

STATE OF MINNESOTA

SEVENTY-FOURTH SESSION - 1985

FORTY-FIFTH DAY

SAINT PAUL, MINNESOTA, THURSDAY, APRIL 25, 1985

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

Prayer was offered by Reverend Howard C. Gravrock, House Chaplain.

The roll was called and the following members were present:

Anderson, G.	Erickson	Kvam	Pappas	Solberg
Anderson, R.	Fjoslien	Levi	Pauly	Sparby
Backlund	Forsythe	Lieder	Piepho	Stanius
Battaglia	Frederick	Marsh	Piper	Staten
Beard	Frederickson	McDonald	Poppenhagen	Sviggun
Becklin	Frerichs	McEachern	Price	Thiede
Begich	Greenfield	McKasy	Quinn	Thorson
Bennett	Gruenes	McLaughlin	Quist	Tjornhom
Bishop	Gutknecht	McPherson	Redalen	Tomlinson
Blatz	Halberg	Metzen	Rees	Tompkins
Boerboom	Hartinger	Miller	Rest	Tunheim
Boo	Hartle	Minne	Rice	Uphus
Brandl	Haukoos	Munger	Richter	Valan
Brinkman	Heap	Murphy	Riveness	Valento
Brown	Himle	Nelson, D.	Rodosovich	Vanasek
Burger	Jacobs	Nelson, K.	Rose	Vellenga
Carlson, D.	Jaros	Neuenschwander	Sarna	Voss
Carlson, J.	Jennings, L.	Norton	Schafer	Waltman
Carlson, L.	Johnson	O'Connor	Scheid	Welle
Clark	Kahn	Ogren	Schoenfeld	Wenzel
Clausnitzer	Kalis	Olsen, S.	Schreiber	Wynia
Cohen	Kelly	Olson, E.	Seaberg	Zaffke
Dempsey	Kiffmeyer	Omann	Segal	Spk. Jennings, D.
DenOuden	Knickerbocker	Onnen	Shaver	
Dimler	Knuth	Osthoff	Sherman	
Dyke	Kostohryz	Otis	Simoneau	
Ellingson	Krueger	Ozment	Skoglund	

A quorum was present.

Elioff and Peterson were excused.

Long was excused until 3:00 p.m.

The Chief Clerk proceeded to read the Journal of the preceding day. McDonald 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. 492, 1233, 1316, 1360, 1392, 1409, 633, 889, 264 and 442 and S. F. Nos. 880, 664, 743, 1099, 1119, 364, 581, 994, 1029 and 40 have been placed in the members' files.

S. F. No. 1099 and H. F. No. 1088, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Wenzel moved that S. F. No. 1099 be substituted for H. F. No. 1088 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 664 and H. F. No. 998, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Waltman moved that S. F. No. 664 be substituted for H. F. No. 998 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1119 and H. F. No. 1316, 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. 1119 be substituted for H. F. No. 1316 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 364 and H. F. No. 818, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Poppenhagen moved that the rules be so far suspended that S. F. No. 364 be substituted for H. F. No. 818 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 743 and H. F. No. 695, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Onnen moved that the rules be so far suspended that S. F. No. 743 be substituted for H. F. No. 695 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 880 and H. F. No. 1017, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Rose moved that the rules be so far suspended that S. F. No. 880 be substituted for H. F. No. 1017 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 994 and H. F. No. 1011, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Dyke moved that the rules be so far suspended that S. F. No. 994 be substituted for H. F. No. 1011 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1029 and H. F. No. 1191, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Kiffmeyer moved that the rules be so far suspended that S. F. No. 1029 be substituted for H. F. No. 1191 and that the House File be indefinitely postponed. The motion prevailed.

REPORTS OF STANDING COMMITTEES

Schreiber from the Committee on Taxes to which was referred:

H. F. No. 756, A bill for an act relating to taxation; income; changing certain filing and payment dates for corporate estimated tax declarations; amending Minnesota Statutes 1984, section 290.932, subdivision 1; and 290.933, subdivision 1.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1

Section 1. Minnesota Statutes 1984, section 10A.31, subdivision 1, is amended to read:

Subdivision 1. Every individual resident of Minnesota who files an income tax return or a renter and homeowner property tax refund return with the commissioner of revenue may designate on their original return that \$2 shall be paid from the general fund of the state into the state elections campaign fund. If a husband and wife file a joint return, each spouse may designate that \$2 shall be paid. (AN INDIVIDUAL WHO IS 18 YEARS OF AGE OR OLDER, WHO IS A RESIDENT OF MINNESOTA, AND WHO IS A DEPENDENT OF ANOTHER INDIVIDUAL WHO FILES A TAX RETURN OR A RENTER AND HOMEOWNER PROPERTY TAX REFUND RETURN, MAY DESIGNATE THAT \$2 SHALL BE PAID FROM THE GENERAL FUND OF THE STATE INTO THE STATE ELECTIONS CAMPAIGN FUND.) No individual shall be allowed to designate \$2 more than once in any year.

Sec. 2. Minnesota Statutes 1984, section 10A.31, subdivision 3, is amended to read:

Subd. 3. The commissioner of the department of revenue shall provide on the first page of the income tax form and the renter and homeowner property tax refund return a space for the (FILING) individual (AND ANY ADULT DEPENDENT OF THAT INDIVIDUAL) to indicate whether or not he wishes to allocate \$2 (\$4 if filing a joint return) from the general fund of the state to finance the election campaigns of state candidates. The form shall also contain language prepared by the commissioner which permits the individual to direct the state to allocate the \$2 (or \$4 if filing a joint return) to: (i) one of the major political parties; (ii) any minor political party as defined in section 10A.01, subdivision 13, which qualifies under the provisions of subdivision 3a; or (iii) all qualifying candidates as provided by subdivision 7. (THE DEPENDENT ON THE TAX RETURN OR THE RENTER AND HOMEOWNER PROPERTY TAX REFUND RETURN SHALL SIGN A STATEMENT WHICH AUTHORIZES THE DESIGNATION OF \$2.) The renter and homeowner property tax refund return shall include instructions that the individual filing the return may designate \$2 on the return only if he has not designated \$2 on the income tax return.

Sec. 3. Minnesota Statutes 1984, section 13.04, subdivision 2, is amended to read:

Subd. 2. [INFORMATION REQUIRED TO BE GIVEN INDIVIDUAL.] An individual asked to supply private or confidential data concerning himself shall be informed of: (a) the

purpose and intended use of the requested data within the collecting state agency, political subdivision, or statewide system; (b) whether he may refuse or is legally required to supply the requested data; (c) any known consequence arising from his supplying or refusing to supply private or confidential data; and (d) the identity of other persons or entities authorized by state or federal law to receive the data. This requirement shall not apply when an individual is asked to supply investigative data, pursuant to section 13.82, subdivision 5, to a law enforcement officer.

The commissioner of revenue may place the notice required under this subdivision in the individual income tax or property tax refund instructions instead of on those forms.

Sec. 4. Minnesota Statutes 1984, section 41.55, is amended to read:

41.55 [ELIGIBILITY.]

A family farm security loan approval may be granted if the following criteria are satisfied:

- (a) That the applicant is a resident of the state of Minnesota;
- (b) That the applicant has sufficient education, training, or experience in the type of farming for which he wishes the loan and continued participation in a farm management program, approved by the commissioner, for at least the first ten years of the family farm security loan;
- (c) That the applicant, his dependents and spouse have total net worth valued at less than \$75,000 and has demonstrated a need for the loan;
- (d) That the applicant intends to purchase farm land to be used by the applicant for agricultural purposes;
- (e) That the applicant is credit worthy according to standards prescribed by the commissioner (;

((F) THAT THE SELLER HAS NOT ACQUIRED THE FARM LAND FOR PURPOSES OF OBTAINING THE INCOME TAX EXEMPTION ALLOWED BY SECTIONS 41.58 AND LAWS 1976, CHAPTER 210, SECTION 12).

Sec. 5. Minnesota Statutes 1984, section 117.55, is amended to read:

117.55 [PAYMENTS NOT CONSIDERED INCOME FOR TAX OR PUBLIC ASSISTANCE PURPOSES.]

No payments received under sections 117.50 to 117.56 shall be considered (AS INCOME FOR THE PURPOSES OF CHAPTER 290, OR) for purposes of determining the eligibility or the extent of eligibility of any person for public assistance based on need under the laws of the state of Minnesota.

Sec. 6. Minnesota Statutes 1984, 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.

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income 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 subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income 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 subdivision and in subdivisions 20a to 20f.

(i) (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 THIS CHAPTER AT THE SAME TIME THEY BECOME EFFECTIVE FOR FEDERAL INCOME TAX PURPOSES.)

(THE PROVISIONS OF SECTION 4 OF P.L. 95-458, SECTIONS 131, 133, 134, 141, 152, 156, 157, 405, AND 543 OF P.L. 95-600, AND SECTION 2 OF P.L. 96-608 (RELATING TO PENSIONS, INDIVIDUAL RETIREMENT ACCOUNTS, DEFERRED COMPENSATION PLANS, THE SALE OF A RESIDENCE AND TO CONSERVATION PAYMENTS TO FARMERS) INCLUDING THE AMENDMENTS MADE TO THESE SECTIONS IN P.L. 96-222 SHALL BE EFFECTIVE AT THE

SAME TIME THAT THESE PROVISIONS BECAME EFFECTIVE FOR FEDERAL INCOME TAX PURPOSES.)

((II)) THE INTERNAL REVENUE CODE OF 1954, AS AMENDED THROUGH DECEMBER 31, 1979, SHALL BE IN EFFECT FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1979.)

((III)) The Internal Revenue Code of 1954, as amended through December 31, 1980, and as amended by sections 302(b) and 501 to 509 of Public Law Number 97-34, shall be in effect for taxable years beginning after December 31, 1980 including the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, P.L. 96-223. The provisions of P.L. 96-471 (relating to installment sales) sections 122, 123, 126, 201, 202, 203, 204, 211, 213, 214, 251, 261, 264, 265, 311(g) (3), 313, 314(a) (1), 321(a), 501 to 507, 811, and 812 of the Economic Recovery Tax Act of 1981, Public Law Number 97-34 and section 113 of Public Law Number 97-119 shall be effective at the same time that they become effective for federal income tax purposes.

((IV)) (ii) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law Number 97-248, section 6(b) (2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f) (4), (g), (j), (l), 103(c), 104(b) (3), 105, 305(d), 306(a) (9) of Public Law Number 97-448, and sections 101 and 102 of Public Law Number 97-473 shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.

((V)) (iii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982.

((VI)) (iv) The Internal Revenue Code of 1954, as amended through December 31, 1983, shall be in effect for taxable years beginning after December 31, 1983.

(v) *The Internal Revenue Code of 1954, as amended through December 31, 1984, is in effect for taxable years beginning after December 31, 1984.*

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, (20C,) 20e, and 20f (SHALL) mean the code

in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 7. Minnesota Statutes 1984, section 290.01, subdivision 20a, is amended to read:

Subd. 20a. [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 other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) 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;

(3) (THE AMOUNT OF ANY INCREASE IN THE TAXPAYER'S FEDERAL TAX LIABILITY UNDER SECTION 47 OF THE INTERNAL REVENUE CODE OF 1954 TO THE EXTENT OF THE CREDIT UNDER SECTION 38 OF THE INTERNAL REVENUE CODE OF 1954 THAT WAS PREVIOUSLY ALLOWED AS A DEDUCTION UNDER MINNESOTA STATUTES 1982, SECTION 290.01, SUBDIVISION 20B, CLAUSE (7);)

((4) EXPENSES AND LOSSES ARISING FROM A FARM WHICH ARE NOT ALLOWABLE UNDER SECTION 290.09, SUBDIVISION 29;)

((5) EXPENSES AND DEPRECIATION ATTRIBUTABLE TO SUBSTANDARD BUILDINGS DISALLOWED BY SECTION 290.101;)

((6) 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;)

((7) TO THE EXTENT DEDUCTED IN COMPUTING THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR, LOSSES RECOGNIZED UPON A TRANSFER OF PROPERTY TO THE SPOUSE OR FORMER SPOUSE OF THE TAXPAYER IN EXCHANGE FOR THE RELEASE OF THE SPOUSE'S MARITAL RIGHTS;)

((8)) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code

of 1954, if the nonprofit corporation is domiciled outside of Minnesota;

((9)) (4) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, except for that portion of 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;

((10) THE AMOUNT OF ANY EXCLUDED GAIN 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;)

((11) TO THE EXTENT NOT INCLUDED IN THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME, THE AMOUNT OF ANY GAIN, FROM THE SALE OR OTHER DISPOSITION OF PROPERTY HAVING A LOWER ADJUSTED BASIS FOR MINNESOTA INCOME TAX PURPOSES THAN FOR FEDERAL INCOME TAX PURPOSES. THIS MODIFICATION SHALL NOT EXCEED THE DIFFERENCE IN BASIS. IF THE GAIN IS CONSIDERED A LONG TERM CAPITAL GAIN FOR FEDERAL INCOME TAX PURPOSES, THE MODIFICATION SHALL BE LIMITED TO 40 PERCENT OF THE PORTION OF THE GAIN. THIS MODIFICATION IS LIMITED TO PROPERTY THAT QUALIFIED FOR THE EQUITY INVESTMENT CREDIT CONTAINED IN SECTION 290.069, SUBDIVISION 4, AND TO PROPERTY ACQUIRED IN EXCHANGE FOR THE RELEASE OF THE TAXPAYER'S MARITAL RIGHTS CONTAINED IN SECTION 290.14, CLAUSE (7);)

((12)) (5) For an estate or trust, the amount of any loss from a source outside of Minnesota which is not allowed under section 290.17 including any capital loss or net operating loss carryforwards or carrybacks resulting from the loss;

((13)) (6) To the extent deducted in computing the estate or trust's federal taxable income, interest, taxes and other expenses which are not allowed under section 290.10, clause (9) or (10); *and*

((14) THE DEDUCTION FOR TWO-EARNER MARRIED COUPLES PROVIDED IN SECTION 221 OF THE INTERNAL REVENUE CODE OF 1954;)

((15)) (7) Losses from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax (;

