 15 and 16; 222.38; 222.39; 222.40; 222.41; 222.42; 222.43; 222.44; 222.45; 229.01; 229.02; 229.03; 229.04; 229.05; 229.06; 229.07; 229.08; 229.10; 229.11; 229.12; 229.13; 229.14; 229.15; 229.16; 229.17; 229.18; 229.19; 229.20; and 452.14.

The bill was read for the first time and referred to the Committee on Transportation.

Ellingson introduced:

H. F. No. 1592, A bill for an act relating to public safety; specifying the crime of fleeing from a peace officer by use of a motorized vehicle; providing that whoever flees a peace officer in a motorized vehicle shall be liable for any loss caused by such flight; prohibiting insurers from excluding such liability from their policies; prescribing penalties; amending Minnesota Statutes 1978, Chapter 609, by adding a section.

The bill was read for the first time and referred to the Committee on Criminal Justice.

Faricy; Sieben, H.; Searle; Anderson, I., and Knickerbocker introduced:

H. F. No. 1593, A bill for an act relating to legislative enactments; providing for the correction of miscellaneous oversights, inconsistencies, ambiguities, unintended results and technical errors of a noncontroversial nature; amending Laws 1979, Chapter 63, Section 1, Subdivision 2.

The bill was read for the first time and referred to the Committee on Judiciary. Anderson, I., objected to the reference and the bill was referred to the Committee on Rules and Legislative Administration.

Drew, Norman, Mehrkens and Eliooff introduced:

H. F. No. 1594, A bill for an act relating to state employees; providing for wage and fringe benefits for certain state employees; ratifying collective bargaining agreements.

The bill was read for the first time and referred to the Committee on Governmental Operations.

HOUSE ADVISORIES

The following House Advisories were introduced:

Fudro, Jacobs, Dempsey, Ludeman and Adams introduced:

H. A. No. 33, A proposal to study existing and potential programs to improve railroad service in Minnesota.

The advisory was referred to the Committee on Transportation.

Swanson; Nelsen, B.; Stadum; Jude and Kelly introduced:

H. A. No. 34, A proposal to study vocational education financing.

The advisory was referred to the Committee on Appropriations.

REPORT FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Anderson, I., from the Committee on Rules and Legislative Administration, pursuant to rule 1.9, designated the following bills as a Special Order to be acted upon as follows:

Immediately preceding the Special Orders for today, Wednesday, May 9, 1979:

H. F. No. 699.

Immediately following the Special Orders for today, Wednesday, May 9, 1979:

H. F. Nos. 1238, 1308, 1313, 738, 1271, 1198 and 877 and S. F. Nos. 801, 549, 871, 491, 923 and 719.

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following House Files, herewith returned:

H. F. No. 148, A bill for an act relating to the city of New Hope; firefighters' pension, disability and survival benefits; amending Laws 1971, Chapter 114, Sections 2, Subdivision 5; 3, Subdivisions 2, 3 and 4; 4; 5, Subdivisions 1 and 2; 6, Subdivision 2; and 7, Subdivisions 1 and 2.

H. F. No. 713, A bill for an act relating to banks and banking; providing for publication of certain bank reports; amending Minnesota Statutes 1978, Section 48.48, Subdivision 1.

H. F. No. 715, A bill for an act relating to interstate motor vehicle carriers; eliminating certain registration requirements for certain interstate carriers; amending Minnesota Statutes 1978, Section 221.62.

H. F. No. 823, A bill for an act relating to Olmsted County; permitting the intermittent inundation by flood water and temporary closing of county and town roads.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 1519, A bill for an act relating to transportation; appropriating money for highway development.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Norton moved that the House concur in the Senate amendments to H. F. No. 1519 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1519, A bill for an act relating to transportation; appropriating money for highway development.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Aasness	Clawson	Fudro	Kroening	Nelson
Adams	Corbid	Greenfield	Kvam	Niehaus
Ainley	Crandall	Halberg	Laidig	Norman
Albrecht	Dean	Haukoos	Lehto	Norton
Anderson, B.	Dempsey	Heap	Levi	Novak
Anderson, D.	Den Ouden	Heinitz	Long	Nysether
Anderson, G.	Drew	Hoberg	Ludeman	Olsen
Anderson, I.	Eken	Hokanson	Luknic	Onnen
Anderson, R.	Elioff	Jacobs	Mann	Osthoff
Battaglia	Ellingson	Jaros	McCarron	Otis
Begich	Enebo	Jennings	McDonald	Patton
Berglin	Erickson	Johnson, C.	McEachern	Pavlak
Berkelman	Esau	Johnson, D.	Mehrkens	Pehler
Biersdorf	Evans	Jude	Metzen	Peterson
Blatz	Ewald	Kahn	Minne	Piepho
Brinkman	Faricy	Kaley	Moe	Pleasant
Byrne	Fjoslien	Kalis	Munger	Prahl
Carlson, L.	Forsythe	Kelly	Murphy	Redalen
Casserly	Friedrich	Kempe	Nelson, B.	Reding
Clark	Fritz	Knickerbocker	Nelson, M.	Rees

Reif	Sherwood	Swanson	Waldorf	Wynia
Rice	Sieben, H.	Thiede	Weaver	Zubay
Rose	Sieben, M.	Tomlinson	Welch	Speaker Searle
Rothenberg	Stadum	Valan	Welker	
Sarna	Stoa	Valento	Wenzel	
Schreiber	Stowell	Vanasek	Wieser	
Searles	Sviggum	Voss	Wigley	

The bill was repassed, as amended by the Senate, and its title agreed to.

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 1026, 1128 and 1166.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 765, 810 and 1009.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 49 and 160.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 770 and 974.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 1158 and 1257.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 515 and 529.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 182 and 1114.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate File, herewith transmitted:

S. F. No. 1006.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 439 and 1258.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 791 and 1361.

PATRICK E. FLAHAVEN, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 1026, A bill for an act relating to welfare; excluding certain payments made to members of Indian tribes from resources considered in determining eligibility for general assistance; amending Minnesota Statutes 1978, Section 256D.08, Subdivision 1.

The bill was read for the first time.

Nelson moved that S. F. No. 1026 and H. F. No. 1325, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1128, A bill for an act relating to retirement; increasing employee contributions to local police and firefighters relief associations; providing for a study of police and firefighter relief associations; amending Minnesota Statutes 1978, Section 69.77, Subdivision 2.

The bill was read for the first time and referred to the Committee on Governmental Operations.

S. F. No. 1166, A bill for an act relating to elections; providing for the election days of first class cities and school districts principally situated in those cities; providing for extension or reduction of the terms of certain elected officials; amending Minnesota Statutes 1978, Sections 123.51; 410.21; and Chapter 205, by adding a section.

The bill was read for the first time and referred to the Committee on General Legislation and Veterans Affairs.

S. F. No. 765, A bill for an act relating to the state civil service; including veterans in the protected group for the purpose of the statewide affirmative action program; amending Minnesota Statutes 1978, Section 43.15, Subdivision 1.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 810, A bill for an act relating to retirement; prohibiting membership in a volunteer firefighters' relief association by certain persons.

The bill was read for the first time and referred to the Committee on Governmental Operations.

S. F. No. 1009, A bill for an act relating to taxation; increasing the maximum income tax credit for pollution control equipment; providing an occupation tax credit; amending Minnesota

Statutes 1978, Section 290.06, Subdivisions 9 and 9a; and Chapter 298, by adding a section.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 49, A bill for an act relating to taxation; authorizing the establishment of individual housing accounts; providing that contributions to an account which are used exclusively in connection with the purchase of a first principal residence are deductible; providing tax penalties; amending Minnesota Statutes 1978, Sections 48.159; 50.157; 51A.21, by adding a subdivision; 290.09, by adding a subdivision; 290.17, Subdivision 2; and Chapter 52, by adding a section.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 160, A bill for an act relating to juveniles; concerning foster care; extending county cost of care payment provisions; amending Minnesota Statutes 1978, Sections 260.251, Subdivisions 1 and 1a; and 261.27.

The bill was read for the first time and referred to the Committee on Health and Welfare.

S. F. No. 770, A bill for an act relating to education; requiring notice to certain parties when a court or state agency places a child in a school district other than his district of residence; increasing participation in the placement decision; amending Minnesota Statutes 1978, Section 124.212, Subdivision 20, and by adding a subdivision.

The bill was read for the first time and referred to the Committee on Education.