((16) EXPENSES AND DEPRECIATION ATTRIBUTABLE TO PROPERTY SUBJECT TO LAWS 1982, CHAPTER 523, ARTICLE 7, SECTION 3 WHICH HAS NOT BEEN REGISTERED;))

((17) THE AMOUNT OF CONTRIBUTIONS TO AN INDIVIDUAL RETIREMENT ACCOUNT, INCLUDING A QUALIFIED VOLUNTARY EMPLOYEE CONTRIBUTION, SIMPLIFIED EMPLOYEE PENSION PLAN, OR SELF-EMPLOYED RETIREMENT PLAN WHICH IS ALLOWED UNDER SECTIONS 311 AND 312 OF PUBLIC LAW NUMBER 97-34, SECTION 238 OF PUBLIC LAW NUMBER 97-248, AND SECTION 103(D)(1)(B) OF PUBLIC LAW NUMBER 97-448 TO THE EXTENT THOSE CONTRIBUTIONS WERE NOT AN ALLOWABLE DEDUCTION PRIOR TO THE ENACTMENT OF THAT LAW; PROVIDED THAT AN INDIVIDUAL ON WHOSE BEHALF STOCK WORTH LESS THAN \$300 IS CONTRIBUTED DURING THE TAXABLE YEAR TO A TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN THAT SATISFIES THE REQUIREMENTS OF SECTIONS 44G AND 409A OF THE INTERNAL REVENUE CODE OF 1954 SHALL NOT BE REQUIRED, AS A CONSEQUENCE OF THAT CONTRIBUTION, TO INCLUDE CONTRIBUTIONS TO ANOTHER PLAN OR ACCOUNT IN GROSS INCOME UNDER THIS CLAUSE TO THE EXTENT THE CONTRIBUTIONS DO NOT EXCEED THE DIFFERENCE BETWEEN THE VALUE OF THE STOCK CONTRIBUTED DURING THE TAXABLE YEAR AND \$1,500; AND))

((18) TO THE EXTENT NOT INCLUDED IN THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME, THE AMOUNT OF ANY CONTRIBUTIONS TO A QUALIFIED PENSION PLAN, DESIGNATED AS EMPLOYEE CONTRIBUTIONS BUT WHICH THE EMPLOYING UNIT PICKS UP AND WHICH ARE TREATED AS EMPLOYER CONTRIBUTIONS PURSUANT TO SECTION 414(H)(2) OF THE INTERNAL REVENUE CODE OF 1954, PROVIDED THAT EMPLOYEE CONTRIBUTIONS TO POLICE AND FIRE RELIEF ASSOCIATIONS THAT PREVIOUSLY WERE NOT INCLUDED WITHIN GROSS INCOME AS CONTRIBUTIONS TO ORGANIZATIONS QUALIFIED UNDER SECTION 501 (C) (4) OF THE INTERNAL REVENUE CODE OF 1954 SHALL NOT BE INCLUDED IN GROSS INCOME UNDER THIS CLAUSE)).

Sec. 8. Minnesota Statutes 1984, section 290.01, subdivision 20b, is amended to read:

Subd. 20b. [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 40 per centum of the 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) (INCOME FROM THE PERFORMANCE OF PERSONAL OR PROFESSIONAL SERVICES WHICH IS SUBJECT TO THE RECIPROCITY EXCLUSION CONTAINED IN SECTION 290.081, CLAUSE (A));

((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 or out of state loss carryforwards resulting from the losses, and including any farm loss carryforwards or carrybacks;

((5)) (4) 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 the 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, OR THE AMOUNT REFLECTED AS THE ORDINARY INCOME PORTION OF A LUMP SUM DISTRIBUTION UNDER SECTION 402(E) OF THE INTERNAL REVENUE CODE OF 1954, 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, (II) AS A RETIREMENT OR

SURVIVOR'S BENEFIT MADE FROM A PLAN QUALIFYING UNDER SECTION 401, 403, 404, 405, 408, 409 OR 409A OF THE INTERNAL REVENUE CODE OF 1954, OR (III) SEVERANCE PAY DISTRIBUTED TO AN INDIVIDUAL UPON DISCONTINUANCE OF THE INDIVIDUAL'S EMPLOYMENT DUE TO TERMINATION OF BUSINESS OPERATIONS BY THE INDIVIDUAL'S EMPLOYER, PROVIDED THAT THE TERMINATION IS REASONABLY LIKELY TO BE PERMANENT, INVOLVES THE DISCHARGE OF AT LEAST 75 PERCENT OF THE EMPLOYEES AT THAT SITE WITHIN A ONE YEAR PERIOD, AND THE BUSINESS IS NOT ACQUIRED BY ANOTHER PERSON WHO CONTINUES OPERATIONS AT THAT SITE. THE MAXIMUM AMOUNT OF THIS SUBTRACTION SHALL BE \$11,000 LESS THE AMOUNT BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME, PLUS THE ORDINARY INCOME PORTION OF A LUMP SUM DISTRIBUTION AS DEFINED IN SECTION 402(E) OF THE INTERNAL REVENUE CODE OF 1954, EXCEEDS \$17,000. FOR PURPOSES OF THE PRECEDING SENTENCE, "FEDERAL ADJUSTED GROSS INCOME" SHALL NOT INCLUDE RAILROAD RETIREMENT OR SOCIAL SECURITY BENEFIT AMOUNTS PROVIDED IN SECTIONS 86 AND 72(R) OF THE INTERNAL REVENUE CODE OF 1954. FOR PURPOSES OF THIS CLAUSE, "SEVERANCE PAY" MEANS AN AMOUNT RECEIVED FOR CANCELLATION OF AN EMPLOYMENT CONTRACT OR A COLLECTIVELY BARGAINED TERMINATION PAYMENT MADE AS A SUBSTITUTE FOR INCOME WHICH WOULD HAVE BEEN EARNED FOR PERSONAL SERVICES TO BE RENDERED IN THE FUTURE. 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 \$11,000; THIS SUBTRACTION SHALL NOT BE REDUCED BY THE AMOUNT OF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME IN EXCESS OF \$17,000;)

((7) TO THE EXTENT INCLUDED IN THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR, GAIN RECOGNIZED UPON A TRANSFER OF PROPERTY TO THE SPOUSE OR FORMER SPOUSE OF THE TAXPAYER IN EXCHANGE FOR THE RELEASE OF THE SPOUSE'S MARITAL RIGHTS;)

((8)) (5) 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;

((9)) (6) (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 BEFORE JANUARY 1, 1986 THAT IS GUARANTEED BY THE COMMISSIONER OF AGRICULTURE AS PROVIDED IN SECTIONS 41.51 TO 41.60) *The amount of the senior citizens income subtraction as provided by section 290.08, subdivision 26;*

((10)) (7) The first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, and the next \$2,000 of compensation for personal services in the armed forces of the United States or the United Nations wholly performed outside the state of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause (6);

((11) IN THE CASE OF WAGES OR SALARIES PAID OR INCURRED ON OR AFTER JANUARY 1, 1977, THE AMOUNT OF ANY CREDIT FOR EMPLOYMENT OF CERTAIN NEW EMPLOYEES UNDER SECTIONS 44B AND 51 TO 53 OF THE INTERNAL REVENUE CODE OF 1954 WHICH IS CLAIMED AS A CREDIT AGAINST THE TAXPAYER'S FEDERAL TAX LIABILITY, 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;)

((12) UNEMPLOYMENT COMPENSATION TO THE EXTENT INCLUDIBLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 85 OF THE INTERNAL REVENUE CODE OF 1954;)

((13)) (8) For an estate or trust, the amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

((14) INTEREST EARNED ON A CONTRACT FOR DEED ENTERED INTO FOR THE SALE OF PROPERTY FOR AGRICULTURAL USE IF THE RATE OF INTEREST SET IN THE CONTRACT IS NO MORE THAN NINE PERCENT PER YEAR FOR THE DURATION OF THE TERM OF THE CONTRACT. THIS EXCLUSION SHALL BE AVAILABLE ONLY IF (1) THE PURCHASER IS AN INDIVIDUAL WHO, TOGETHER WITH HIS SPOUSE AND DEPENDENTS, HAS A TOTAL NET WORTH VALUED AT LESS THAN \$150,000 AND (2) THE PROPERTY SOLD UNDER THE CONTRACT IS FARM LAND AS DEFINED IN SECTION 41.52, SUBDIVISION 6 OF NO MORE THAN 1,000 ACRES THAT THE PURCHASER INTENDS TO USE FOR AGRICULTURAL PURPOSES. COMPLIANCE WITH THESE

REQUIREMENTS SHALL BE STATED IN AN AFFIDAVIT TO BE FILED WITH THE FIRST INCOME TAX RETURN ON WHICH THE TAXPAYER CLAIMS THE EXCLUSION PROVIDED IN THIS CLAUSE. UPON REQUEST ACCOMPANIED BY THE INFORMATION NECESSARY TO MAKE THE DETERMINATION, THE COMMISSIONER SHALL DETERMINE WHETHER INTEREST TO BE PAID ON A PROPOSED TRANSACTION WILL QUALIFY FOR THIS EXCLUSION; THE DETERMINATION SHALL BE PROVIDED WITHIN 30 DAYS OF RECEIPT OF THE REQUEST, UNLESS THE COMMISSIONER FINDS IT NECESSARY TO OBTAIN ADDITIONAL INFORMATION, OR VERIFICATION OF THE INFORMATION PROVIDED, IN WHICH CASE THE DETERMINATION SHALL BE PROVIDED WITHIN 30 DAYS OF RECEIPT OF THE FINAL ITEM OF INFORMATION OR VERIFICATION. THE EXCLUSION PROVIDED IN THIS CLAUSE SHALL APPLY TO INTEREST EARNED ON CONTRACTS FOR DEED ENTERED INTO AFTER DECEMBER 31, 1981 AND BEFORE JULY 1, 1983;)

((15)) (9) Income from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

((16)) (10) To the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represent a return of designated employee contributions to the plan and which contributions were included in gross income pursuant to *Minnesota Statutes 1984, section 290.01*, subdivision 20a, clause (18). The provisions of this clause shall apply before the provisions of clause (6) apply and an amount subtracted under this clause may not be subtracted under clause (6);

((17)) (11) To the extent included in federal adjusted gross income, distributions from an individual retirement account which represent a return of contributions if the contributions were included in gross income pursuant to *Minnesota Statutes 1984, section 290.01*, subdivision 20a, clause (17). The distribution shall be allocated first to return of contributions included in gross income until the amount of the contributions has been exhausted; (AND)

((18) TO THE EXTENT INCLUDED IN FEDERAL ADJUSTED GROSS INCOME, SOCIAL SECURITY BENEFITS AS DEFINED AND AS PROVIDED IN SECTION 86 OF THE INTERNAL REVENUE CODE OF 1954, RAILROAD RETIREMENT BENEFITS AS PROVIDED IN SECTION 72(R) OF THE INTERNAL REVENUE CODE OF 1954, AND SICK PAY PAID UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT AS PROVIDED IN SECTION 105(I) OF THE INTERNAL REVENUE CODE OF 1954, PROVIDED THAT

ANY AMOUNT SUBTRACTED UNDER THIS CLAUSE MAY NOT BE SUBTRACTED UNDER CLAUSE (6))

(12) *For the taxpayer, each dependent of the taxpayer, and, in the case of a joint return, the taxpayer's spouse, \$1,000 for each of the following that is satisfied: (a) the individual is deaf, (b) the individual is a quadriplegic, or (c) in the case of a dependent only, the individual is blind or mentally retarded. For purposes of this clause, 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 field of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees. 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. Quadriplegic means an individual who has a congenital or traumatic partial or total loss of all four limbs or who has a disability that substantially impairs the functioning of all four limbs;*

(13) *The amount allowed under section 290.08, subdivision 27, for expenses incurred in maintaining an elderly individual outside of a nursing home;*

(14) *An amount equal to one-half of the amount allowed for federal income tax purposes under section 221 of the Internal Revenue Code of 1954; and*

(15) *An amount equal to one-half of the deduction allowed for charitable contributions pursuant to section 170(i) of the Internal Revenue Code of 1954.*

Sec. 9. Minnesota Statutes 1984, section 290.01, subdivision 20d, is amended to read:

Subd. 20d. [MODIFICATION FOR AMOUNTS TRANSFERRED TO SURPLUS.] Amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, *for corporate taxpayers*, to the extent that the 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 the amounts resulted in a reduction of the tax imposed by this chapter and 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 chapter.

Sec. 10. [LEGISLATIVE FINDINGS.]

The legislature finds that the Minnesota income tax provisions for individuals begin with reference to adjusted gross income as defined in the Internal Revenue Code. Further, many other income tax provisions for individuals either adopt corresponding federal provisions by reference or are closely patterned after the federal income tax code. The legislature finds that the Minnesota income tax provisions for estates and trusts begin with federal taxable income as defined in the Internal Revenue Code. The legislature finds that although federal provisions are not statutorily utilized as a starting point in the determination of Minnesota corporate income taxes, many provisions either closely parallel the Internal Revenue Code or adopt by reference corresponding sections of the Internal Revenue Code.

The legislature finds that the similarity of our income tax law to the Internal Revenue Code is due to the following factors:

(1) the main purpose of both Minnesota and federal tax law is the same—to raise revenue;

(2) the general structure of the Internal Revenue Code raises revenue in a manner that the legislature finds just, equitable, and progressive;

(3) the Minnesota economy generally mirrors the complex organizational structure and the great variety and interrelationships of the federal economy;

(4) Minnesota income tax provisions which are similar to the Internal Revenue Code increase tax compliance and are more efficient for the state to administer and enforce; and

(5) taxpayers prefer a state tax form which is easy to compute with reference to the federal return.

The legislature finds that Congress passes amendments to the Internal Revenue Code often, sometimes several times within the space of the year. Many of these amendments are highly technical in nature, close loopholes, correct mistakes, or resolve ambiguities in Internal Revenue Code provisions which have been adopted and incorporated into Minnesota tax provisions.

The legislature finds that the present method of updating references to the Internal Revenue Code is confusing and inefficient both for the taxpayer and for those responsible for the administration of the tax. The legislature is not always in session at the time federal amendments to the Internal Revenue Code are enacted into law. Often, a bill updating references to the Internal Revenue Code may not be passed until very late in the session or may not be passed until a later session. As a result, the federal amendments to the Internal Revenue Code may be effective prior to passage of the updating state legislation. Often,

Minnesota income tax laws must be updated to the Internal Revenue Code effective retroactively or at a date different from the date the corresponding federal provision became effective. As a result, for a period of time, tax administrators and taxpayers are unsure whether Minnesota law will in fact correspond to the Internal Revenue Code at the date the federal amendments became effective. This makes tax planning difficult for the taxpayer. For the tax administrator, it delays administrative preparation and review.

Therefore, the legislature finds that an efficient administrative procedure is needed by which the legislature can update Minnesota income tax provisions to the Internal Revenue Code. The legislature finds that the provisions of section 11 provide an expedited process whereby Minnesota income tax provisions may be updated to selected federal amendments to the Internal Revenue Code and other federal amendments may be removed and considered under regular legislative procedures, all subject to the approval of the legislature and the governor and enactment into law.

Sec. 11. [290.015] [PROCEDURE FOR UPDATING TO THE INTERNAL REVENUE CODE.]

Subdivision 1. [APPLICABILITY.] The provisions of this section apply only if:

(1) the enactment of the federal law referred to in subdivision 2 occurs while the legislature is not in session and at least 60 days prior to the commencement of a regular session; or

(2) the enactment of the federal law occurs within 15 days of the day prescribed for adjournment of a regular session.

Subd. 2. [PREPARATION OF REPORT.] Within 30 days after the enactment of a federal law amending the provisions of subtitle A, chapter 1 or subtitle C, chapters 24 and 25 of the Internal Revenue Code of 1954, the commissioner of revenue shall prepare and submit a report to the legislature if any of the amendments are effective during the current year. The commissioner may have up to 60 days after the enactment of a federal law to submit the report to the legislature upon the certification by the commissioner to the chairman of the house tax committee and the senate committee on taxes and tax laws that the federal law was a major tax bill. The report must specify and describe all of the amendments made in the federal act to subtitle A, chapter 1 or subtitle C, chapters 24 and 25 of the Internal Revenue Code which are effective for federal purposes during the current year and state the impact of the amendments on Minnesota income tax provisions. An estimate of the cost or savings to the state if the provision is adopted in Minnesota and if the provision is not adopted in Minnesota must be included.

The report must contain the text of Minnesota income tax provisions which would require amendment, showing the necessary changes in the format used for legislative bills and approved by the revisor of statutes. The commissioner of revenue shall provide a copy of the report to the chairman of the house taxes committee and to the chairman of the senate taxes and tax laws committee. If the commissioner determines that the federal law does not require changes to be made in Minnesota's law, the commissioner shall certify that fact to the chairman of the house tax committee and the senate committee on taxes and tax laws and shall publish that certification in the state register. In the report to the legislature, the commissioner shall not include changes in penalty, enforcement, or administrative provisions.

Subd. 3. [NOTICE IN STATE REGISTER.] At the time of submission of the report to the state legislature, the commissioner of revenue shall cause to be published in the State Register a notice stating that the report has been prepared and indicating that copies may be obtained from the commissioner of revenue. The commissioner shall also notify by mail persons who have registered their names with the department pursuant to section 14.14, subdivision 1a. The notice must also state that public hearings will be held before the house taxes committee and the senate committee on taxes and tax laws and state how persons interested in receiving information about the date and time of the public hearings may obtain the information.

Subd. 4. [HEARINGS IN THE HOUSE.] At least two weeks but within four weeks after publication of the notice of the commissioner of revenue's report in the State Register, the house committee on taxes shall hold a public hearing. The committee shall consider the report of the commissioner and, upon a vote of the majority of the members of the committee, may adopt or reject all or a portion of the report. The committee may not add additional items to the report or make amendments to the adopted portions of the report, except for technical amendments. Within five working days after action by the committee, the house committee on taxes shall forward its report to the chairman of the senate committee on taxes and tax laws. The report must be in the format used for legislative bills and approved by the revisor of statutes.

Subd. 5. [HEARINGS IN THE SENATE.] Within two weeks after receipt of the report from the house committee on taxes the senate committee on taxes and tax laws shall hold a public hearing. The committee shall consider the report of the house committee on taxes. The committee, upon a majority vote of the members of the committee, may adopt or reject all or a portion of the report of the house committee. The committee may not add additional items to the report or make amendments to the report. Within five working days after action by the committee, the committee shall forward the report to the revisor of statutes.

Subd. 6. [PREPARATION OF REPORT BY REVISOR.] *Within five working days after receipt of the report, the revisor shall prepare the final report of the committees. The final report shall consist of the report of the house committee on taxes to the extent also adopted by the senate committee on taxes and tax law. No provision may be included in the final report unless included in the report of the commissioner of revenue, except for amendments made by the house committee on taxes, and adopted by both the house committee on taxes and by the senate committee on taxes and tax laws. The revisor of statutes shall determine the form of the final report. The final report must be signed by the chairman of the house committee on taxes and by the chairman of the senate committee on taxes and tax laws.*

Subd. 7. [SUBMISSION TO GOVERNOR.] *The revisor of statutes shall submit the signed report to the governor. Within five working days the governor shall approve or disapprove the report and file it with the secretary of state.*

Subd. 8. [PUBLICATION IN STATE REGISTER.] *Upon the filing of the report, the secretary of state shall submit a copy of the report to the commissioner of revenue and the department of administration. The commissioner shall cause to be published in the State Register a notice stating whether the report has been adopted by the house committee on taxes and the senate committee on taxes and tax laws and approved by the governor. The notice must state either that all provisions of the commissioner's report were adopted or that all or a portion of the report of the commissioner was rejected or amended. The notice must state that copies of the report may be obtained from the department of administration. The notice must also be sent by mail to all persons who have registered their names with the department pursuant to section 14.14, subdivision 1a.*

Subd. 9. [DISTRIBUTION.] *The report shall be made available to the public by the department of administration pursuant to section 16B.51.*

Subd. 10. [EFFECTIVE DATES OF REPORT.] *Notwithstanding any other law to the contrary, upon approval by the governor, the provisions of the report are effective and have the force and effect of law at the dates stated in the report. The provisions of the report are effective until the earlier of:*

(1) 90 days have elapsed beginning with the commencement of the first regular session after publication of the notice of the report of the commissioner of revenue in the State Register; or

(2) final enactment of a law repealing, amending, or enacting the provisions of the report.

Sec. 12. Minnesota Statutes 1984, section 290.032, subdivision 2, is amended to read:

Subd. 2. The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, except that the initial separate tax shall be an amount equal to ten times the tax which would be imposed by section (290.03) 290.06, subdivision 2c, if the recipient was an *unmarried* individual referred to in (SUCH SECTION) *that subdivision* and the taxable net income, excluding the credits allowed in section 290.06, subdivision 3f, was an amount equal to one-tenth of the excess of

(i) the total taxable amount of the lump sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, to paragraph (1) (A) thereof shall instead be references to subdivision 1 of this section.

The amount of any distribution from a qualified pension or profit sharing plan which is received as a lump sum distribution shall be reduced to the extent of any contribution:

(1) not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota for a taxable year beginning in 1974 or thereafter; or

(2) designated as an employee contribution but which the employing unit picks up and which is treated as an employer contribution and which was taxed on the Minnesota return but not the federal return in the year the contribution was made.

Sec. 13. Minnesota Statutes 1984, section 290.05, subdivision 3, is amended to read:

Subd. 3. (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

(i) Section 527 (dealing with political organizations) and (ii) section 528 (dealing with certain homeowners associations) but

notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations. The tax shall be

at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. (EXCEPT FOR SECTION 290.09, SUBDIVISION 29,) To the extent deducted in computing federal taxable income, the deductions contained in sections 290.09 and 290.21 shall not be allowed in computing Minnesota taxable net income.

Sec. 14. Minnesota Statutes 1984, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [(SCHEDULE) *SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.*] (a) The income taxes imposed by this chapter upon *married* individuals (, ESTATES AND TRUSTS, OTHER THAN THOSE TAXABLE AS CORPORATIONS, SHALL) *filing joint returns must* be computed by applying to their taxable net income the following schedule of rates:

((1) ON THE FIRST \$500, ONE AND SIX-TENTHS PERCENT;)

((2) ON THE SECOND \$500, TWO AND TWO-TENTHS PERCENT;)

((3) ON THE NEXT \$1,000, THREE AND FIVE-TENTHS PERCENT;)

((4) ON THE NEXT \$1,000, FIVE AND EIGHT-TENTHS PERCENT;)

((5) ON THE NEXT \$1,000, SEVEN AND THREE-TENTHS PERCENT;)

((6) ON THE NEXT \$1,000, EIGHT AND EIGHT-TENTHS PERCENT;)

((7) ON THE NEXT \$2,000, TEN AND TWO-TENTHS PERCENT;)

((8) ON THE NEXT \$2,000, ELEVEN AND FIVE-TENTHS PERCENT;)

((9) ON THE NEXT \$3,500, TWELVE AND EIGHT-TENTHS PERCENT;)

((10) ON ALL OVER \$12,500, AND NOT OVER \$20,000, FOURTEEN PERCENT;)

((11) ON ALL OVER \$20,000 AND NOT OVER \$27,500, FIFTEEN PERCENT;)

((12) ON ALL OVER \$27,500, SIXTEEN PERCENT.)

*If taxable net income is:**The tax is:**not over \$3,540**no tax**over \$3,540 but not
over \$6,250**1.8 percent of the excess
over \$3,540**over \$6,250 but not
over \$18,750**\$48.78 plus 7.8 percent of
the excess over \$6,250**over \$18,750 but not
over \$25,000**\$1,023.78 plus 10.2 percent
of the excess over \$18,750**over \$25,000 but not
over \$31,250**\$1,661.28 plus 12.2 percent
of the excess over \$25,000**over \$31,250 but not
over \$62,500**\$2,423.78 plus 13.4 percent
of the excess over \$31,250**over \$62,500**\$6,611.28 plus 14 percent of
the excess over \$62,500*

(b) *The income taxes imposed by this chapter upon unmarried individuals, married individuals filing separate returns, estates, and trusts must be computed by applying to taxable net income the following schedule of rates:*

*If taxable net income is:**The tax is:**not over \$2,390**no tax**over \$2,390 but not
over \$5,000**2.2 percent of the excess
over \$2,390**over \$5,000 but not
over \$15,000**\$57.42 plus 9.1 percent of
the excess over \$5,000**over \$15,000 but not
over \$25,000**\$967.42 plus 12.2 percent of
the excess over \$15,000**over \$25,000 but not
over \$50,000**\$2,187.42 plus 13.4 percent
of the excess over \$25,000**over \$50,000**\$5,537.42 plus 14 percent of
the excess over \$50,000*

(c) *In lieu of a tax computed according to the rates set forth in (CLAUSE) paragraph (a) or (b) of this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than (\$40,000 SHALL) an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard*

a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

((C)) (d) An individual who is not a Minnesota resident for the entire year must compute his Minnesota income tax as provided in (CLAUSE) *paragraph* (a) or (b). After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota *sourced federal adjusted* gross income, computed as if the provisions of section 290.081, *clause* (a), 290.17, subdivision 2, or 290.171 applied; and

(2) the denominator is the individual's federal adjusted gross income.

Sec. 15. Minnesota Statutes 1984, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] For taxable years beginning after December 31, (1980) 1985, the (TAXABLE NET INCOME BRACKETS) *maximum dollar amount on which no tax is imposed and the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed* in subdivision 2c shall be adjusted for inflation. For the purpose of making the adjustment as provided in this subdivision all of the *rate* brackets provided in subdivision 2c shall be the (ADJUSTED) *rate* brackets as they existed for taxable years beginning after December 31, (1979) 1984 and before January 1, (1981) 1986. (THE COMMISSIONER SHALL DETERMINE: (A) THE PERCENTAGE INCREASE IN THE REVISED CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS FOR THE MINNEAPOLIS-ST. PAUL METROPOLITAN AREA PREPARED BY THE UNITED STATES DEPARTMENT OF LABOR. HE) *The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.*

The commissioner shall adjust the rate brackets by the percentage determined under section 1(f) of the Internal Revenue Code of 1954, as amended through December 31, 1984, except that in section 1(f)(3)(B) the word "1984" shall be substituted for the word "1983." The commissioner shall then determine the percent change from (AUGUST, 1980) the 12 months ending on September 30, 1984, to, (IN 1981, AUGUST, 1981) for 1986, the 12 months ending on September 30, 1985, and in each subsequent year, from (AUGUST OF THE PRECEDING YEAR TO AUGUST) the 12 months ending on September 30, 1984, to

the 12 months ending on September 30 of the (CURRENT) preceding year (; AND (B) THE PERCENTAGE INCREASE IN AVERAGE MINNESOTA GROSS INCOME FROM TAX YEAR 1980 TO, IN 1981, TAX YEAR 1981, AND IN EACH SUBSEQUENT TAX YEAR BETWEEN THE PREVIOUS TAX YEAR AND THE CURRENT TAX YEAR. THE PERCENT INCREASES IN MINNESOTA GROSS INCOME SHALL BE ESTIMATED USING THE BEST AVAILABLE DATA SOURCES AND REASONABLE FORECASTING PROCEDURES). The determination of the commissioner pursuant to this (SECTION) *subdivision* shall not be considered a "rule" and shall not be subject to the administrative procedures act contained in chapter 14.

(THE DOLLAR AMOUNT IN EACH TAXABLE NET INCOME BRACKET FOR THE PRIOR YEAR IN SUBDIVISION 2C SHALL BE MULTIPLIED BY A FIGURE CALCULATED AS ONE PLUS 100 PERCENT OF THE CONSUMER PRICE INDEX INCREASE OR 100 PERCENT OF THE MINNESOTA GROSS INCOME INCREASE, WHICHEVER IS SMALLER. THE PRODUCT OF THE CALCULATION SHALL YIELD THE INFLATION ADJUSTED TAX BRACKETS FOR EACH SUCCEEDING YEAR. IF THE PRODUCT EXCEEDS A WHOLE DOLLAR AMOUNT, IT SHALL BE ROUNDED TO THE NEAREST WHOLE DOLLAR.)

No later than (OCTOBER 1) *December 15* of each year, the commissioner shall announce (BOTH PERCENTAGE INCREASES AND) the specific percentage that will be used to adjust the tax *rate* brackets (THE MAXIMUM STANDARD DEDUCTION AMOUNT,) and the personal credit amounts.