S. F. No. 974, A bill for an act relating to the city of Duluth; changing the definition of conflict of interest for the city housing finance agency staff; providing for the issuance of revenue bonds; amending Laws 1977, Chapter 142, Section 3, Subdivision 1, and by adding a subdivision.

The bill was read for the first time.

Munger moved that S. F. No. 974 and H. F. No. 995, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1158, A bill for an act relating to children; requiring that adoptive parents and the adoptive child shall be made parties to certain proceedings related to terminating adoptions;

prohibiting a presumption that biological parents should be favored in such proceedings; amending Minnesota Statutes 1978, Sections 259.24, Subdivision 6, and by adding a subdivision; and 259.25, Subdivision 2.

The bill was read for the first time.

Kaley moved that S. F. No. 1158 and H. F. No. 1119, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1257, A bill for an act relating to public welfare; requiring certain recipients of state aid for medical care to authorize the commissioner of public welfare to have access to their medical records for certain purposes; authorizing the commissioner to promulgate certain rules related to investigation of fraud perpetrated by health care vendors; authorizing certain sanctions against fraudulent vendors; authorizing the commissioner to institute an action to recover moneys wrongfully paid; amending Minnesota Statutes 1978, Sections 62E.53, by adding a subdivision; 62E.54, Subdivision 1; 256B.04, Subdivision 10, and by adding a subdivision; 256B.064, Subdivision 2, and by adding subdivisions; 256B.27, Subdivisions 3 and 4; 256D.03, Subdivision 3; and 256D.05, by adding a subdivision.

The bill was read for the first time.

Heinitz moved that S. F. No. 1257 and H. F. No. 1289, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 515, A bill for an act relating to taxation; sales; allowing carriers transporting certain goods in interstate commerce to make direct payment of taxes to the commissioner of revenue for certain purchases; amending Minnesota Statutes 1978, Section 297A.211, Subdivision 1.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 529, A bill for an act relating to the city of St. Cloud: authorizing the imposition of a tax on the gross receipts from the furnishing of certain lodging.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 182, A bill for an act relating to taxes; exempting from the sales and use tax sales to associations of the elderly; amending Minnesota Statutes 1978, Section 297A.25, Subdivision 1.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 1114, A bill for an act relating to the town of White Bear in Ramsey County; permitting exercise of powers relating to sewers, drains and waterworks.

The bill was read for the first time and referred to the Committee on Local and Urban Affairs.

S. F. No. 1006, A bill for an act relating to the Eastern Itasca and Greenway Joint Recreation Boards; regulating their tax levies.

The bill was read for the first time and referred to the Committee on Local and Urban Affairs.

S. F. No. 439, A bill for an act relating to aid to local units of government; providing payments in lieu of taxes to counties and townships in which certain natural resources lands are located; providing payments to local taxing districts containing reduced assessment property; appropriating money; amending Minnesota Statutes 1978, Section 275.51, Subdivision 3d; and Chapter 273, by adding a section.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 1258, A bill for an act relating to taxation; abolishing the inheritance tax; imposing an estate tax; repealing the gift tax; amending Minnesota Statutes 1978, Sections 291.005, Subdivision 1; 291.01; 291.03; 291.05; 291.051; 291.06; 291.065; 291.07, Subdivision 1; 291.08; 291.09, Subdivisions 5 and 7, and by adding subdivisions; 291.11, Subdivision 1; 291.111, Subdivision 1; 291.132; 291.14; 291.19, Subdivision 3; 291.20, Subdivision 1; 291.27; 291.33, Subdivision 1; 352.15, Subdivision 1; 353.15; 354.10; 354A.11; 524.3-706; 524.3-916; 524.3-1001; 525.091, Subdivisions 1 and 2; 525.312; 525.71; 525.74; and 525.841; and Chapter 291, by adding sections; repealing Minnesota Statutes 1978, Sections 3A.08, 291.02; 291.07, Subdivisions 2 and 2a; 291.09, Subdivisions 1, 2, 3 and 4; 291.10; 291.11, Subdivisions 2, 3, 4, 5, 6, 7, 8, and 9; 291.12, Subdivision 4; 291.20, Subdivision 3; 291.22; 291.23; 291.24; 291.25; 291.26; 291.29, Subdivisions 1, 2, 3 and 4; 291.30; 291.34; 291.35; 291.36; 291.37; 291.38; 291.39; 291.40; 292.01; 292.02; 292.03; 292.031; 292.04; 292.05; 292.06; 292.07; 292.08; 292.09; 292.105; 292.111; 292.112; 292.12; 292.125; 292.14; and 292.15.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 791, A bill for an act relating to waters; requiring executive council designation of scenic rivers; authorizing legislative review of the designation of scenic rivers; permitting county administration of certain areas within the scenic rivers system; providing for informational meetings prior to adoption of management plans; assisting local governments in preparation and administration of required ordinances; restricting acquisition of lands by the state; protecting landowners rights; amending Minnesota Statutes 1978, Sections 104.31; 104.33, Subdivision 1; 104.34; 104.35, Subdivisions 1, 2 and 3; 104.36, by adding a subdivision; 104.37, Subdivision 1; and 104.40; repealing Minnesota Statutes 1978, Sections 104.35, Subdivision 4; and 104.39.

The bill was read for the first time and referred to the Committee on Environment and Natural Resources.

S. F. No. 1361, A bill for an act relating to courts; providing for appeals from probate court; amending Minnesota Statutes 1978, Section 525.712; repealing Minnesota Statutes 1978, Sections 525.713; and 525.72.

The bill was read for the first time and referred to the Committee on Judiciary.

UNANIMOUS CONSENT

Anderson, B., requested unanimous consent to make a motion. The request was granted.

Anderson, B., moved that S. F. No. 851 be recalled from the Committee on Governmental Operations and be re-referred to the Committee on Appropriations. The motion prevailed.

UNANIMOUS CONSENT

Norton requested unanimous consent to make a motion. The request was granted.

Norton moved that H. F. Nos. 1552 and 1553, now on General Orders, be returned to their author. The motion prevailed.

CONSENT CALENDAR

S. F. No. 528, A bill for an act relating to courts; conforming civil fees collected by the Hennepin county municipal court with the district court; amending Minnesota Statutes 1978, Section 488A.03, Subdivision 11.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Aasness	Ellingson	Kalis	Norman	Sieben, M.
Adams	Enebo	Kelly	Norton	Simoneau
Ainley	Erickson	Kempe	Novak	Stadum
Anderson, B.	Esau	Knickerbocker	Nysether	Stoa
Anderson, D.	Evans	Kostohryz	Olsen	Stowell
Anderson, G.	Ewald	Kroening	Onnen	Sviggum
Anderson, I.	Faricy	Kvam	Osthoff	Swanson
Anderson, R.	Fjoslien	Laidig	Otis	Thiede
Battaglia	Forsythe	Lehto	Patton	Tomlinson
Begich	Friedrich	Levi	Pavlak	Valan
Berglin	Fritz	Long	Pehler	Valento
Berkelman	Fudro	Ludeman	Peterson	Vanasek
Biersdorf	Greenfield	Luknic	Piepho	Voss
Blatz	Halberg	Mann	Pleasant	Waldorf
Brinkman	Haukoos	McCarron	Prahl	Weaver
Byrne	Heap	McDonald	Redalen	Welch
Carlson, L.	Heinitz	McEachern	Reding	Welker
Clark	Hoberg	Mehrkens	Rees	Wenzel
Clawson	Hokanson	Metzen	Reif	Wieser
Corbid	Jacobs	Minne	Rice	Wigley
Crandall	Jaros	Moe	Rose	Wynia
Dean	Jennings	Munger	Rothenberg	Zubay
Dempsey	Johnson, C.	Murphy	Sarna	Speaker Searle
Den Ouden	Johnson, D.	Nelsen, B.	Schreiber	
Drew	Jude	Nelsen, M.	Searles	
Eken	Kahn	Nelson	Sherwood	
Elioff	Kaley	Niehaus	Sieben, H.	

The bill was passed and its title agreed to.