Sec. 16. Minnesota Statutes 1984, section 290.06, subdivision 3f, is amended to read:

Subd. 3f. [CREDITS AGAINST TAX.] Subject to the provisions of subdivision 3g the taxes due under the computation in accordance with this section shall be credited with the following amounts:

(1) In the case of an unmarried individual (\$68) *or a married individual filing separately, \$70;*

(2) In the case of (A) married (INDIVIDUAL, \$136. IF THE SPOUSES FILE SEPARATE, COMBINED OR JOINT RETURNS THE PERSONAL CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM) *individuals filing a joint return, \$140;*

(3) In the case of an individual, (\$68) \$70 for each person ((OTHER THAN A SPOUSE) DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAY-

ER. ONE TAXPAYER ONLY SHALL BE ALLOWED THIS CREDIT WITH RESPECT TO ANY GIVEN DEPENDENT. A PAYMENT TO A DIVORCED OR SEPARATED SPOUSE, OTHER THAN A PAYMENT FOR SUPPORT OF MINOR CHILDREN UNDER A TEMPORARY ORDER OR FINAL DECREE OF DISSOLUTION OR LEGAL SEPARATION, SHALL NOT BE CONSIDERED A PAYMENT BY THE OTHER SPOUSE FOR THE SUPPORT OF ANY DEPENDENT) *who was claimed by the individual as a dependent on the individual's federal income tax return as provided in sections 151 (e) and 152 of the Internal Revenue Code of 1954, as amended through December 31, 1984.*

(4)(a) In the case of an unmarried individual *or a married individual filing separately* who has attained the age of 65 before the close of his taxable year, an additional (\$68) \$70;

(b) In the case of an unmarried individual *or a married individual filing separately* who is blind at the close of the taxable year, an additional (\$68) \$70;

(c) In the case of (A) married (INDIVIDUAL) *individuals filing a joint return*, an additional (\$68) \$70 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional (\$68) \$70 for each spouse who is blind at the close of the individual's taxable year. (IF THE SPOUSES FILE SEPARATE, COMBINED OR JOINT RETURNS, THESE CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM);

((D) IN THE CASE OF AN INDIVIDUAL, ANOTHER \$68 FOR EACH PERSON, OTHER THAN A SPOUSE, WHO IS BLIND AND DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAYER;)

((E) FOR THE PURPOSES OF SUBPARAGRAPHS (B), (C) AND (D) 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.)

((F) IN THE CASE OF AN UNMARRIED INDIVIDUAL WHO IS DEAF AT THE CLOSE OF THE TAXABLE YEAR, AN ADDITIONAL \$68.)

((G) IN THE CASE OF A MARRIED INDIVIDUAL, AN ADDITIONAL \$68 FOR EACH SPOUSE WHO IS DEAF AT THE CLOSE OF THE TAXABLE YEAR. IF THE SPOUSES

FILE SEPARATE, COMBINED OR JOINT RETURNS, THESE CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM.)

((H) IN THE CASE OF AN INDIVIDUAL, AN ADDITIONAL \$68 FOR EACH PERSON (OTHER THAN A SPOUSE) WHO IS DEAF AND DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAYER.)

((I) FOR THE PURPOSES OF SUBPARAGRAPHS (F), (G), AND (H) 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) IN THE CASE OF AN UNMARRIED INDIVIDUAL WHO IS A QUADRIPLÉGIC AT THE CLOSE OF THE TAXABLE YEAR, AN ADDITIONAL \$68;)

((B) IN THE CASE OF A MARRIED INDIVIDUAL, AN ADDITIONAL \$68 FOR EACH SPOUSE WHO IS A QUADRIPLÉGIC AT THE CLOSE OF THE TAXABLE YEAR. IF THE SPOUSES FILE SEPARATE, COMBINED OR JOINT RETURNS, THESE CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM;)

((C) IN THE CASE OF AN INDIVIDUAL, ANOTHER \$68 FOR EACH PERSON, OTHER THAN A SPOUSE, WHO IS QUADRIPLÉGIC AND DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAYER; AND)

((D) FOR THE PURPOSES OF SUBPARAGRAPHS (A), (B) AND (C) OF PARAGRAPH 5, "QUADRIPLÉGIC" MEANS AN INDIVIDUAL WHO HAS A CONGENITAL OR TRAUMATIC PARTIAL OR TOTAL LOSS OF ALL FOUR LIMBS OR WHO HAS A DISABILITY THAT SUBSTANTIALLY IMPAIRS THE FUNCTIONING OF ALL FOUR LIMBS.)

((6)) 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 this chapter is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by sections 69.54 to 69.56.

Sec. 17. Minnesota Statutes 1984, section 290.06, subdivision 3g, is amended to read:

Subd. 3g. [INFLATION ADJUSTMENT OF CREDITS.] For taxable years beginning after December 31, (1980) 1985, the credits provided for individuals in subdivision 3f shall be adjusted for inflation. The dollar amount of each credit for the prior year in subdivision 3f shall be increased in the same manner as provided in subdivision 2d for the expansion of the (TAXABLE NET INCOME) *tax rate* brackets.

Sec. 18. Minnesota Statutes 1984, section 290.06, subdivision 11, is amended to read:

Subd. 11. [CONTRIBUTIONS TO POLITICAL PARTIES AND CANDIDATES.] A taxpayer may take a credit against the tax due under this chapter of 50 percent of his contributions to candidates for elective state or federal public office and to any political party. The maximum credit for an individual shall not exceed \$50 and, for a married couple filing jointly (OR FILING A COMBINED RETURN), shall not exceed \$100. No credit shall be allowed under this subdivision for a contribution to any candidate, other than a candidate for elective judicial office or federal office, who has not signed an agreement to limit his campaign expenditures as provided in section 10A.32, subdivision 3b. For purposes of this subdivision, a political party means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a. A major or minor party includes the aggregate of the party organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts. A "federal office" means the office of the president or vice president of the United States or the office of United States senator or congressman from Minnesota.

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

Sec. 19. Minnesota Statutes 1984, section 290.06, is amended by adding a subdivision to read:

Subd. 20. [CONTRIBUTIONS TO POST-SECONDARY EDUCATIONAL INSTITUTIONS.] (a) *A credit of 50 percent of the amount contributed to a Minnesota post-secondary educational institution may be deducted from the tax due under this chapter for the taxable year in which the contribution was made. The credit for an individual, estate, or trust may not exceed the lesser of: (1) \$100 and, for a married couple filing a joint return, \$200; or (2) the tax liability for the taxable year. The credit for a corporation may not exceed the lesser of \$1,000 or ten percent of the corporation's net income tax liability for the taxable year.*

(b) *For purposes of this subdivision, a "Minnesota post-secondary educational institution" is*

(1) *an educational institution located in Minnesota that*

(i) *normally maintains a regular faculty and curriculum and normally has a regular organized body of students in attendance at the place where its educational activities are conducted; and*

(ii) *regularly offers education at a level above the twelfth grade; and*

(iii) *regularly awards either associate, bachelors, masters, or doctoral degrees, or any combination thereof; and*

(iv) *is duly accredited by the North Central Association of Colleges and registered by the Minnesota higher education coordinating board; or*

(2) *an area vocational technical institute subject to the provisions of chapter 136C.*

(c) *In the case of a taxpayer who takes a credit pursuant to this subdivision and has also deducted the amount of that contribution as a charitable contribution for federal income tax purposes, the amount of the contribution used to compute the credit must be subtracted from the taxpayer's excess itemized deductions under section 290.089, subdivision 2, or, in the case of a corporation, the deduction under 290.21, subdivision 3.*

Sec. 20. Minnesota Statutes 1984, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] A taxpayer may take as a credit against the tax due from him and his spouse, if any, under this chapter an amount equal to the dependent care credit for which he is eligible pursuant to the provisions of section (44A) 21 of the Internal Revenue Code of 1954, as amended through December 31, (1983) 1984, subject to the limitations provided in subdivision 2.

Sec. 21. Minnesota Statutes 1984, 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 \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The total credit shall be reduced according to the amount of the combined federal adjusted gross income, plus the ordinary income portion of any

lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, (1983) 1984, of the claimant and his spouse, if any, as follows:

income up to (\$10,000, \$720 MAXIMUM FOR ONE DEPENDENT, \$1,440 FOR ALL DEPENDENTS;)

(INCOME OF \$10,001 TO \$11,000, \$660 MAXIMUM FOR ONE DEPENDENT, \$1,320 FOR ALL DEPENDENTS) *\$15,000, the same maximum credit allowed under section 21 of the Internal Revenue Code of 1954, as amended through December 31, 1984, for that income and that number of dependents;*

income over (\$11,000) *\$15,000*, the maximum credit for one dependent shall be reduced by (\$10) *\$18* for every (\$200) *\$250* of additional income, (\$20) *\$36* for all dependents;

\$24,001 and over, no credit.

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.

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

Sec. 22. Minnesota Statutes 1984, section 290.069, subdivision 4, is amended to read:

Subd. 4. [EQUITY INVESTMENT CREDIT.] (a) A credit shall be allowed against the tax imposed by this chapter for investment in the equity stock of a qualified small business, which is organized as a corporation. The credit for the taxable year is the least of

(1) \$75,000, or

(2) 30 percent of the sum of the following, computed for the investment in each qualified small business:

(A) The net investment made by the taxpayer during the taxable year in the equity stock of the qualified small business, less

(B) \$25,000; or

(3) 75 percent of the taxpayer's tax liability computed after subtraction of all nonrefundable credits.

(b) For purposes of this credit the following limitations apply:

(1) Equity stock means common or preferred stock in the qualified small business, and shall not include any security which would be treated as debt under section 385 of the Internal Revenue Code.

(2) The taxpayer and any related persons may not own more than 49 percent of the value of any class of stock. For purposes of this clause, a person is a related person to another person if (i) the relationship between the persons would result in a disallowance of losses under section 267 or 707(b) of the Internal Revenue Code of 1954 or (ii) the persons are members of the same controlled group of corporations.

(3) "Net investment" is limited to cash or the fair market value of marketable securities which are transferred to the qualified small business in return for equity stock, less the value of any other property or other consideration received by the taxpayer. The amount of the net investment shall be reduced by any payments made by the qualified small business to redeem shares of its stock or to acquire the assets or stock of another business during a 24-month period beginning one year prior to the taxpayer's purchase of the stock in the qualified small business. Marketable securities are limited to (A) obligations of the United States government, (B) securities of a corporation or other entity the stock or other securities of which are listed by the New York or American Stock Exchange or by the National Association of Securities Dealers Automated Quotation System, or (C) state or local government obligations, other than industrial development bonds as defined in section 103(b) of the Internal Revenue Code. The transfer of the assets of an entity engaged in a trade or business as a corporation, partnership, association, or proprietorship to a corporation shall not qualify as a net investment for purposes of the credit, if the ownership of the transferee corporation is substantially the same as that of the entity. For purposes of the preceding sentence, any property owned by or used directly in the business, pledged as collateral, or used as working capital shall constitute assets of the business.

(c) If the principal place of business of the qualified small business is located in an enterprise zone designated pursuant to section 273.1312, \$10,000 shall be substituted for \$25,000 and \$100,000 for \$75,000 in paragraph (a).

(d) (THE TAXPAYER'S BASIS IN THE STOCK SHALL BE REDUCED BY THE AMOUNT OF THE CREDIT.)

((E)) In the case of an investment made by a small business corporation, having a valid election in effect under section 1362 of the Internal Revenue Code, or by a partnership, the credit

shall be allocated among the shareholders or partners on a pro rata basis and the limitations contained in paragraphs (a) and (c) shall apply to the small business corporation or partnership. In no case shall a taxpayer be allowed a maximum credit in excess of that permitted by paragraph (a) or (c).

Sec. 23. Minnesota Statutes 1984, section 290.08, subdivision 26, is amended to read:

Subd. 26. [(PENSION) INCOME SUBTRACTION FOR SENIORS.] (a) ([EXCLUSION.] Gross income (SHALL) does not include (THE TAXPAYER'S PENSION) income of a taxpayer who has attained the age of 65 by the end of the taxable year. The maximum amount of this exclusion is (THE GREATER OF THE FOLLOWING TWO AMOUNTS) as follows:

((1) \$11,000 REDUCED BY THE AMOUNT OF THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME IN EXCESS OF \$17,000 EXCLUDING SOCIAL SECURITY BENEFITS AND RAILROAD RETIREMENT BENEFITS TO THE EXTENT INCLUDED IN FEDERAL ADJUSTED GROSS INCOME; OR)

((2) \$11,000 REDUCED BY THE SUM OF)

((A) SOCIAL SECURITY BENEFITS,)

((B) RAILROAD RETIREMENT BENEFITS, AND)

((C) THE EXCESS OVER \$23,000 OF FEDERAL ADJUSTED GROSS INCOME, BUT EXCLUDING SOCIAL SECURITY BENEFITS AND RAILROAD RETIREMENT BENEFITS TO THE EXTENT INCLUDED IN FEDERAL ADJUSTED GROSS INCOME.)

((3) NOTWITHSTANDING CLAUSES (1) AND (2), IN THE CASE OF AN INVOLUNTARY LUMP SUM DISTRIBUTION OF PENSION OR RETIREMENT BENEFITS TO VOLUNTEER FIREFIGHTERS, THE MAXIMUM AMOUNT OF THE EXCLUSION IS \$11,000. THIS AMOUNT IS NOT SUBJECT TO REDUCTION FOR OTHER INCOME OF THE TAXPAYER.)

((4) PENSION INCOME CONSISTING OF SEVERANCE PAY QUALIFIES ONLY FOR THE EXCLUSION COMPUTED ACCORDING TO PARAGRAPH (A), CLAUSE (1)) (1) *In the case of an unmarried taxpayer or married taxpayer filing a separate return, \$3,000 reduced by the amount of the taxpayer's federal adjusted gross income in excess of \$17,000;*

(2) *In the case of married taxpayers filing a joint return in which only one of the spouses has attained the age of 65, \$3,000*

reduced by the amount of joint federal adjusted gross income in excess of \$20,000;

(3) In the case of married taxpayers filing a joint return in which both spouses have attained the age of 65, \$6,000 reduced by \$2 for every dollar of joint federal adjusted gross income in excess of \$20,000.

(b) ([DEFINITIONS.]) For purposes of this subdivision the following terms have the meanings given:

(1) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, (1983) 1984.

(2) "Federal adjusted gross income" is the federal adjusted gross income referred to in section 290.01, subdivision 20, for the current taxable year, and includes the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code.

((3) "PENSION INCOME" MEANS TO THE EXTENT INCLUDED IN THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME THE AMOUNT RECEIVED BY THE TAXPAYER)

((A) 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,)

((B) AS A RETIREMENT OR SURVIVOR'S BENEFIT MADE FROM A PLAN QUALIFYING UNDER SECTION 401, 403, 404, 405, 408, 409, OR 409A OF THE INTERNAL REVENUE CODE, OR)

((C) SEVERANCE PAY DISTRIBUTED TO AN INDIVIDUAL UPON DISCONTINUANCE OF THE INDIVIDUAL'S EMPLOYMENT DUE TO TERMINATION OF BUSINESS OPERATIONS BY THE INDIVIDUAL'S EMPLOYER, IF THE TERMINATION IS REASONABLY LIKELY TO BE PERMANENT, INVOLVES THE DISCHARGE OF AT LEAST 75 PERCENT OF THE EMPLOYEES AT THAT SITE WITHIN A ONE YEAR PERIOD, AND THE BUSINESS IS NOT

ACQUIRED BY ANOTHER PERSON WHO CONTINUES OPERATIONS AT THAT SITE.)

((4) "SEVERANCE PAY" MEANS AN AMOUNT RECEIVED FOR CANCELLATION OF AN EMPLOYMENT CONTRACT OR A COLLECTIVELY BARGAINED TERMINATION PAYMENT MADE AS A SUBSTITUTE FOR INCOME WHICH WOULD HAVE BEEN EARNED FOR PERSONAL SERVICES TO BE RENDERED IN THE FUTURE.)

Sec. 24. Minnesota Statutes 1984, section 290.08, is amended by adding a subdivision to read:

Subd. 27. [EXCLUSION FOR HOME CARE OF THE ELDERLY.] (a) *An exclusion from federal adjusted gross income is allowed to an individual taxpayer with respect to food, clothing, transportation expenses, and medical care except (1) medical expenses deductible pursuant to section 290.089, subdivision 2, or (2) employment related expenses under section 21(b)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1984, paid or incurred by the taxpayer during the taxable year on behalf of a qualified individual, other than the taxpayer, in order to maintain the individual in the private home of either the taxpayer or of the qualified individual.*

(b) *The maximum amount of the exclusion to each taxpayer, or in the case of a joint return the taxpayer and the taxpayer's spouse, is \$3,000.*

(c) *For purposes of this subdivision a qualified individual means an individual (1) of at least 65 years of age at the end of the taxable year; (2) who is eligible for medical assistance and who meets the eligibility requirements of section 256B.06; (3) whose health and social services needs have been assessed by a nursing home preadmission screening team pursuant to section 256B.091 or, if a screening team is not operating in the county in which the qualified individual resides, by the designated agent of the local board of health or, if no local board of health is operating in the county, by the designated agent of the county board; and (4) who has been recommended by the screening team or other designated agent as eligible for placement in a nursing home or in need of identified services to maintain the person outside of an institution.*

(d) *If the taxpayer is receiving a stipend or grant for food, clothing, medical care, or transportation expenses of the qualified individual pursuant to section 256B.091 or 256B.51, the amount of the expenses paid or incurred during the taxable year must be reduced by the amount of the stipends or grants received during the taxable year.*

(e) *The determination of the local screening team or other designated agent is final for purposes of determining eligibility for the taxable year in which the assessment was made. An in-*

dividual may request reassessment in order to determine qualification for this exclusion for the taxable year or for a succeeding taxable year, provided that the local screening team or other designated agent may require that reassessments not be made at intervals of less than one year, absent an affirmative showing of a change in health or social services needs.

(f) The department of revenue, after consultation with the department of human services and the department of health, may provide a form for the certification of the needs assessment by the local screening team or other designated agent and may require that the form be filed with any return filed by the taxpayer initially claiming the exclusion for the qualified individual. If the form is required, the commissioner of revenue must provide an adequate supply of forms to each local screening team or designated agent.

An individual who meets the requirements of clauses (c)(3) and (c)(4) for a taxable year is considered qualified for purposes of clauses (c)(3) and (c)(4) for succeeding taxable years, provided that the commissioner of revenue may require that an individual's qualifications pursuant to clauses (c)(3) and (c)(4) be reassessed. If the individual refuses to submit to the reassessment or a negative recommendation is received under clause (c)(4), the individual is not qualified under this clause for the taxable year for which the commissioner required the reassessment or for succeeding taxable years until all the qualifications contained in clause (c) are met by the individual.

For the taxable year beginning after December 31, 1984, and prior to January 1, 1986, an individual is considered qualified for purposes of clauses (c)(3) and (c)(4) if the requirements of clauses (c)(3) and (c)(4) are met on or before the time prescribed by law for filing the return for the taxable year, including extensions. For all other taxable years, the requirements of clauses (c)(3) and (c)(4) must be met by the close of the taxable year for which the taxpayer first claims the exclusion.

Sec. 25. Minnesota Statutes 1984, section 290.089, subdivision 2, is amended to read:

Subd. 2. [(ITEMIZED DEDUCTIONS) MINNESOTA NET INCOME.] (AN AMOUNT EQUAL TO THE AMOUNT DETERMINED PURSUANT TO SECTION 63(F) OF THE INTERNAL REVENUE CODE IS ALLOWED WITH THE FOLLOWING ADJUSTMENTS:) (a) *In the case of an individual, or married individual filing a joint return, who does not itemize deductions for federal income tax purposes, "Minnesota net income" means Minnesota adjusted gross income.*

(b) *In the case of an individual, or married individual filing a joint return, who itemizes deductions for federal income tax purposes, "Minnesota net income" means Minnesota adjusted gross income adjusted as follows:*

(1) subtract the amount of excess itemized deductions, as determined under section 63(c) of the Internal Revenue Code, to the extent that amount exceeds the sum of (i) income taxes paid or accrued within the taxable year under this chapter, (ii) income taxes paid to any other state or to any province or territory of Canada to the extent a deduction was allowed, and (iii) the amount of the contribution used to compute a credit under section 290.06, subdivision 20;

((A) ADD) (2) subtract the amount paid to others not to exceed \$650 for each dependent in grades K to 6 and \$1,000 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extra-curricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

((B) ADD THE AMOUNT OF MINNESOTA AND OTHER STATES' ESTATE OR INHERITANCE TAXES WHICH WERE ALLOWED AS A DEDUCTION UNDER SECTION 290.077, SUBDIVISION 4, ON INCOME IN RESPECT OF A DECEDENT;)

((C) ADD THE AMOUNT BY WHICH THE DEDUCTION FOR THE TAXABLE YEAR ALLOWED PURSUANT TO SUBDIVISION 4 EXCEEDS THE AMOUNT DETERMINED PURSUANT TO SECTION 222 OF THE INTERNAL REVENUE CODE;)

((D) SUBTRACT INCOME TAXES PAID OR ACCRUED WITHIN THE TAXABLE YEAR UNDER THIS CHAPTER;)

((E) SUBTRACT INCOME TAXES PAID TO ANY OTHER STATE OR TO ANY PROVINCE OR TERRITORY OF CANADA;)

((F) IF THE DEDUCTION COMPUTED UNDER SECTION 164 OF THE INTERNAL REVENUE CODE IS NOT

REDUCED BY THE AMOUNT OF THE CREDIT OR REFUND ALLOWED UNDER CHAPTER 290A, SUBTRACT THAT AMOUNT;)

((G) SUBTRACT THE AMOUNT OF INTEREST ON INVESTMENT INDEBTEDNESS PAID OR ACCRUED IN A TAXABLE YEAR BEGINNING BEFORE JANUARY 1, 1981, WHICH HAS BEEN CARRIED FORWARD AND IS ALLOWED AS A DEDUCTION IN THE TAXABLE YEAR UNDER SECTION 163(D) OF THE INTERNAL REVENUE CODE;)

((H) SUBTRACT THE AMOUNT OF CHARITABLE CONTRIBUTIONS DEDUCTED UNDER SECTION 170 OF THE INTERNAL REVENUE CODE THAT (I) EXCEEDS THE FOLLOWING LIMITATIONS: (A) AN OVERALL LIMIT OF 30 PERCENT OF THE TAXPAYER'S MINNESOTA GROSS INCOME WHICH, FOR PURPOSES OF THIS PARAGRAPH, SHALL INCLUDE THE ORDINARY INCOME PORTION OF A LUMP SUM DISTRIBUTION AS DEFINED IN SECTION 402(E) OF THE INTERNAL REVENUE CODE; AND (B) THE AGGREGATE OF CONTRIBUTIONS TO ORGANIZATIONS DESCRIBED IN SECTION 290.21, SUBDIVISION 3, CLAUSE (C) SHALL NOT EXCEED 20 PERCENT OF THE TAXPAYER'S MINNESOTA GROSS INCOME; OR (II) WAS DEDUCTED AS A CARRYOVER UNDER SECTION 170(D) OF THE INTERNAL REVENUE CODE)

(3) *subtract the amount by which charitable automobile expenses, figured at the highest standard mileage rate allowed for business automobile expenses under the Internal Revenue Code, exceeds charitable automobile expenses figured at the standard mileage rate for charitable contributions under section 170(j) of the Internal Revenue Code. "Charitable automobile expenses" means automobile expenses necessarily incurred in performing donated services to an organization if a contribution to that organization is deductible under section 170 of the Internal Revenue Code;*

(4) *to the extent they exceed the amount determined under section 222 of the Internal Revenue Code, subtract expenses incurred during the taxable year arising from the adoption of one or more children, including attorney fees, court costs, social or adoption agency fees, and other necessary costs in connection with an adoption; the total expense, however, shall not exceed \$1,250 per child adopted. If under the taxpayer's system of accounting, the expense is deductible in two different taxable years, the total deduction for the two years must not exceed \$1,250 per child;*

(5) *add the unused zero bracket amount, if any, as determined under section 63(e) of the Internal Revenue Code.*

Sec. 26. Minnesota Statutes 1984, section 290.09, subdivision 1, is amended to read:

Subdivision 1. [LIMITATIONS.] Except as provided in this subdivision, the deductions provided in this section from gross income shall only be allowed to corporations in computing net income. The provisions of subdivisions 2, clause (c), and 28 (, AND 29 SHALL) also apply to individuals (, ESTATES,) and trusts to the extent provided in those subdivisions.

Sec. 27. Minnesota Statutes 1984, section 290.09, subdivision 7, is amended to read:

Subd. 7. [DEPRECIATION.] (A) [CUMULATIVE DEPRECIATION.] (a) There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence):

- (1) of property used in the trade or business, or
- (2) of property held for the production of income.

In the case of recovery property as provided in clause (c), the deduction allowable under clause (c) shall be deemed to constitute the reasonable allowance provided by this subdivision, except for the provisions of Part (B) relating to first year depreciation and except with respect to that portion of the basis of the property to which section 167(k) of the Internal Revenue Code of 1954, as amended through December 31, 1983, applies.

(b) The term "reasonable allowance" as used in clause (a) shall include (but shall not be limited to) an allowance computed in accordance with regulations prescribed by the commissioner, under any of the following methods:

- (1) the straight line method.
- (2) the declining balance method, using a rate not exceeding twice the rate which would have been used had the annual allowance been computed under the method described in paragraph (1).
- (3) the sum of the years-digits method, and
- (4) any other consistent method productive of an annual allowance, which, when added to all allowances for the period commencing with the taxpayer's use of the property and including the taxable year, does not, during the first two-thirds of the useful life of the property, exceed the total of such allowances which would have been used had such allowances been computed under the method described in (2). Nothing in this clause (b)

shall be construed to limit or reduce an allowance otherwise allowable under clause (a).

(c) For purposes of this subdivision "reasonable allowance" shall be the accelerated cost recovery system provisions of section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983, except as provided in this subdivision. In the case of recovery property within the meaning of section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983, the term "reasonable allowance" as used in clause (a) shall mean 85 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 for property placed in service after December 31, 1980 and for taxable years beginning before January 1, 1982.

For taxable years beginning after December 31, 1981 the term reasonable allowance as used in clause (a) shall mean the following percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983:

(1) For 3, 5 and 10 year property and for 15 year public utility property the allowable percentage is 83 percent and 80 percent for taxable years beginning after December 31, 1982.

(2) For 15 year real property the allowable percentage is 60 percent.

For property placed in service after December 31, 1980 the term "reasonable allowance" as used in clause (a) shall mean 100 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 where the taxpayer uses for federal income tax purposes the straight line method provided in section 168(b)(3) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1983. For property placed in service after December 31, 1980 and for which the full amount of the deduction allowed under section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983 has been allowed, the remaining depreciable basis in those assets for Minnesota purposes shall be a depreciation allowance computed by using the straight line method over the following number of years:

- (1) 3 year property—1 year.
- (2) 5 year property—2 years.
- (3) 10 year property—5 years.
- (4) All 15 year property—7 years.

When an asset is exchanged for another asset including an involuntary conversion and under the provision of the Internal Revenue Code gain is not recognized in whole or in part on the exchange of the first asset, the basis of the second asset shall be the same as its federal basis provided that the difference in basis due to the limitations provided in this clause can be written off as provided in the preceding sentence.

After the full amount of the allowable deduction for that property under the provision of section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983, has been obtained, the remaining depreciable basis in those assets for Minnesota purposes that shall be allowed as a depreciation allowance as provided above shall include the amount of any basis reduction made for federal purposes under section 48(q) of the Internal Revenue Code, as amended through December 31, 1983, to reflect the investment tax credit. No amount shall be allowed as a deduction under section 196 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

The provisions of section 168(i)(4) of the Internal Revenue Code of 1954, as amended through December 31, 1983 shall apply to restrict research credit carrybacks and net operating loss carrybacks which are allocable to elected qualified leased property, notwithstanding section 290.068, subdivision 3, or 290.095, subdivision 3.

(THE MODIFICATION PROVIDED IN THIS CLAUSE SHALL APPLY BEFORE APPLYING A LIMITATION ON FARM LOSSES AS CONTAINED IN SUBDIVISION 29.)