S. F. No. 660, A bill for an act relating to corporations; altering quorum requirements; permitting loans and other transactions with officers and employees; empowering corporations to engage in certain transactions; amending Minnesota Statutes 1978, Sections 301.25, Subdivision 7, and by adding a subdivision; 301.32; and 301.36.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Aasness	Begich	Clawson	Enebo	Fudro
Adams	Berglin	Corbid	Erickson	Greenfield
Ainley	Berkelman	Crandall	Esau	Halberg
Albrecht	Biersdorf	Dean	Evans	Haukoos
Anderson, B.	Blatz	Dempsey	Ewald	Heap
Anderson, D.	Brinkman	Den Ouden	Faricy	Heinitz
Anderson, G.	Byrne	Drew	Fjoslien	Hoberg
Anderson, I.	Carlson, L.	Eken	Forsythe	Hokanson
Anderson, R.	Casserly	Elioff	Friedrich	Jacobs
Battaglia	Clark	Ellingson	Fritz	Jaros

Jennings	Ludeman	Norton	Reif	Tomlinson
Johnson, C.	Luknic	Novak	Rice	Valan
Johnson, D.	Mann	Nysether	Rose	Valento
Jude	McCarron	Olsen	Rothenberg	Vanasek
Kahn	McDonald	Onnen	Sarna	Voss
Kaley	McEachern	Osthoff	Schreiber	Waldorf
Kalis	Mehrrens	Otis	Searles	Weaver
Kelly	Metzen	Patton	Sherwood	Welch
Kempe	Minne	Pavlak	Sieben, H.	Welker
Knickerbocker	Moe	Pehler	Sieben, M.	Wenzel
Kostohryz	Munger	Peterson	Simoneau	Wieser
Kroening	Murphy	Piepho	Stadum	Wigley
Kvam	Nelsen, B.	Pleasant	Stoa	Wynia
Laidig	Nelsen, M.	Prahl	Stowell	Zubay
Lehto	Nelson	Redalen	Sviggum	Speaker Searle
Levi	Niehaus	Reding	Swanson	
Long	Norman	Rees	Thiede	

The bill was passed and its title agreed to.

S. F. No. 708, A bill for an act relating to natural resources; providing for regulation of the harvest and sale of ginseng; amending Minnesota Statutes 1978, Sections 84.028, Subdivision 1; 97.48, by adding a subdivision; and 98.46, Subdivision 3.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 128 yeas and 2 nays as follows:

Those who voted in the affirmative were:

Aasness	Elioff	Kalis	Niehaus	Sieben, H.
Adams	Ellingson	Kelly	Norman	Sieben, M.
Ainley	Enebo	Kempe	Norton	Simoneau
Albrecht	Esau	Knickerbocker	Novak	Stadum
Anderson, B.	Evans	Kostohryz	Nysether	Stoa
Anderson, G.	Ewald	Kroening	Olsen	Stowell
Anderson, I.	Faricy	Kvam	Onnen	Sviggum
Anderson, R.	Fjoslien	Laidig	Osthoff	Swanson
Battaglia	Forsythe	Lehto	Otis	Thiede
Begich	Friedrich	Levi	Patton	Tomlinson
Berglin	Fritz	Long	Pavlak	Valan
Berkelman	Fudro	Ludeman	Pehler	Valento
Biersdorf	Greenfield	Luknic	Peterson	Vanasek
Blatz	Halberg	Mann	Piepho	Voss
Brinkman	Haukoos	McCarron	Pleasant	Waldorf
Byrne	Heap	McDonald	Prahl	Weaver
Carlson, L.	Hoberg	McEachern	Redalen	Welch
Casserly	Hokanson	Mehrrens	Reding	Welker
Clark	Jacobs	Metzen	Rees	Wenzel
Clawson	Jaros	Minne	Reif	Wieser
Crandall	Jennings	Moe	Rice	Wigley
Dean	Johnson, C.	Munger	Rose	Wynia
Dempsey	Johnson, D.	Murphy	Rothenberg	Zubay
Den Ouden	Jude	Nelsen, B.	Schreiber	Speaker Searle
Drew	Kahn	Nelsen, M.	Searles	
Eken	Kaley	Nelson	Sherwood	

Those who voted in the negative were:

Anderson, D. Corbid

The bill was passed and its title agreed to.

S. F. No. 980, A bill for an act relating to courts; Hennepin and Ramsey county municipal courts; providing for removal of certain actions to district court; amending Minnesota Statutes 1978, Sections 488A.01, by adding a subdivision; and 488A.18, by adding a subdivision.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Aasness	Eken	Kaley	Niehaus	Sieben, M.
Adams	Elioff	Kalis	Norton	Simoneau
Ainley	Ellingson	Kelly	Novak	Stadum
Albrecht	Enebo	Kempe	Nysether	Stoa
Anderson, B.	Erickson	Knickerbocker	Olsen	Stowell
Anderson, D.	Esau	Kostohryz	Onnen	Svigum
Anderson, G.	Evans	Kroening	Osthoff	Swanson
Anderson, I.	Ewald	Kvam	Otis	Thiede
Anderson, R.	Faricy	Laidig	Patton	Tomlinson
Battaglia	Fjoslien	Lehto	Pavlak	Valan
Begich	Forsythe	Levi	Pehler	Valento
Berglin	Friedrich	Long	Peterson	Vanasek
Berkelman	Fritz	Ludeman	Piepho	Voss
Biersdorf	Fudro	Luknic	Pleasant	Waldorf
Blatz	Greenfield	Mann	Prahl	Weaver
Brinkman	Halberg	McCarron	Redalen	Welch
Byrne	Haukoos	McDonald	Reding	Welker
Carlson, L.	Heap	McEachern	Rees	Wenzel
Casserly	Heinitz	Mehrkens	Reif	Wieser
Clark	Hoberg	Metzen	Rice	Wigley
Clawson	Hokanson	Minne	Rose	Wynia
Corbid	Jacobs	Moe	Rothenberg	Zubay
Crandall	Jaros	Munger	Sarna	Speaker Searle
Dean	Jennings	Murphy	Schreiber	
Dempsey	Johnson, C.	Nelsen, B.	Searles	
Den Ouden	Johnson, D.	Nelsen, M.	Sherwood	
Drew	Kahn	Nelson	Sieben, H.	

The bill was passed and its title agreed to.

CONSIDERATION UNDER RULE 1.10

Pursuant to rule 1.10, Norton requested immediate consideration of H. F. No. 223.

H. F. No. 223 was reported to the House.

Weaver moved to amend H. F. No. 223 as follows:

Page 2, after line 28, insert:

"Section 1. [PURPOSE.] *The legislature finds that primary grade instructional programs have a significant educational impact on young children. It is the purpose of sections 1 to 4 of this article to (a) improve the quality of instruction in the primary grades by providing additional resources to school districts to reduce class size in grades kindergarten through three, (b) provide in-service training for primary grade teachers and administrators, (c) establish closer relations between the school and home, and (d) provide for additional instructional materials designed to meet the program objectives.*

Sec. 2. [DEMONSTRATION PROGRAM FOR PRIMARY GRADE INSTRUCTIONAL IMPROVEMENT.] *Subdivision 1. The state board of education shall choose a minimum of 20 school districts which together serve not more than 40,000 kindergarten through third grade students to participate in a demonstration primary grade instructional improvement program for the 1979-1980 school year.*

Subd. 2. A district may apply to the state board to be included in the demonstration primary grade instructional improvement program by June 15, 1979 and shall be notified by the state board of its acceptance or rejection by July 15, 1979.

Subd. 3. Districts chosen by the state board to participate in the demonstration program shall represent all district enrollment sizes and all geographic regions of the state. The department of education shall define district enrollment sizes and state geographic regions for the purpose of this section.

Subd. 4. A district which participates in the demonstration program for the 1979-1980 school year shall for that school year be eligible for a grant equal to \$118 for each kindergarten pupil and \$236 for each elementary pupil in grades one, two and three. The additional funds available to a district because of this subdivision shall be used to improve instruction in kindergarten through third grades.

Subd. 5. A district participating in the demonstration program authorized by this section shall receive grants for the purposes of subdivisions 6, 7 and 8. The grants shall be computed by the state board on or before October 1, 1979 and may not be adjusted for any reason after that date. The grants shall be paid to a district by November 1, 1979.

Subd. 6. For the purpose of improving the instructional program in kindergarten through third grades, for the 1979-1980 school year, the state shall pay a district selected for the demonstration grant program authorized by this section \$275 for each classroom teacher and each administrator teaching or administering any of grades kindergarten through three. Funds paid

pursuant to this subdivision shall be used to conduct teacher and administrator training workshops for the teachers and administrators for whom the funds were paid. The workshops shall emphasize methods of improving instruction, techniques of individualized instruction and parent-teacher communications. In the 1980-1981 school year a district which received a grant for the purpose of this subdivision shall conduct follow-up workshops to analyze the progress of the district in improving kindergarten through third grade instruction and parent-teacher communications between parents and teachers of pupils in kindergarten through third grades. For the 1980-1981 school year the state shall pay a district selected for the demonstration program authorized by this section \$150 for each classroom teacher and administrator teaching or administering any of grades kindergarten through three for the purpose of the follow-up workshops.