(d) Paragraphs (2), (3), and (4) of clause (b) shall apply only in the case of property (other than intangible property) described in clause (a) with a useful life of three years or more.

(1) the construction, reconstruction, or erection of which is completed after December 31, 1958, and then only to that portion of the basis which is properly attributable to such construction, reconstruction, or erection after December 31, 1958, or

(2) acquired after December 31, 1958, if the original use of such property commenced with the taxpayer and commences after such date.

(e) Where, under rules prescribed by the commissioner, the taxpayer and the commissioner have, after June 30, 1959, entered into an agreement in writing specifically dealing with the useful life and rate of depreciation of any property, the rate so agreed upon shall be binding on both the taxpayer and the commissioner in the absence of facts or circumstances not taken into consideration in the adoption of such agreement. The

responsibility of establishing the existence of such facts and circumstances shall rest with the party initiating the modification. Any change in the agreed rate and useful life specified in the agreement shall not be effective for taxable years before the taxable year in which notice in writing by certified mail is served by the party to the agreement initiating such change. This clause shall not apply with respect to recovery property as defined in clause (c).

(f) In the absence of an agreement under clause (e) containing a provision to the contrary, a taxpayer may at any time elect in accordance with rules prescribed by the commissioner to change from the method of depreciation prescribed in clause (b) (2) to the method described in clause (b) (1).

(g) The basis on which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in this chapter for the purpose of determining the gain on the sale or other disposition of such property.

(B) [FIRST YEAR DEPRECIATION.] The term "reasonable allowance" as used in this subdivision may, at the election of the taxpayer, include an amount as provided under section 179 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

Sec. 28. Minnesota Statutes 1984, section 290.091, is amended to read:

290.091 [ALTERNATIVE MINIMUM TAX ON PREFERENCE ITEMS.]

Subdivision 1. [IMPOSITION OF TAX.] In addition to all other taxes imposed by this chapter (THERE) a tax is (HEREBY) imposed on individuals, estates, and trusts (A TAX WHICH, IN THE CASE OF A RESIDENT INDIVIDUAL, SHALL BE) equal to (40 PERCENT OF THE AMOUNT OF THE TAXPAYER'S ALTERNATIVE MINIMUM TAX LIABILITY FOR TAX PREFERENCE ITEMS PURSUANT TO THE PROVISIONS OF SECTIONS 55, 57, 58 AND 443(D) OF THE INTERNAL REVENUE CODE OF 1954 AS AMENDED THROUGH DECEMBER 31, 1983) *the excess (if any) of*

(a) *an amount equal to five percent of alternative minimum taxable income after subtracting the exemption amount, over*

(b) *the regular tax for the taxable year.*

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following (MODIFICATIONS SHALL BE MADE) *terms have the meanings given:*

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less

(3) interest income as defined in section 290.01, subdivision 20b, clause (1).

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) (ALTERNATIVE TAX ITEMIZED DEDUCTIONS SHALL INCLUDE THE AMOUNT ALLOWABLE AS A DEDUCTION FOR THE TAXABLE YEAR UNDER SECTION 164 OF THE INTERNAL REVENUE CODE FOR MINNESOTA INCOME TAX PAID OR ACCRUED.)

((2)) The capital gain preference item shall be reduced where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes.

((3)) (2) In the case of a nonresident individual, or an estate or trust, with a net operating loss that is a larger amount for Minnesota than for federal, the capital gain preference item shall be reduced to the extent it was reduced in the allowance of the net operating loss.

((4)) (3) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota.

((5) THE TERM "REGULAR TAX" AS DEFINED IN SECTION 55(F)(2) OF THE INTERNAL REVENUE CODE SHALL BE INCREASED BY THE AMOUNT OF THE CREDIT ALLOWABLE UNDER SECTION 38 OF THE INTERNAL REVENUE CODE AND IT SHALL BE COMPUTED BEFORE THE LIMITATION ON TAX PROVIDED IN SECTION 1301 OF THE INTERNAL REVENUE CODE.)

((6) FEDERAL PREFERENCE ITEMS WHICH ARISE FROM A FARM SHALL NOT BE A PREFERENCE ITEM TO THE EXTENT THEY EXCEED THE LOSS ALLOWED UNDER SECTION 290.09, SUBDIVISION 29, OTHER THAN INTEREST AND TAXES.)

(IN THE CASE OF ANY TAXPAYER WHO IS NOT A FULL YEAR RESIDENT INDIVIDUAL, OR WHO IS AN ESTATE OR TRUST 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 TO 290.20, AND THE DENOMINATOR OF WHICH IS THE TAXPAYER'S TOTAL PREFERENCE ITEM INCOME FOR FEDERAL PURPOSES.)

(THE TAX BENEFIT RULE CONTAINED IN SECTION 58(H) OF THE INTERNAL REVENUE CODE IS APPLIED TO THE MINNESOTA MINIMUM TAX ONLY TO THE EXTENT THAT IT DETERMINES IF THERE IS A FEDERAL MINIMUM TAX. NO SEPARATE TAX BENEFIT RULE IS ALLOWABLE FOR THE MINNESOTA MINIMUM TAX.)

(FOR PROPERTY PLACED IN SERVICE AFTER DECEMBER 31, 1980, AND IN A TAXABLE YEAR BEGINNING BEFORE JANUARY 1, 1983, THE PREFERENCE ITEMS CONTAINED IN SECTION 57 (A) (12) OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983, SHALL NOT APPLY.)

(c) *"Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984.*

(d) *"Regular tax" means the tax that would be imposed under this chapter (without regard to this section), reduced by the sum of the nonrefundable credits allowed under this chapter.*

Subd. 3. [EXEMPTION AMOUNT.] *For purposes of computing the alternative minimum tax, the exemption amount is:*

(a) *\$40,000 in the case of a married couple filing a joint return for federal tax purposes;*

(b) *\$30,000 in the case of an individual who is not married, as defined in section 143 of the Internal Revenue Code;*

(c) *\$20,000 in the case of*

(1) *an estate or trust or*

(2) *a married individual who files a separate tax return for federal tax purposes.*

Subd. 4. [PART YEAR RESIDENTS; ESTATES AND TRUSTS.] (a) *An individual who is not a Minnesota resident*

for the entire year must compute his alternative minimum tax liability using a regular tax liability determined under section 290.06, subdivision 2c, paragraph (d) without regard to the provision for allocation to Minnesota. The resulting alternative minimum tax liability must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (d).

(b) In the case of an estate or trust, the alternative minimum tax liability must be computed by multiplying alternative minimum taxable income and the exemption amount by a fraction, the numerator of which is the amount of the taxpayer's alternative minimum taxable income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total alternative minimum taxable income.

Subd. 5. [TAX BENEFIT RULE.] The tax benefit rule contained in section 58(h) of the Internal Revenue Code applies to computation of the tax under this section only to the extent that it determines if there is an item of tax preference for purposes of subdivision 2, clause (a)(2).

Sec. 29. Minnesota Statutes 1984, section 290.095, subdivision 7, is amended to read:

Subd. 7. [TENTATIVE CARRYBACK ADJUSTMENTS.]

(a) Application for adjustment. A taxpayer may file an application for a tentative carryback adjustment of the tax for the prior taxable year affected by a loss or credit carryback from any taxable year. The application shall be signed and verified as provided in section 290.37, subdivision 1, and shall be filed on or after the date of filing of the return for the taxable year from which the carryback results and within a period of 12 months from the end of such taxable year (or with respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, the application shall be filed within a period of 12 months from the end of the subsequent taxable year), in the manner and form required by rules prescribed by the commissioner. The application shall set forth in such detail and with such supporting data and explanation as such rules shall require:

(1) The amount of the loss or credit;

(2) The amount of the tax previously determined for the prior taxable year affected by such carryback;

(3) The amount of decrease in such tax, attributable to such carryback, such decrease being determined by applying the carryback in the manner provided by law to the items on the basis of which such tax was determined;

(4) The unpaid amount of such tax;

(5) Such other information for purposes of carrying out the provisions of this subdivision as may be required by such rules.

An application under this subdivision shall not constitute a claim for refund until 90 days from the date on which the application was filed, at which time it will become a claim for refund under the provisions of section 290.50.

(b) Allowance of adjustments. Within a period of 90 days from the date on which an application for a tentative carryback adjustment is filed under (a), or from the last day of the month in which falls the last date prescribed by law (including any extension of time granted the taxpayer) for filing the return for the taxable year from which such carryback results, whichever is the later, the commissioner shall make, to the extent he deems practicable in such period a limited examination of the application, to discover omissions and errors of computation therein, and shall determine the amount of the decrease in the tax attributable to such carryback upon the basis of the application and the examination, except that the commissioner may disallow, without further action, any application which he finds contains errors of computation which he deems cannot be corrected by him within such 90-day period or material omissions. Such decrease shall be applied against any unpaid amount of tax decreased and any remainder shall, within such 90-day period, be either credited against any tax or installment thereof then due from the taxpayer, or refunded to the taxpayer.

(c) The provisions of this subdivision shall apply to net operating loss carrybacks as provided in subdivision 3 or 11; capital loss carrybacks as provided in section 290.16, subdivision 6; (FARM LOSS CARRYBACKS AS PROVIDED IN SECTION 290.09, SUBDIVISION 29;) research credit carrybacks as provided in section 290.068, subdivision 3; and to any other carrybacks which may be provided in this chapter.

Sec. 30. Minnesota Statutes 1984, section 290.095, subdivision 9, is amended to read:

Subd. 9. [SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NET OPERATING LOSS CARRYBACKS.] For the purposes of sections 290.46 and 290.50 if the claim for refund relates to an overpayment attributable to a net operating loss carryback under this section or as the result in the case of an individual of an adjustment of "federal adjusted gross income" because of the carryback under section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1983 in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period shall be that period which ends with the ex-

piration of the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year of the net operating loss which results in such carryback or adjustment of "federal adjusted gross income." During this extended period, *for taxable years beginning before January 1, 1985*, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

Sec. 31. Minnesota Statutes 1984, section 290.095, subdivision 11, is amended to read:

Subd. 11. [CARRYBACK OR CARRYOVER ADJUSTMENTS.] (a) For individuals the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal adjusted gross income. For estates and trusts the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal taxable income.

(b) The following adjustments to the amount of the net operating loss that may be carried back or carried over must be made for:

(1) Nonassignable income or losses as required by section 290.17, subdivision 2.

(2) (MODIFICATIONS REQUIRED BECAUSE OF THE RESTRICTIONS ON FARM LOSSES AS PROVIDED IN SECTION 290.09, SUBDIVISION 29.)

((3)) Adjustments to the determination of federal adjusted gross income that must be made because of changes in the Internal Revenue Code that have not yet been adopted by the legislature by updating the reference to the Internal Revenue Code contained in section 290.01, subdivision 20.

((4)) MODIFICATIONS TO INCOME CONTAINED IN FEDERAL ADJUSTED GROSS INCOME ACCORDING TO THE PROVISIONS OF SECTION 290.01, SUBDIVISION 20C.)

((5)) (3) Gains or losses which result from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes subject to the limitations contained in section 290.01, subdivision 20b, clauses (2) and ((4)) (3).

((6)) (4) Interest, taxes, and other expenses not allowed under section 290.10, clause (9) (OR SECTION 290.101).

((7)) (5) The modification for accelerated cost recovery system depreciation as provided in section 290.01, subdivision 20f.

(c)(1) The net operating loss carryback or carryover applied as a deduction in the taxable year to which the net operating loss is carried back or carried over shall be equal to the net operating loss carryback or carryover applied in the taxable year in arriving at federal adjusted gross income (or federal taxable income for trusts and estates) subject to the modifications contained in clause (b) and to the following modifications:

(A) Increase the amount of carryback or carryover applied in the taxable year by the amount of losses and interest, taxes and other expenses not assignable or allowable to Minnesota incurred in the taxable year.

(B) Decrease the amount of carryback or carryover applied in the taxable year by the amount of income not assignable to Minnesota earned in the taxable year (AND THE AMOUNT OF FEDERAL JOBS CREDIT EARNED IN THE TAXABLE YEAR).

(C) A taxpayer who is not a resident of Minnesota during any part of the taxable year and who has no income assignable to Minnesota during the taxable year shall apply no net operating loss carryback or carryover in the taxable year.

(2) The provisions of section 172(b) of the Internal Revenue Code of 1954 as amended through December 31, 1983 (relating to carrybacks and carryovers) shall apply. The net operating loss carryback or carryover to the next consecutive taxable year shall be the net operating loss carryback or carryover as calculated in clause (c)(1) less the amount applied in the earlier taxable year(s). No additional net operating loss carryback or carryover shall be allowed if the entire amount has been used to offset Minnesota income in a year earlier than was possible on the federal return. A net operating loss carryback or carryover that was allowed to offset federal income in a year earlier than was possible on the Minnesota return shall still be allowed to offset Minnesota income but only if the loss was assignable to Minnesota in the year the loss occurred.

(d) A net operating loss shall be allowed to be carried back or carried forward only to the extent that loss was assignable to Minnesota in the year the loss occurred or in the year to which the loss was carried over, whichever would allow more of the loss to be allowed for Minnesota purposes.

((E) IF A TAXPAYER HAS A NET OPERATING LOSS FOR FEDERAL PURPOSES AND THE PROVISIONS OF THE FARM LOSS LIMITATION AS PROVIDED IN SECTION 290.09, SUBDIVISION 29 APPLY, THE LIMITATIONS

APPLYING TO THE FARM LOSSES THAT ARE CARRIED BACK OR CARRIED OVER ARE APPLIED FIRST AND THE NET OPERATING LOSS THAT IS CARRIED BACK OR CARRIED OVER IS LIMITED TO THE EXCESS. IF ANY, THAT THE NET OPERATING LOSS EXCEEDS THE FARM LOSS LIMITATION.)