Subd. 7. To improve communication between parents and teachers of kindergarten through third grade pupils, for the 1979-1980 school year the state shall pay a district selected for the demonstration program authorized by this section \$200 for each classroom teacher in that district of any of grades kindergarten through three. The funds provided under this subdivision shall be used for purposes which will improve communication between parents and teachers of pupils in kindergarten through third grades, including additional compensation for teachers to work with parents.

Subd. 8. In the 1979-1980 school year the state shall pay a district selected for the demonstration program authorized by this section \$10 for each of its pupils enrolled in any of grades kindergarten through three, for the purpose of providing instructional materials to improve the instructional program in kindergarten through third grades. Materials purchased with funds provided pursuant to this subdivision shall be available solely for kindergarten through third grades.

Sec. 3. [SUPPLEMENTAL AIDS FOR PRIMARY GRADE INSTRUCTIONAL IMPROVEMENT.] *Subdivision 1. Beginning in the 1980-1981 school year, any district which uses levy revenue and foundation aid for the purpose of a primary grade instructional improvement program pursuant to section 15 of this article shall receive a grant according to the provisions of this section.*

Subd. 2. For the 1980-1981 school year and each school year thereafter, the state shall pay a district which qualifies for a grant according to subdivision 1 and which did not receive a grant for the preceding school year under this subdivision or section 2, subdivision 6, of this article, \$275 for each classroom teacher and each administrator teaching or administering any of grades kindergarten through three. Funds paid pursuant to this subdivision shall be used to conduct teacher and administrator

training workshops for the teachers and administrators for whom the funds were paid. The workshops shall emphasize methods of improving instruction, methods of individualized instruction, and parent-teacher communication. In the 1981-1982 school year and each school year thereafter, a district which qualifies for a grant according to subdivision 1 and which received its first grant under this subdivision for the preceding school year shall conduct follow-up workshops to analyze the progress of the district in improving kindergarten through third grade instruction and parent-teacher communication between parents and teachers of pupils in kindergarten through third grades. The state shall pay a district which qualifies for a grant according to subdivision 1 and which received its first grant under this subdivision for the preceding school year \$150 for each classroom teacher and administrator teaching or administering any of grades kindergarten through three for the purpose of conducting the follow-up workshops.

Subd. 3. For the 1980-1981 school year and each school year thereafter the state shall pay each district which qualifies for a grant according to subdivision 1 \$200 for every classroom teacher in that district of any of grades kindergarten through three. The funds provided under this subdivision shall be used for purposes which will improve communication between teachers and parents of pupils in kindergarten through third grades, including additional compensation for teachers to work with parents.

Subd. 4. In the 1980-1981 school year and each school year thereafter the state shall pay each district which qualifies for a grant according to subdivision 1 \$10 for each of its pupils enrolled in any of grades kindergarten through three. The funds shall be used to provide instructional materials to improve the instructional program in kindergarten through third grades. Materials purchased with funds provided pursuant to this subdivision shall be available solely for kindergarten through third grades.

Subd. 5. Grants under this section shall be computed by the state board on or before October 1 of a school year and may not be adjusted for any reason after that date. The grants shall be paid to the school districts by November 1 of a school year.

Sec. 4. [DUTIES OF THE STATE BOARD.] Subdivision 1. Insofar as possible, the state board shall provide technical assistance to a school district which wants to improve its instructional program in kindergarten through third grades.

Subd. 2. The state board shall monitor and evaluate all kindergarten through third grade programs each year. An evaluation shall include an analysis of class size, student perfor-

mance, instructional techniques and parent-teacher communications.

Subd. 3. Before March 1, 1980 and before January 15 of each year thereafter the state board shall report to the education committees of the legislature on the effectiveness of the primary grade instructional improvement program. A report shall contain recommendations concerning the continuance of the program."

Renumber succeeding sections.

Page 12, after line 29, insert:

"(7) Foundation aid earned pursuant to clause (5) of this subdivision shall be used for a primary grade instructional improvement program in the manner and to the extent required by section 15 of this article."

Page 15, after line 16, insert:

"(7) Foundation aid earned pursuant to clause (5) of this subdivision shall be used for a primary grade instructional improvement program in the manner and to the extent required by section 15 of this article."

Page 16, after line 19, insert:

"Sec. 15. Minnesota Statutes 1978, Section 124.212, is amended by adding a subdivision to read:

Subd. 22. Except as provided in section 20, clause (3), of this article, in 1980-1981 every district which levies at least two-thirds of the maximum permissible amount specified in section 20, clause (1) of this article for use in 1980-1981, shall use the amount of foundation aid and levy revenue which is attributable to the district's having levied an amount equal to two-thirds of the maximum permissible amount specified in section 20, clause (1) of this article for the purpose of a primary grade instructional improvement program. Except as provided in section 20, clause (3) of this article, in 1981-1982 and each year thereafter, every district which levies at least one-third of the maximum permissible amount specified in section 20, clause (2) of this article for use in that school year, shall use the amount of foundation aid and levy revenue which is attributable to the district's having levied an amount equal to one-third of the maximum permissible amount specified in section 20, clause (1) of this article for the purpose of a primary grade instructional improvement program."

Page 31, line 10, after the period insert *"The notice shall also state whether or not the board intends to use revenue generated by the proposed levy and corresponding foundation aid for a pri-*

mary grade instructional improvement program under section 15 of this article."

Page 31, line 16, before the period insert *"and for and against the use of revenue generated by the proposed levy and corresponding foundation aid for a primary grade instructional improvement program."*

Page 31, line 16, after the period insert:

"At the public hearing or within five days after the hearing, the board shall adopt a final resolution regarding the proposed levy and the use of revenue generated by the proposed levy and corresponding foundation aid for the purpose of a primary grade instructional improvement program."

Page 31, line 16, delete "20" and insert "25"

Page 32, line 11, after the period insert:

"Unless the board finally resolves at or after the public hearing not to use revenue generated by the proposed levy and corresponding foundation aid for a primary grade instructional improvement program, this revenue shall be used for the purpose of a primary grade instructional improvement program to the extent and in the manner required by section 15 of this article."

Page 36, after line 28, insert:

"Subd. 5. [DEMONSTRATION GRANTS.] For grants to primary grade instructional improvement programs pursuant to section 2, subdivision 4 of this article, there is appropriated:

\$8,260,000 1980.

Subd. 6. [IN-SERVICE TRAINING.] For the purpose of providing in-service training for teachers and administrators for kindergarten through third grades pursuant to section 2, subdivision 6 and section 3, subdivision 2 of this article, there is appropriated:

\$565,000 1980,

\$1,500,000 1981.

Subd. 7. [PARENT-TEACHER COMMUNICATIONS.] For the purpose of improving parent-teacher communications as provided in section 2, subdivision 7 and section 3, subdivision 3 of this article, there is appropriated:

\$411,000.....1980,

\$1,275,000.....1981.

Subd. 8. [INSTRUCTIONAL MATERIALS.] For providing instructional materials pursuant to section 2, subdivision 8 and section 3, subdivision 4 of this article, there is appropriated:

\$400,000.....1980,

\$1,500,000.....1981.

Subd. 9. For technical assistance pursuant to section 4 of this article, there is appropriated:

\$530,000.....1980,

\$530,000.....1981.

Of the amounts appropriated in this subdivision, the department of education may spend in each fiscal year a sum not to exceed \$200,000 to staff one clerical position and not more than four professional positions beyond its existing complement.

Of the amounts appropriated in this subdivision, the department may allot an amount not to exceed \$330,000 in each fiscal year to educational cooperative service units to provide assistance to districts for improving instruction in kindergarten through third grades."

Page 36, line 29, delete "Section" and insert "Sections 1 to 4 and"

Further, amend the title as follows:

Page 1, line 15, after the semi-colon insert "establishing a primary grade instructional improvement program;"

A roll call was requested and properly seconded.