Sec. 32. Minnesota Statutes 1984, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

In computing the net income no deduction shall in any case be allowed for:

- (1) Personal, living or family expenses;
- (2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;
- (3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;
- (4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;
- (5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;
- (6) Losses from sales or exchanges of property, directly or indirectly, between related taxpayers as defined and as provided in section 267 of the Internal Revenue Code (OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983);
- (7) In computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued as provided in section 267 of the Internal Revenue Code (OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983);
- (8)(a) Contributions by employees under the federal railroad retirement act and the federal social security act; (b) Payments to Minnesota or federal public employee retirement funds; (c) (THREE-FOURTHS (75 PERCENT)) 60 percent of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code (OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983, PROVIDED THAT). Effective for taxable years beginning after December 31, 1989, no

deduction is allowed for self-employment taxes where the taxpayer claimed a deduction for those taxes under section 164(f) of the Internal Revenue Code (OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983);

(9) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter;

(10) In situations where this chapter provides for a subtraction from gross income of a specific dollar amount of an item of income assignable to this state, and within the measure of the tax imposed by this chapter, that portion of the federal income tax liability assessed upon such income subtracted, and any expenses attributable to earning such income, shall not be deductible in computing net income;

(11) Amounts paid or accrued for such taxes and carrying charges as, under rules prescribed by the commissioner, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such rules, to treat such taxes or charges as so chargeable;

(12) No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if the trade or business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the federal Controlled Substances Act) which is prohibited by federal law or the law of Minnesota.

For purposes of this section, reference to the Internal Revenue Code means the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 33. Minnesota Statutes 1984, section 290.12, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENTS.] In computing the amount of gain or loss under subdivision 1 proper adjustment shall be made for any expenditure, receipt, loss, or other item properly chargeable to capital account by the taxpayer during his ownership thereof. The basis shall be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization, depletion, and the allowance for amortization of bond premium if an election to amortize was made in accordance with section 290.09, subdivision 13, which could, during the period of his ownership thereof, have been deducted by the taxpayer under this chapter in respect of such property. (THE BASIS SHALL ALSO BE DIMINISHED BY THE AMOUNT OF DEPRECIATION RELATING TO A SUBSTANDARD BUILDING

DISALLOWED BY SECTION 290.101.) In addition, if the property was acquired before January 1, 1933, the basis, if other than the fair market value as of such date, shall be diminished by the amount of exhaustion, wear and tear, obsolescence, amortization, or depletion actually sustained before such date. In respect of any period since December 31, 1932, during which property was held by a person or an organization not subject to income taxation under this chapter, proper adjustment shall be made for exhaustion, wear and tear, obsolescence, amortization, and depletion of such property to the extent sustained. For the purpose of determining the amount of these adjustments the taxpayer who sells or otherwise disposes of property acquired by gift shall be treated as the owner thereof from the time it was acquired by the last preceding owner who did not acquire it by gift, and the taxpayer who sells or otherwise disposes of property acquired by gift through an inter vivos transfer in trust shall be treated as the owner from the time it was acquired by the grantor.

No adjustment shall be made:

(1) for taxes or other carrying charges described in section 290.10, clause (11), or

(2) for expenditures described in section 290.09, subdivision 16 (relating to circulation expenditures), for which deductions have been taken by the taxpayer in determining taxable income for the taxable year or prior years.

Sec. 34. Minnesota Statutes 1984, section 290.14, is amended to read:

290.14 [GAIN OR LOSS ON DISPOSITION OF PROPERTY, BASIS.]

Except as otherwise provided in this chapter, 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 the 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, 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 the person, be the fair market value of the property at the date of decedent's death or, in the case of an election under section 2032 (relating to alternate valuation) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its valuation at the applicable valuation date prescribed by that section, or in the case of an election under section 2032A (relating to valuation of farm real property) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its value determined by that section.

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 or estate tax purposes. In this 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 the property before the death of the decedent. The basis shall be applicable to the property commencing on the death of the decedent. This paragraph shall not apply to annuities and property described in paragraphs (a), (b), (c) and (d) of this clause.

This clause shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 290.077.

(5) 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 290.089 or section 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as that provided in section 1091 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(6) Neither the basis nor the adjusted basis of any portion of real property shall, in the case of a lessor of the property, be increased or diminished on account of income derived by the lessor in respect of the 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 the property was included in gross income of the lessor for any taxable year beginning before January 1, 1943, the basis of each portion of the property shall be properly adjusted for the amount included in gross income.

(7) (IF THE PROPERTY WAS ACQUIRED BY THE TAXPAYER AS A TRANSFER OF PROPERTY IN EXCHANGE FOR THE RELEASE OF THE TAXPAYER'S MARITAL RIGHTS, THE BASIS OF THE PROPERTY SHALL BE THE SAME AS IT WOULD BE IF IT WERE BEING SOLD OR OTHERWISE DISPOSED OF BY THE PERSON WHO TRANSFERRED THE PROPERTY TO THE TAXPAYER.)

((8)) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1983 (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. 35. Minnesota Statutes 1984, section 290.18, subdivision 2, is amended to read:

Subd. 2. [FEDERAL INCOME TAX PAYMENTS AND REFUNDS.] The adjusted gross income shall be computed by deducting from the gross income assignable to this state under section 290.17, the deduction for allowable federal income taxes determined under the provisions of sections 290.10 (8), (9) or (10), and 290.18. For purposes of the preceding sentence, federal income tax shall include the foreign tax credit allowed under section 33 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

This deduction shall be allowed to individuals, estates, or trusts (i) for taxable years beginning after December 31, 1980 in the taxable year to which the liability applies. Such liability includes the portion of self-employment tax allowed under section 290.10, clause (8). The self-employment tax must be deducted by the person who is deriving the income. (WHEN THE FEDERAL TAX LIABILITY IS JOINT AND SEVERAL UNDER THE COMPUTATION OF A JOINT FEDERAL RETURN OF HUSBAND AND WIFE, THE FEDERAL TAX LIABILITY MUST BE SPLIT BETWEEN THE SPOUSES IN THE SAME RATIO THAT THE FEDERAL ADJUSTED GROSS INCOME OF THAT SPOUSE BEARS TO THE TOTAL FEDERAL ADJUSTED GROSS INCOME. FOR PURPOSES OF THE PRECEDING SENTENCE, "FEDERAL ADJUSTED GROSS INCOME" INCLUDES THE ORDINARY INCOME PORTION OF A LUMP SUM DISTRIBUTION AS DEFINED IN SECTION 402(E) OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983.)

(ii) Taxes paid for a taxable year beginning before January 1, 1981 shall be allowed as follows:

(1) Those taxes paid in a taxable year beginning before January 1, 1981, shall be claimed in the year in which the payment was made.

(2) Those paid in a taxable year beginning after December 31, 1980 but before January 1, 1983 shall be divided and deducted in equal installments reflected by the yearly periods beginning with the first day of the taxable year in which the payment was made and ending December 31, 1986. (FOR AN AMOUNT WHICH REMAINS TO BE DEDUCTED IN A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 1982, WHERE THE FEDERAL TAX LIABILITY FOR THE YEAR IN WHICH THE PAYMENT WAS MADE IS JOINT AND SEVERAL UNDER THE COMPUTATION OF A JOINT FEDERAL RETURN OF HUSBAND AND WIFE, THE REMAINING AMOUNTS TO BE DEDUCTED SHALL BE CLAIMED BY THE SAME SPOUSE AND IN THE SAME DOLLAR AMOUNT AS THE DEDUCTION WAS CLAIMED IN THE FIRST TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 1981.)

(3) Those paid in a taxable year beginning after December 31, 1982 shall be claimed in the year in which the payment was made. This amount shall be (APPORTIONED BETWEEN SPOUSES AS PROVIDED IN CLAUSE (I) AND SHALL BE) allocated for exempt income under the provisions of section 290.10, clause (9) or (10) as though the payment was part of the federal tax liability for the year in which the payment was made.

(4) In the case of a person who was self employed during all or a portion of the taxable year, the federal income tax liability for purposes of this clause shall be increased by the self-employment tax allowed under section 290.10, clause (8). The self-employment tax shall be deducted in the year paid as provided in paragraph (1), (2), or (3). The self-employment tax must be deducted by the person who earned the income. Self-employment tax paid in a taxable year beginning after December 31, 1982 shall be allocated for exempt income as provided in paragraph (3).

(iii) If a taxpayer's federal tax liability is eventually not paid by reason of compromise, discharge, or court order, the deduction allowed pursuant to this subdivision shall be disallowed for the taxable year in which the liability was accrued.

(iv) In the event a federal tax liability for a taxable year commencing after December 31, 1980 is increased, decreased or modified, and such increase, decrease or modification has resulted in a change in the amount of Minnesota income tax in the year to which such increase, decrease or modification is attributable, the taxpayer's deduction under this subdivision shall be modified for such year.

(v) If the readjustments required in (iii) or (iv) are for taxes reflected in the transition rule described in (ii) (2), the readjustment shall be made equally to the remaining installments and if a reduction to such installments is required under this readjustment which exceeds the total of all remaining installments, the remaining installments will be reduced to zero and the excess included in income as a federal income tax refund.

(vi) Refunds which are not involved with any readjustments under the transition rule shall be included in income under Minnesota Statutes 1982, section 290.01, subdivision 20a, clause (6) if it is from a year beginning before January 1, 1981.

(vii) Refunds of taxes for years beginning after December 31, 1980, shall be used to adjust the deduction in the taxable year of the liability unless that year is closed by statute and no other adjustments are to be required or allowable in which case such refund shall be reportable in the year received.

Sec. 36. Minnesota Statutes 1984, 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 operated 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,

(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,

(e) the total deduction hereunder shall not exceed 15 percent of the taxpayer's taxable net income less the deductions allowable under this section other than those for contributions or gifts,

(f) 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;

(g) no deduction is allowed under this subdivision for the amount of a contribution used to compute a credit under section 290.06, subdivision 20.

Sec. 37. Minnesota Statutes 1984, section 290.37, subdivision 1, is amended to read:

Subdivision 1. [PERSONS MAKING RETURNS.] (a) The commissioner of revenue shall annually determine the gross income levels at which individuals, trusts, and estates shall be required to file a return for each taxable year. An individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's Minnesota gross income computed under section 290.06, subdivision 2c, clause ((C)(1)) (d)(1) is less than the filing requirements for an individual who is a full year resident of Minnesota with the same marital status and number of personal credits.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by his or her personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

The trustee or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount determined by the commissioner if such trust belongs to the class of taxable persons.

Every corporation shall file a return. The return in this case shall be signed by an officer of the corporation.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed.

(b) Such return shall (1) be verified or contain a written declaration that it is made under the penalties of criminal liability for willfully making a false return, and (2) shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

(c) For purposes of this subdivision the term "gross income" shall mean gross income as defined in section 61 of the Internal Revenue Code of 1954, as amended through December 31, 1983, modified and adjusted in accordance with the provisions of sections 290.01, subdivision 20b, clauses (1), (6), and ((10)) (7), 290.08, and 290.17.

Sec. 38. Minnesota Statutes 1984, section 290.38, is amended to read:

290.38 [(JOINT) RETURNS OF (HUSBAND AND WIFE) MARRIED PERSONS.]

A husband and wife (MAY MAKE A SINGLE RETURN JOINTLY EVEN THOUGH ONE OF THE SPOUSES HAS NEITHER GROSS INCOME NOR DEDUCTIONS) *must file a joint Minnesota income tax return if they filed a joint federal income tax return.* If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several. If (BOTH) *the husband and wife have (GROSS INCOME) elected to file separate federal income tax returns* they (MAY ELECT TO EITHER FILE A SINGLE RETURN JOINTLY OR MAY) *must file separate Minnesota income tax returns (PURSUANT TO THIS SECTION OR AS PROVIDED IN SECTION 290.39, SUBDIVISION 2).* This election to file a joint or separate returns (MAY) *must be changed (WITHIN THE PERIOD PROVIDED FOR THE ASSESSMENT OF ADDITIONAL TAXES ON SAID RETURN OR RETURNS) if they change their election for federal purposes.* In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by (REGULATION) rule.

(NO JOINT RETURN SHALL BE MADE IF THE HUSBAND AND WIFE HAVE DIFFERENT TAXABLE YEARS; EXCEPT THAT IF SUCH TAXABLE YEARS BEGIN ON THE SAME DAY AND END ON DIFFERENT DAYS BECAUSE OF THE DEATH OF EITHER OR OF BOTH, THEN THE JOINT RETURN MAY BE MADE WITH RESPECT TO THE TAXABLE YEAR OF EACH. THE ABOVE EXCEPTION SHALL NOT APPLY IF THE SURVIVING SPOUSE REMARRIES BEFORE THE CLOSE OF HIS TAXABLE YEAR OR IF THE TAXABLE YEAR OF EITHER SPOUSE IS A FRACTIONAL PART OF A YEAR UNDER SECTION 290.32) *The determination of whether an individual is married is made as of the close of that person's taxable year; except that if that person's spouse dies during the taxable year the determination is made as of the time of the death. An individual who is legally separated from a spouse under a decree of divorce, dissolution, or of separate maintenance is not considered to be married.*

In the case of the death of one spouse or both spouses the joint return with respect to the decedent may be made only by the personal representative of his estate; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if (a) no return for the taxable year has been made by the decedent, (b) no personal representative has been appointed, and (c) no personal representative is appointed before the last day prescribed by law for filing the return of the surviving spouse. If a

personal representative of the estate of the decedent is appointed after the joint return has been filed by the surviving spouse, the personal representative may disaffirm such joint return by filing, within one year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return *provided that the election has been also disaffirmed for federal purposes.*

(IF HUSBAND AND WIFE DETERMINE THEIR FEDERAL INCOME TAX ON A JOINT RETURN BUT DETERMINE THEIR MINNESOTA INCOME TAXES SEPARATELY, THEY SHALL DETERMINE THEIR MINNESOTA GROSS INCOME SEPARATELY AS IF THEIR FEDERAL ADJUSTED GROSS INCOMES HAD BEEN DETERMINED SEPARATELY.)

Sec. 39. Minnesota Statutes 1984, section 290.39, subdivision 1a, is amended to read:

Subd. 1a. [TAX TABLES.] Notwithstanding any other provision of this chapter to the contrary, the commissioner may, in his discretion, prepare tables for computing the tax for individuals, estates, and trusts which may reflect the allowance of personal and dependent credits (OR WHICH MAY REFLECT THE ALLOWANCE OF THE STANDARD DEDUCTION AND THE PERSONAL AND DEPENDENT CREDITS).