CALL OF THE HOUSE

On the motion of Sieben, H., and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Aasness	Anderson, G.	Berkelman	Carlson, L.	Dean
Adams	Anderson, I.	Biersdorf	Cassery	Dempsey
Ainley	Anderson, R.	Blatz	Clark	Den Ouden
Albrecht	Battaglia	Brinkman	Clawson	Drew
Anderson, B.	Begich	Byrne	Corbid	Eken
Anderson, D.	Berglin	Carlson, D.	Crandall	Elioff

Ellingson	Jennings	McDonald	Pavlak	Stoa
Enebo	Johnson, C.	McEachern	Pehler	Stowell
Erickson	Johnson, D.	Mehrkens	Peterson	Sviggum
Esau	Jude	Metzen	Piepho	Swanson
Evans	Kahn	Minne	Pleasant	Thiede
Ewald	Kaley	Moe	Prahl	Tomlinson
Faricy	Kalis	Munger	Redalen	Valan
Fjoslien	Kelly	Murphy	Reding	Valento
Forsythe	Kempe	Nelsen, B.	Rees	Vanasek
Friedrich	Knickerbocker	Nelsen, M.	Reif	Voss
Fritz	Kostohryz	Nelson	Rice	Waldorf
Fudro	Kroening	Niehaus	Rose	Weaver
Greenfield	Kvam	Norman	Rothenberg	Welch
Halberg	Laidig	Norton	Sarna	Welker
Haukoos	Lehto	Novak	Schreiber	Wenzel
Heap	Levi	Nysether	Searles	Wieser
Heinitz	Long	Olsen	Sherwood	Wigley
Hoberg	Ludeman	Onnen	Sieben, H.	Wynia
Hokanson	Luknic	Osthoff	Sieben, M.	Zubay
Jacobs	Mann	Otis	Simoneau	Speaker Searle
Jaros	McCarron	Patton	Stadum	

Sieben, H., moved that further proceedings of the roll call be dispensed with and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

The question recurred on the adoption of the Weaver amendment and the roll was called. There were 67 yeas and 67 nays as follows:

Those who voted in the affirmative were:

Aasness	Esau	Kaley	Onnen	Stowell
Ainley	Evans	Knickerbocker	Pavlak	Sviggum
Albrecht	Ewald	Kvam	Peterson	Thiede
Anderson, D.	Fjoslien	Laidig	Piepho	Valan
Anderson, R.	Forsythe	Levi	Pleasant	Valento
Biersdorf	Friedrich	Ludeman	Redalen	Weaver
Blatz	Fritz	Luknic	Rees	Welker
Carlson, D.	Halberg	McDonald	Reif	Wieser
Crandall	Haukoos	Mehrkens	Rose	Wigley
Dean	Heap	Nelsen, B.	Rothenberg	Zubay
Dempsey	Heinitz	Niehaus	Schreiber	Speaker Searle
Den Ouden	Hoberg	Norman	Searles	
Drew	Jennings	Nysether	Sherwood	
Erickson	Johnson, D.	Olsen	Stadum	

Those who voted in the negative were:

Adams	Corbid	Kalis	Murphy	Sieben, M.
Anderson, B.	Eken	Kelly	Nelsen, M.	Simoneau
Anderson, G.	Elioff	Kempe	Nelson	Stoa
Anderson, I.	Ellingson	Kostohryz	Norton	Swanson
Battaglia	Enebo	Kroening	Novak	Tomlinson
Begich	Faricy	Lehto	Osthoff	Vanasek
Berglin	Fudro	Long	Otis	Voss
Berkelman	Greenfield	Mann	Patton	Waldorf
Brinkman	Hokanson	McCarron	Pehler	Welch
Byrne	Jacobs	McEachern	Prahl	Wenzel
Carlson, L.	Jaros	Metzen	Reding	Wynia
Casserly	Johnson, C.	Minne	Rice	
Clark	Jude	Moe	Sarna	
Clawson	Kahn	Munger	Sieben, H.	

The motion did not prevail and the amendment was not adopted.

McDonald moved to amend H. F. No. 223, as follows:

Page 109, line 11, after "assessments" insert "*shall be an optional component at the option of the local board*"

The motion did not prevail and the amendment was not adopted.

Stadum moved to amend H. F. No. 223 as follows:

Page 32, after line 11, insert:

"(4) Revenue generated by a levy pursuant to this subdivision and any corresponding foundation aid may be used for the purpose of an early childhood and family education program. An early childhood and family education program is a program for children before kindergarten and below age six which may include the following: identification of potential barriers to learning, education of parents on child development, libraries of educational materials, family services, education for parent-hood programs in secondary schools, in-center activity, home-based programs, and referral services."

Page 111, after line 12, insert:

"Sec. 9. [REPEALER.] Minnesota Statutes 1978, Sections 3.9271, 3.9272, 3.9273, 3.9274, and 3.9275, are repealed effective July 1, 1980."

Renumber succeeding section

Page 111, line 20, delete the comma and insert a period

Page 111, delete line 21

Further, amend the title as follows:

Page 2, line 22, after "Sections" insert "3.9271; 3.9272; 3.9273; 3.9274; 3.9275;"

A roll call was requested and properly seconded.

The question was taken on the amendment and the roll was called. There were 46 yeas and 88 nays as follows:

Those who voted in the affirmative were:

Aasness

Ainley

Albrecht

Anderson, D. Anderson, R.

Biersdorf	Fjoslien	Levi	Pleasant	Valento
Carlson, D.	Friedrich	Ludeman	Redalen	Welker
Crandall	Fritz	Luknic	Rees	Wieser
Dempsey	Haukoos	McDonald	Rose	Wigley
Den Ouden	Heinitz	Mehrkens	Searles	Speaker Searle
Drew	Hoberg	Niehaus	Sherwood	
Erickson	Kelly	Nysether	Stadum	
Evans	Knickerbocker	Onnen	Thiede	
Ewald	Kvam	Osthoff	Valan	

Those who voted in the negative were:

Adams	Elioff	Kaley	Nelson	Sieben, H.
Anderson, B.	Ellingson	Kalis	Norman	Sieben, M.
Anderson, G.	Enebo	Kempe	Norton	Simoneau
Anderson, I.	Esau	Kostohryz	Novak	Stoa
Battaglia	Faricy	Kroening	Olsen	Stowell
Begich	Forsythe	Laidig	Otis	Sviggum
Berglin	Fudro	Lehto	Patton	Swanson
Berkelman	Greenfield	Long	Pavlak	Tomlinson
Blatz	Halberg	Mann	Pehler	Vanasek
Brinkman	Heap	McCarron	Peterson	Voss
Byrne	Hokanson	McEachern	Piepho	Waldorf
Carlson, L.	Jacobs	Metzen	Prahl	Weaver
Casserly	Jaros	Minne	Reding	Welch
Clark	Jennings	Moe	Reiff	Wenzel
Clawson	Johnson, C.	Munger	Rice	Wynia
Corbid	Johnson, D.	Murphy	Rothenberg	Zubay
Dean	Jude	Nelsen, B.	Sarna	
Eken	Kahn	Nelsen, M.	Schreiber	

The motion did not prevail and the amendment was not adopted.

H. F. No. 223, A bill for an act relating to education; providing for aids to education, aids to libraries, tax levies and the distribution of tax revenues; granting certain powers and duties to teachers, school bus drivers, school boards, school districts, educational cooperative service units, the Minnesota educational computing consortium, courts, the commissioner of education, the commissioner of health, the department of education, the state board of education and the state board for vocational education and other state agencies; creating a legislative school finance study commission; changing the method of computing foundation aid and levy limitations; providing aid for sparsely populated school districts, basic skills programs, new jobs programs and programs for gifted and talented students; changing procedures for decisions concerning the education of handicapped children; increasing tuition at area vocational-technical institutes; appropriating money; amending Minnesota Statutes 1978, Sections 3.9271, Subdivision 1, and by adding a subdivision; 3.9272; 16.93; 120.075; 120.17, Subdivisions 3b and 7a; 121.912, by adding a subdivision; 121.92, Subdivision 2; 123.34, Subdivision 8; 123.35, by adding a subdivision; 123.58, Subdivision 6, and by adding a subdivision; 123.702, Subdivision 1, and by adding a subdivision; 123.703, Subdivisions 1 and 3; 123.705; 123.741, Subdivision 1; 123.937; 124.01; 124.11, Subdivision 4; 124.17, Subdivision 1; 124.212, Subdivisions 1, 6c, 7c, 11, 20, and

by adding subdivisions; 124.222, Subdivisions 1a, 1b, 2a, 2b and 6; 124.223; 124.245, Subdivisions 1 and 2; 124.26, Subdivision 3; 124.271, Subdivisions 2, 5, and by adding a subdivision; 124.32, Subdivisions 1, 1a, 5, 7 and 10; 124.561, Subdivision 3a; 124.562, Subdivisions 1 and 2; 124.563, Subdivision 1; 124.565, Subdivisions 3, 4, and by adding a subdivision; 124.572, Subdivision 2; 124.574, Subdivision 2; 124.646, Subdivision 1; 125.60, Subdivisions 1, 2, 3, 4, and by adding subdivisions; 125.61, Subdivisions 1, 2, 3, 4, and by adding subdivisions; 126.39, Subdivision 10; 126.40, Subdivision 3; 126.41, Subdivision 1; 126.52, Subdivision 10; 126.53, Subdivision 3; 126.54, Subdivision 1; 128A.02, Subdivision 6; 134.30, by adding a subdivision; 134.32, Subdivision 5; 134.33, Subdivision 1; 134.34, Subdivisions 1 and 2; 134.35, Subdivisions 1 and 2; 169.44, Subdivisions 1, 2, and by adding subdivisions; 275.125, Subdivisions 1, 2a, 2b, 8, 11a, and by adding subdivisions; 354.094, Subdivisions 3 and 6; 354.66, Subdivisions 1, 2, 3, 8, and by adding subdivisions; 354A.091, Subdivisions 1, 3, 6, and by adding a subdivision; 354A.22, Subdivisions 1, 2, 3, 8, and by adding subdivisions; 471.61, Subdivision 1b; and Chapters. 124, by adding sections; and 134, by adding sections; repealing Minnesota Statutes 1978, Sections 120.171; 124.212, Subdivisions 6b and 7b; 124.241; 126.16; 126.18; 134.33, Subdivision 2; 169.44, Subdivisions 5 and 7; and 275.125, Subdivisions 6 and 7.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 134 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Aasness	Dempsey	Jaros	Metzen	Reding
Adams	Den Ouden	Jennings	Minne	Rees
Ainley	Drew	Johnson, C.	Moe	Reif
Albrecht	Eken	Johnson, D.	Munger	Rice
Anderson, B.	Elioff	Jude	Murphy	Rose
Anderson, D.	Ellingson	Kahn	Nelsen, B.	Rothenberg
Anderson, G.	Enebo	Kaley	Nelsen, M.	Sarna
Anderson, I.	Erickson	Kalis	Nelson	Schreiber
Anderson, R.	Esau	Kelly	Niehaus	Searles
Battaglia	Evans	Kempe	Norman	Sherwood
Begich	Ewald	Knickerbocker	Norton	Sieben, H.
Berglin	Faricy	Kostohryz	Novak	Sieben, M.
Berkelman	Fjoslien	Kroening	Nysether	Simoneau
Biersdorf	Forsythe	Kvam	Olsen	Stadum
Blatz	Friedrich	Laidig	Onnen	Stoa
Brinkman	Fritz	Lehto	Osthoff	Stowell
Byrne	Fudro	Levi	Otis	Sviggum
Carlson, D.	Greenfield	Long	Patton	Swanson
Carlson, L.	Halberg	Ludeman	Pavlak	Thiede
Casserly	Haukoos	Luknie	Pehler	Tomlinson
Clark	Heap	Mann	Peterson	Tolan
Clawson	Heinitz	McCarron	Piepho	Valento
Corbid	Hoberg	McDonald	Pleasant	Vanasek
Crandall	Hokanson	McEachern	Prahl	Voss
Dean	Jacobs	Mehrkens	Redalen	Waldorf

Weaver
WelchWelker
WenzelWieser
WigleyWynia
Zubay

Speaker Searle

The bill was passed and its title agreed to.

SPECIAL ORDERS

H. F. No. 699 was reported to the House.

Norman moved to amend H. F. No. 699 as follows:

Page 3, line 17, after the stricken language insert "\$2.50 an hour beginning July 1, 1979,"

Page 3, line 17, delete "\$2.90" and insert "\$2.70"

Page 3, line 17, delete "\$3.10" and insert "\$2.90"

Page 3, line 18, delete "\$3.35" and insert "\$3.10"

Page 3, line 21, after the stricken language insert "\$2.25 an hour beginning July 1, 1979,"

Page 3, line 21, delete "\$2.61" and insert "\$2.43"

Page 3, line 22, delete "\$2.79" and insert "\$2.61"

Page 3, line 22, delete "\$3.02" and insert "\$2.79"

A roll call was requested and properly seconded.

The question was taken on the amendment and the roll was called. There were 64 yeas and 70 nays as follows:

Those who voted in the affirmative were:

Aasness	Esau	Kalis	Nysether	Searles
Ainley	Evans	Kempe	Olsen	Sherwood
Albrecht	Ewald	Knickerbocker	Onnen	Stadum
Anderson, R.	Fjoslien	Kvam	Pavlak	Sviggunn
Biersdorf	Forsythe	Laidig	Peterson	Thiede
Brinkman	Friedrich	Levi	Piepho	Valan
Carlson, D.	Fritz	Ludeman	Pleasant	Valento
Crandall	Halberg	Luknic	Redalen	Weaver
Dean	Heap	McDonald	Rees	Welker
Dempsey	Heinitz	Mehrkens	Reif	Wigley
Den Ouden	Hoberg	Nelsen, B.	Rose	Zubay
Drew	Jennings	Niehaus	Rothenberg	Speaker Searle
Erickson	Kaley	Norman	Schreiber	

Those who voted in the negative were:

Adams	Anderson, D.	Anderson, I.	Begich	Berkelman
Anderson, B.	Anderson, G.	Battaglia	Berglin	Blatz

Byrne	Greenfield	Lehto	Norton	Simoneau
Carlson, L.	Haukoos	Long	Novak	Stoa
Casserly	Hokanson	Mann	Osthoff	Stowell
Clark	Jacobs	McCarron	Otis	Swanson
Clawson	Jaros	McEachern	Patton	Tomlinson
Corbid	Johnson, C.	Metzen	Pehler	Vanasek
Eken	Johnson, D.	Minne	Prahl	Voss
Elioff	Jude	Moe	Reding	Waldorf
Ellingson	Kahn	Munger	Rice	Welch
Enebo	Kelly	Murphy	Sarna	Wenzel
Faricy	Kostohryz	Nelsen, M.	Sieben, H.	Wieser
Fudro	Kroening	Nelson	Sieben, M.	Wynia

The motion did not prevail and the amendment was not adopted.

Norman moved to amend H. F. No. 699 as follows:

Page 3, line 17, after the second comma insert "and"

Page 3, line 18, delete the new language and strike the old language after "1981,"

Page 3, line 19, delete the new language

Page 3, line 22, after the second comma insert "and"

Page 3, line 22, delete everything after "1981" and insert a period

Page 3, line 23, strike the old language and delete the new language

A roll call was requested and properly seconded.

The question was taken on the amendment and the roll was called. There were 66 yeas and 68 nays as follows:

Those who voted in the affirmative were:

Aasness	Evans	Kalis	Pavlak	Sviggun
Ainley	Ewald	Kvam	Peterson	Thiede
Albrecht	Fjoslien	Laidig	Piepho	Valan
Anderson, R.	Forsythe	Levi	Pleasant	Valento
Biersdorf	Friedrich	Ludeman	Redalen	Weaver
Blatz	Fritz	Luknic	Rees	Welker
Carlson, D.	Halberg	McDonald	Reif	Wieser
Crandall	Haukoos	Mehrrens	Rose	Wigley
Dean	Heap	Nelsen, B.	Rothenberg	Zubay
Dempsey	Heinitz	Niehaus	Schreiber	Speaker Searle
Den Ouden	Hoberg	Norman	Searles	
Drew	Jennings	Nysether	Sherwood	
Erickson	Johnson, D.	Olsen	Stadum	
Esau	Kaley	Onnen	Stowell	

Those who voted in the negative were:

Adams	Clawson	Kahn	Munger	Sieben, H.
Anderson, B.	Corbid	Kelly	Murphy	Sieben, M.
Anderson, D.	Eken	Kempe	Nelsen, M.	Simoneau
Anderson, G.	Elioff	Knickerbocker	Nelson	Stoa
Anderson, I.	Ellingson	Kostohryz	Norton	Swanson
Battaglia	Enebo	Kroening	Novak	Tomlinson
Begich	Faricy	Lehto	Osthoff	Vanasek
Berglin	Fudro	Long	Otis	Voss
Berkelman	Greenfield	Mann	Patton	Waldorf
Brinkman	Hokanson	McCarron	Pehrl	Welch
Byrne	Jacobs	McEachern	Prahl	Wenzel
Carlson, L.	Jaros	Metzens	Reding	Wynia
Casserly	Johnson, C.	Minne	Rice	
Clark	Jude	Moe	Sarna	

The motion did not prevail and the amendment was not adopted.

Schreiber was excused for the remainder of today's session.

Rose moved to amend H. F. No. 699 as follows:

Page 3, after line 23 insert a new section to read:

"Sec. 3. Minnesota Statutes 1978, Section 177.28, Subdivision 4, is amended to read:

Subd. 4. An employee who receives \$35 or more per month in gratuities is a tipped employee. An employer is entitled to a credit in an amount up to 20 percent of the minimum wage which a tipped employee receives. *The credit shall be 30 percent beginning January 1, 1980, 32 percent beginning January 1, 1981, and 35 percent beginning January 1, 1982.* The credit against the wages due may not be taken unless at the time the credit is taken the employer has received a signed statement for that pay period from the tipped employee stating that he did receive and retain during that pay period all gratuities received by him in an amount equal to or greater than the credit applied against the wages due by his employer. The statements shall be maintained by the employer as a part of his business records."

A roll call was requested and properly seconded.

Faricy moved to amend the Rose amendment to H. F. No. 699, as follows:

In the first line after "Subdivision 4, is" insert "repealed" and delete the rest of the amendment

Further, amend the title

Line 5, after "Subdivision 1" insert "; repealing Minnesota Statutes 1978, Section 177.28, Subdivision 4"

A roll call was requested and properly seconded.

The question was taken on the Faricy amendment to the Rose amendment and the roll was called. There were 66 yeas and 67 nays as follows:

Those who voted in the affirmative were:

Adams	Eken	Kalis	Murphy	Simoneau
Anderson, B.	Elioff	Kelly	Nelsen, M.	Stoa
Anderson, G.	Ellingson	Kempe	Nelson	Swanson
Anderson, I.	Enebo	Kostohryz	Norton	Tomlinson
Battaglia	Faricy	Kroening	Novak	Vanasek
Begich	Fudro	Lehto	Osthoff	Voss
Berglin	Greenfield	Long	Patton	Waldorf
Berkelman	Heap	Mann	Pehler	Welch
Byrne	Hokanson	McCarron	Prahl	Wenzel
Carlson, L.	Jacobs	McEachern	Reding	Wynia
Casserly	Jaros	Metzen	Rice	
Clark	Johnson, C.	Minne	Sarna	
Clawson	Jude	Moe	Sieben, H.	
Corbid	Kahn	Munger	Sieben, M.	

Those who voted in the negative were:

Aasness	Erickson	Kaley	Onnen	Stowell
Ainley	Esau	Knickerbocker	Otis	Sviggum
Albrecht	Evans	Kvam	Pavlak	Thiede
Anderson, D.	Ewald	Laidig	Peterson	Valan
Anderson, R.	Fjoslien	Levi	Piepho	Valento
Biersdorf	Forsythe	Ludeman	Pleasant	Weaver
Blatz	Friedrich	Luknic	Redalen	Welker
Brinkman	Fritz	McDonald	Rees	Wieser
Carlson, D.	Halberg	Mehrkens	Reif	Wigley
Crandall	Haukoos	Nelsen, B.	Rose	Zubay
Dean	Heinitz	Niehaus	Rothenberg	Speaker Searle
Dempsey	Hoberg	Norman	Searles	
Den Ouden	Jennings	Nysether	Sherwood	
Drew	Johnson, D.	Olsen	Stadum	

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

Halberg was excused for the remainder of today's session.

The question recurred on the Rose amendment and the roll was called. There were 17 yeas and 115 nays as follows:

Those who voted in the affirmative were:

Albrecht	Evans	Heap	Piepho	Zubay
Brinkman	Ewald	Heinitz	Reif	
Den Ouden	Forsythe	Kaley	Rose	
Drew	Fritz	McDonald	Searles	

Those who voted in the negative were:

Aasness	Adams	Ainley	Anderson, B.	Anderson, D.
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Anderson, G.	Enebo	Kostohryz	Norman	Sieben, M.
Anderson, I.	Erickson	Kroening	Norton	Simoneau
Anderson, R.	Esau	Kvam	Novak	Stadum
Battaglia	Faricy	Laidig	Nysether	Stoa
Begich	Fjoslien	Lehto	Olsen	Stowell
Berglin	Friedrich	Levi	Onnen	Sviggum
Berkelman	Fudro	Long	Osthoff	Swanson
Biersdorf	Greenfield	Ludeman	Otis	Thiede
Blatz	Haukoos	Luknic	Patton	Tomlinson
Byrne	Hoberg	Mann	Pavlak	Valan
Carlson, D.	Hokanson	McCarron	Pehler	Valento
Carlson, L.	Jacobs	McEachern	Peterson	Vanasek
Casserly	Jaros	Mehrkens	Pleasant	Voss
Clark	Jennings	Metzen	Prahl	Waldorf
Clawson	Johnson, C.	Minne	Redalen	Weaver
Corbid	Johnson, D.	Moe	Reding	Welch
Crandall	Jude	Munger	Rees	Welker
Dean	Kahn	Murphy	Rice	Wenzel
Dempsey	Kalis	Nelsen, B.	Rothenberg	Wieser
Eken	Kelly	Nelsen, M.	Sarna	Wigley
Elioff	Kempe	Nelson	Sherwood	Wynia
Ellingson	Knickerbocker	Niehaus	Sieben, H.	Speaker Searle

The motion did not prevail and the amendment was not adopted.

Brinkman and Searles were excused for the remainder of today's session.

Berglin moved to amend H. F. No. 699, as follows:

Page 3, after line 23, insert:

"The commissioner of labor and industry shall determine and announce by January 1, 1983, the percentage increase from January 1, 1982, to January 1, 1983, in the revised all urban consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The wage rates provided in this section shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted wage rate for the year beginning January 1, 1983.

The commissioner of labor and industry shall determine and announce by January 1, 1984, and each succeeding year the percentage increase from January 1, 1983, to January 1, 1984, and each year thereafter in the revised all urban consumer price index described above. The wage rates provided in this section as adjusted in the previous year shall be increased by that percentage rounded to the nearest dollar to produce the inflation adjusted wage rate for the year beginning January 1, 1984, and each succeeding year."

A roll call was requested and properly seconded.

The question was taken on the amendment and the roll was called. There were 41 yeas and 89 nays as follows:

Those who voted in the affirmative were:

Anderson, B.	Elioff	Kelly	Nelson	Sieben, M.
Anderson, I.	Ellingson	Kostohryz	Norton	Simoneau
Battaglia	Enebo	Kroening	Osthoff	Tomlinson
Begich	Faricy	Lehto	Otis	Voss
Berglin	Greenfield	Long	Patton	Wynia
Carlson, L.	Jacobs	McCarron	Prahl	
Casserly	Jaros	McEachern	Rice	
Clark	Jude	Munger	Sarna	
Clawson	Kahn	Nelsen, M.	Sieben, H.	

Those who voted in the negative were:

Aasness	Eken	Kaley	Norman	Stoa
Adams	Erickson	Kalis	Novak	Stowell
Ainley	Esau	Kempe	Nysether	Sviggun
Albrecht	Evans	Knickerbocker	Olsen	Swanson
Anderson, D.	Ewald	Kvam	Onnen	Thiede
Anderson, G.	Fjoslien	Laidig	Pavlak	Valan
Anderson, R.	Forsythe	Levi	Pehler	Valento
Berkelman	Friedrich	Ludeman	Peterson	Vanasek
Biersdorf	Fritz	Luknic	Piepho	Waldorf
Blatz	Fudro	Mann	Pleasant	Weaver
Byrne	Haukoos	McDonald	Redalen	Welch
Carlson, D.	Heap	Mehrkens	Reding	Welker
Corbid	Heinitz	Metzen	Rees	Wenzel
Crandall	Hoberg	Minne	Reif	Wieser
Dean	Hokanson	Moe	Rose	Wigley
Dempsey	Jennings	Murphy	Rothenberg	Zubay
Den Ouden	Johnson, C.	Nelsen, B.	Sherwood	Speaker Searle
Drew	Johnson, D.	Niehaus	Stadum	

The motion did not prevail and the amendment was not adopted.

Onnen moved to amend H. F. No. 699, as follows:

Page 3, line 17, delete "\$2.90" and insert "\$2.80"

Page 3, line 17, delete "\$3.10" and insert "\$3.00"

Page 3, line 18, delete "\$3.35" and insert "\$3.20"

Page 3, line 21, delete "\$2.61" and insert "\$2.52"

Page 3, line 22, delete "\$2.79" and insert "\$2.70"

Page 3, line 22, delete "\$3.02" and insert "\$2.88"

A roll call was requested and properly seconded.

The question was taken on the amendment and the roll was called. There were 33 yeas and 97 nays as follows:

Those who voted in the affirmative were:

Aasness	Ewald	Kempe	Norman	Welker
Albrecht	Fjoslien	Kvam	Onnen	Wieser
Dempsey	Forsythe	Ludeman	Piepho	Wigley
Den Ouden	Heap	McDonald	Rees	Zubay
Drew	Jennings	Mehrkens	Sherwood	Speaker Searle
Ericson	Kaley	Nelsen, B.	Swiggum	
Esau	Kalis	Niehaus	Thiede	

Those who voted in the negative were:

Adams	Crandall	Jude	Nelson	Sieben, H.
Ainley	Dean	Kahn	Norton	Sieben, M.
Anderson, B.	Eken	Kelly	Novak	Simoneau
Anderson, D.	Elioff	Knickerbocker	Nysether	Stadum
Anderson, G.	Ellingson	Kostohryz	Olsen	Stoa
Anderson, I.	Enebo	Kroening	Osthoff	Stowell
Anderson, R.	Evans	Laidig	Otis	Swanson
Battaglia	Faricy	Lehto	Patton	Tomlinson
Begich	Friedrich	Levi	Pavlak	Valan
Berglin	Fritz	Long	Pehler	Valento
Berkelman	Fudro	Luknic	Peterson	Vanasek
Biersdorf	Greenfield	Mann	Pleasant	Voss
Blatz	Haukoos	McCarron	Prahl	Waldorf
Byrne	Heinitz	McEachern	Redalen	Weaver
Carlson, D.	Hoberg	Metzen	Reding	Welch
Carlson, L.	Hokanson	Minne	Reif	Wenzel
Casserly	Jacobs	Moe	Rice	Wynia
Clark	Jaros	Munger	Rose	
Clawson	Johnson, C.	Murphy	Rothenberg	
Corbid	Johnson, D.	Nelsen, M.	Sarna	

The motion did not prevail and the amendment was not adopted.

Wieser moved to amend H. F. No. 699, as follows:

Page 3, line 15, after "employer" insert "*whose annual gross volume is in excess of \$150,000*"

Page 3, after line 23, insert:

"Every employer whose annual gross volume is \$150,000 or less shall pay to each employee who is 18 years of age or older wages at a rate of not less than \$2.65 an hour beginning January 1, 1980, \$2.90 an hour beginning January 1, 1981, and \$3.10 an hour beginning January 1, 1982, and shall pay to each employee who is under the age of 18 wages at a rate of not less than \$2.40 an hour beginning January 1, 1980, \$2.60 an hour beginning January 1, 1981, and \$2.80 an hour beginning January 1, 1982."

A roll call was requested and properly seconded.

The question was taken on the amendment and the roll was called. There were 60 yeas and 70 nays as follows:

Those who voted in the affirmative were:

Aasness	Erickson	Kaley	Nysether	Sherwood
Albrecht	Esau	Kalis	Olsen	Stadum
Anderson, B.	Evans	Kempe	Onnen	Stowell
Anderson, D.	Ewald	Knickerbocker	Pavlak	Sviggum
Anderson, R.	Fjoslien	Kvam	Peterson	Thiede
Biersdorf	Forsythe	Ludeman	Piepho	Valan
Crandall	Fritz	Mann	Pleasant	Valento
Dean	Heap	McDonald	Redalen	Welker
Dempsey	Heinitz	Mehrkens	Rees	Wieser
Den Ouden	Hoberg	Nelsen, B.	Reif	Wigley
Drew	Jennings	Niehaus	Rose	Zubay
Eken	Johnson, D.	Norman	Rothenberg	Speaker Searle

Those who voted in the negative were:

Adams	Clawson	Jude	Moe	Sarna
Ainley	Corbid	Kahn	Munger	Sieben, H.
Anderson, G.	Elioff	Kelly	Murphy	Sieben, M.
Anderson, I.	Ellingson	Kostohryz	Nelsen, M.	Simoneau
Battaglia	Enebo	Kroening	Nelson	Stoa
Begich	Faricy	Laidig	Norton	Swanson
Berglin	Friedrich	Lehto	Novak	Tomlinson
Berkelman	Fudro	Levi	Osthoff	Vanasek
Blatz	Greenfield	Long	Otis	Voss
Byrne	Haukoos	Luknic	Patton	Waldorf
Carlson, D.	Hokanson	McCarron	Pehler	Weaver
Carlson, L.	Jacobs	McEachern	Prahl	Welch
Casserly	Jaros	Metzen	Reding	Wenzel
Clark	Johnson, C.	Minne	Rice	Wynia

The motion did not prevail and the amendment was not adopted.

H. F. No. 699, A bill for an act relating to labor; increasing the minimum wage; providing for future increases; amending Minnesota Statutes 1978, Sections 177.23, Subdivision 7; and 177.24, Subdivision 1.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the bill was called. There were 100 yeas and 30 nays as follows:

Those who voted in the affirmative were:

Adams	Carlson, D.	Enebo	Jaros	Levi
Anderson, B.	Carlson, L.	Evans	Johnson, C.	Long
Anderson, G.	Casserly	Ewald	Johnson, D.	Luknic
Anderson, I.	Clark	Faricy	Jude	Mann
Anderson, R.	Clawson	Friedrich	Kahn	McCarron
Battaglia	Corbid	Fritz	Kelly	McEachern
Begich	Crandall	Fudro	Kempe	Mehrkens
Berglin	Dean	Greenfield	Knickerbocker	Metzen
Berkelman	Drew	Haukoos	Kostohryz	Minne
Biersdorf	Eken	Heap	Kroening	Moe
Blatz	Elioff	Hokanson	Laidig	Munger
Byrne	Ellingson	Jacobs	Lehto	Murphy

Nelsen, M.	Otis	Reif	Stadum	Voss
Nelson	Patton	Rice	Stoa	Waldorf
Norman	Pehler	Rose	Stowell	Weaver
Norton	Peterson	Rothenberg	Swanson	Welch
Novak	Prahl	Sarna	Tomlinson	Wenzel
Olsen	Redalen	Sieben, H.	Valan	Wieser
Onnen	Reding	Sieben, M.	Valento	Wynia
Osthoff	Rees	Simoneau	Vanasek	Zubay

Those who voted in the negative were:

Aasness	Erickson	Jennings	Nelsen, B.	Sherwood
Ainley	Esau	Kaley	Niehaus	Sviggum
Albrecht	Fjoslien	Kalis	Nysether	Thiede
Anderson, D.	Forsythe	Kvam	Pavlak	Welker
Dempsey	Heinitz	Ludeman	Piepho	Wigley
Den Ouden	Hoberg	McDonald	Pleasant	Speaker Searle

The bill was passed and its title agreed to.

Sieben, H., moved that the remaining bills on Special Orders for today be continued for one day immediately preceding General Orders. The motion prevailed.

GENERAL ORDERS

There being no objection the bills on General Orders for today were continued one day.

MOTIONS AND RESOLUTIONS

Nelson moved that the names of Berglin and Byrne be added as authors on H. F. No. 1325. The motion prevailed.

Adams moved that the name of Berkelman be added as an author on H. F. No. 1304. The motion prevailed.

Kaley moved that the name of Osthoff be added as an author on H. F. No. 1350. The motion prevailed.

Reding moved that House Advisory No. 8 be recalled from the Committee on Health and Welfare and be re-referred to the Committee on Judiciary. The motion prevailed.

Kaley moved that the name of Anderson, G., be added as an author on H. F. No. 1119. The motion prevailed.

Mann moved that S. F. No. 420 be recalled from the Committee on Agriculture and be re-referred to the Committee on Taxes. The motion prevailed.

ADJOURNMENT

Sieben, H., moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 2:00 p.m., Thursday, May 10, 1979.

EDWARD A. BURDICK, Chief Clerk, House of Representatives