Sec. 40. Minnesota Statutes 1984, section 290.41, subdivision 2, is amended to read:

Subd. 2. [BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.] Every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 290.92, subdivision 7, or on account of earnings of \$10 or more distributed to its members by savings, building and loan associations or credit unions chartered under the laws of this state or the United States, (a) shall make a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of

1954 as amended through December 31, 1983) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

A person, corporation, or cooperative required to file returns under this subdivision on interest, dividends, or patronage dividend payments with respect to more than 50 payees for any calendar year must file all of these returns on magnetic media unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

(UPON REQUEST FROM THE COMMISSIONER, ANY PUBLIC PENSION PLAN AS DEFINED IN SECTION 356.61 IN WHICH THE EMPLOYER PICKS UP THE EMPLOYEE CONTRIBUTIONS UNDER SECTION 356.62 SHALL FURNISH THE COMMISSIONER, ON MAGNETIC MEDIA TO THE EXTENT POSSIBLE, WITH THE NAME, ADDRESS, AND SOCIAL SECURITY NUMBER OF EACH EMPLOYEE WHO PARTICIPATED IN THE PLAN DURING THAT CALENDAR YEAR FOR WHICH PICKED UP CONTRIBUTIONS WERE MADE.)

Sec. 41. [290.491] [TAX ON GAIN; DISCHARGE IN BANKRUPTCY.]

Any tax due under this chapter on a gain realized on a forced sale pursuant to foreclosure of a mortgage or other security interest in agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be a dischargeable debt in a bankruptcy proceeding under United States Code, title 11, section 727.

Sec. 42. Minnesota Statutes 1984, section 290.50, subdivision 5, is amended to read:

Subd. 5. [OVERPAYMENTS; CREDITS AND REFUNDS.]

(a) If the amount allowable as a credit under section 290.92, subdivision 12 (relating to credit for tax withheld at source) or an amount determined to be an overpayment under section 290.93, subdivision 9, or 290.936 exceeds the taxes imposed by this chapter against which such credit is allowable the amount of such excess shall be considered an overpayment. An amount paid as tax shall constitute an overpayment even if in fact there was no tax liability with respect to which such amount was paid.

(b) Notwithstanding any other provision of law to the contrary, in the case of any overpayment the commissioner, within the applicable period of limitations, may credit the amount of such overpayment against any liability in respect of Minnesota income tax on the part of the person who made the overpayment or against any liability in respect to Minnesota income tax on the part of either spouse who shall have filed a joint (OR COMBINED) return for the taxable year in which the overpayment was made and shall refund any balance of more than one dollar to such person if the taxpayer shall so request.

The commissioner is authorized to prescribe rules providing for the crediting against the estimated *corporate* income tax for any taxable year of the amount determined by the commissioner to be an overpayment of the income tax for a preceding taxable year.

Sec. 43. Minnesota Statutes 1984, section 290.50, subdivision 6, is amended to read:

Subd. 6. [WITHHOLDING OF REFUNDS FROM CHILD SUPPORT DEBTORS.] Upon a finding by a court of this state that a person obligated to pay child support is delinquent in making payments, the amount of child support unpaid and owing including attorneys fees and costs incurred in ascertaining or collecting child support shall be withheld from a refund due the person under this section. The public agency responsible for child support enforcement or the parent or guardian of a child for whom the support, attorneys fees and costs are owed may petition the district or county court for an order providing for the withholding of the amount of child support, attorneys fees and costs unpaid and owing as determined by court order. The person from whom the refund may be withheld shall be notified of the petition pursuant to the rules of civil procedure prior to the issuance of an order pursuant to this subdivision. The order may be granted on a showing to the court that required support payments, attorneys fees and costs have not been made when they were due.

On order of the court, the money shall be withheld by the commissioner from the refund due to the person obligated to pay and the amount withheld shall be remitted to the public agency responsible for child support enforcement or to the parent or guardian petitioning on behalf of the child, provided that any delinquent tax obligations of the taxpayer owed to the revenue department shall be satisfied first. Any amount received by the responsible public agency or the petitioning parent or guardian in excess of the amount of public assistance expended for the benefit of the child to be supported, or the amount of any support, attorneys fees and costs that had been the subject of the claim pursuant to this subdivision which has been paid by the taxpayer prior to the diversion of the refund, shall be remitted to the person entitled to the money. If the refund is based on a

joint (OR COMBINED) return, the portion of the refund that shall be remitted to the petitioner shall be the proportion of the total refund that equals the proportion of the total federal adjusted gross income of the spouses that is the federal adjusted gross income of the spouse who is delinquent in making the child support payments. A petition filed pursuant to this subdivision shall be in effect with respect to any refunds due under this section until the support money, attorneys fees and costs have been paid in full or the court orders the commissioner to discontinue withholding the money from the refund due the person obligated to pay the support, attorneys fees and costs. If a petition is filed pursuant to this subdivision and a claim is made pursuant to chapter 270A with respect to the same individual's refund and notices of both are received prior to the time when payment of the refund is made on either claim, the claim relating to the liability that accrued first in time shall be paid first; any amount of the refund remaining shall then be applied to the other claim. The provisions of section 290.61 shall not prohibit the exchange of information among the department, the petitioner, and the court to the extent necessary to accomplish the intent of this subdivision.

Sec. 44. Minnesota Statutes 1984, section 290.92, subdivision 2a, is amended to read:

Subd. 2a. [COLLECTION AT SOURCE.] (1) [DEDUCTIONS.] Every employer making payment of wages shall deduct and withhold upon such wages a tax as provided in this section.

(2) [WITHHOLDING ON PAYROLL PERIOD.] The employer shall withhold the tax on the basis of each payroll period or as otherwise provided in this section.

(3) [WITHHOLDING TABLES.] Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of exemptions allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during his taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon his salary, wages, or compensation for personal services of any kind for the employer, and shall take into consideration the allowable deduction for federal income tax and the (DEDUCTION ALLOWABLE UNDER SECTION 290.089, SUBDIVISION 3) *zero bracket amount determined under section 63(d) of the Internal Revenue Code of 1954, as amended through December 31, 1984, and the personal credits allowed against the tax.*

(4) [MISCELLANEOUS PAYROLL PERIOD.] If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which such wages are paid.

(5) [MISCELLANEOUS PAYROLL PERIOD.] (a) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

(b) In any case in which the period, or the time described in clause (a), in respect of any wages is less than one week, the commissioner, under regulations prescribed by him, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

(6) [WAGES COMPUTED TO NEAREST DOLLAR.] If the wages exceed the highest bracket, in determining the amount to be deducted and withheld under this subdivision, the wages may, at the election of the employer, be computed to the nearest dollar.

(7) [REGULATIONS ON WITHHOLDING.] The commissioner may, by regulations, authorize employers:

(a) To estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) To determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and

(c) To deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this paragraph (7).

(8) [ADDITIONAL WITHHOLDING.] The commissioner is authorized to provide by rule for increases or decreases in the

amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

(9) [TIPS.] In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053 of the Internal Revenue Code of 1954, as amended through December 31, 1983, and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished, from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code of 1954 as amended through December 31, 1983 to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

Sec. 45. Minnesota Statutes 1984, section 290.92, subdivision 19, is amended to read:

Subd. 19. [EMPLOYEES INCURRING NO INCOME TAX LIABILITY.] Notwithstanding any other provision of this section, an employer shall not be required to deduct and withhold any tax under this chapter upon a payment of wages to an employee if there is in effect with respect to such payment a withholding exemption certificate, in such form and containing such other information as the commissioner may prescribe, furnished to the employer by the employee certifying that the employee

(a) incurred no liability for income tax imposed under this chapter for his preceding taxable year, and

(b) anticipates that he will incur no liability for income tax imposed under this chapter for his current taxable year. (WHEN AN EMPLOYEE ANTICIPATES NO LIABILITY FOR THE CURRENT TAXABLE YEAR BECAUSE OF THE PROVISION CONTAINED IN SECTION 290.06, SUBDIVISION 3D, NO WITHHOLDING SHALL BE REQUIRED, CLAUSE (A)

NOTWITHSTANDING.) The commissioner shall by (REGULATIONS) *rule* provide for the coordination of the provisions of this subdivision with the provisions of subdivision 7.

Sec. 46. Minnesota Statutes 1984, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through December 31, 1983; 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 20a, clauses (1), (2), (3), and (4) (, (9), (10), AND (14));

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends (AND INTEREST) excluded from federal adjusted gross income under (SECTIONS) *section* 116 (OR 128) 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 benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(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. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carry-back.

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

(d) relief granted under this chapter; or

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

((F) FEDERAL ADJUSTED GROSS INCOME SHALL BE REDUCED BY WAGE OR SALARY EXPENSE WHICH IS NOT ALLOWED AS A DEDUCTION UNDER PROVISIONS OF SECTION 280C OF THE INTERNAL REVENUE CODE OF 1954).

Sec. 47. Minnesota Statutes 1984, section 298.40, is amended by adding a subdivision to read:

Subd. 5. (a) There is appropriated effective July 1, 1986, to the commissioner of revenue from the general fund an amount equal to one-half of any credits due as a result of a recomputation of occupation taxes for production year 1984 and previous years based on the limitations prescribed in section 298.40, subdivision 1, and established by the commissioner as an account payable on or before May 1, 1985. The commissioner shall refund to the taxpayers the amount computed plus six percent interest per annum from the date of the overpayment.

(b) There is appropriated effective July 1, 1987, to the commissioner of revenue from the general fund the remainder of the amount computed pursuant to clause (a). The commissioner shall refund to the taxpayers the amount computed plus six percent interest per annum from the date of the overpayment.

Sec. 48. [REPEALER.]

Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 62E.03, subdivision 2; 290.01, subdivisions 20c and 26; 290.012; 290.06, subdivisions 2f, 3d, 3e, 14, 16, 17, 18, and 19; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.089, subdivisions 1, 3, 4, 5, and 6; 290.09, subdivision 29; 290.101; 290.18, subdivision 4; 290.39, subdivision 2; 290.41, subdivision 5; and Laws 1982, chapter 523, article 7, section 3, are repealed.

Sec. 49. [CARRYFORWARD OF FARM LOSS DEDUCTION.]

Any remaining balance of the deductions attributable to farming from taxable years beginning before January 1, 1985, after any carryback or carryforward deductions allowed under Minnesota Statutes 1984, section 290.09, subdivision 29 in taxable years beginning before January 1, 1985, may be carried forward to taxable years beginning after December 31, 1984. The deductions carried over to taxable years beginning after December 31, 1984, shall be allowed in an amount up to gross income or, in the case of a corporation, taxable net income. The term "gross income" includes the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 50. Laws 1984, chapter 644, section 85, is amended to read:

Sec. 85. [EFFECTIVE DATE.]

Sections 1 to 45, 48 to 51, 56 to 72, and 78 to 84 are effective the day following final enactment. Sections 46, 47, and 73 to 77 are effective January 1, 1985, except that the fees imposed in sections 46, 47, and 73 shall be effective January 1, 1988, with respect to nonhazardous solid waste from metalcasting facilities. Prior to January 1, 1988, an operator of a facility that is located in the metropolitan area for the disposal of mixed municipal solid waste shall deduct from the disposal charge for nonhazardous solid waste from metalcasting facilities the fee imposed under sections 46, 47, and 73.

Section 52 is effective for taxable years after December 31, 1983. Section 55 is effective for sales after June 30, 1984. (SECTIONS 53 AND) Section 54 (ARE) is effective for taxable years (AFTER DECEMBER 31, 1984) beginning during calendar year 1983.

Sec. 51. [EFFECTIVE DATE.]

Sections 1 to 9, 12 to 18, 20 to 45, 48, and 49 are effective for taxable years beginning after December 31, 1984. Section 19 is

effective for taxable years beginning after December 31, 1985. Section 46 is effective for claims based on rent paid in 1985 and thereafter and for property taxes payable in 1986 and thereafter. Section 50 is effective the day after final enactment.

ARTICLE 2

Section 1. Minnesota Statutes 1984, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, forage, grains and bees and apiary products. "Farm machinery" shall include machinery for the preparation, seeding or cultivation of soil for growing agricultural crops, harvesting and threshing of agricultural products, and certain machinery for dairy, livestock and poultry farms, together with barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations. Irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, except irrigation equipment which is situated below ground and considered to be a part of the real property, shall be included in the definition of farm machinery. Logging equipment, (EXCEPT) *including chain saws used for logging only if the engine displacement equals or exceeds five cubic inches*, shall be included in the definition of farm machinery. *Only repair (OR) and replacement parts that have been assigned a specific or generic repair part number and are used for the maintenance or repair of farm machinery (SHALL NOT BE) are included in the definition of farm machinery.*

Tools, shop equipment, grain bins, feed bunks, fencing material, communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

Sec. 2. Minnesota Statutes 1984, section 297A.01, subdivision 16, is amended to read:

Subd. 16. [CAPITAL EQUIPMENT.] Capital equipment means machinery and equipment and the materials and supplies necessary to construct or install the machinery or equipment. To qualify under this definition the capital equipment must be used by the purchaser or lessee for manufacturing, fabricating, or refining a product to be sold at retail (AND MUST BE USED

FOR THE ESTABLISHMENT OF A NEW OR THE PHYSICAL EXPANSION OF AN EXISTING MANUFACTURING, FABRICATING, OR REFINING FACILITY IN THE STATE). Capital equipment does not include ((1) MACHINERY OR EQUIPMENT PURCHASED OR LEASED TO REPLACE MACHINERY OR EQUIPMENT PERFORMING SUBSTANTIALLY THE SAME FUNCTION IN AN EXISTING FACILITY, (2) REPAIR OR REPLACEMENT PARTS, OR (3)) machinery or equipment used to extract, receive, or store raw materials.

Sec. 3. Minnesota Statutes 1984, section 297A.02, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as otherwise provided in this chapter, there is imposed an excise tax of (SIX) 5.5 percent of the gross receipts from sales at retail made by any person in this state.

Sec. 4. Minnesota Statutes 1984, section 297A.02, subdivision 2, is amended to read:

Subd. 2. [MACHINERY AND EQUIPMENT.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of (FARM MACHINERY,) special tooling (,) and capital equipment is (FOUR) *three* percent.

Sec. 5. Minnesota Statutes 1984, section 297A.02, subdivision 3, is amended to read:

Subd. 3. [LIQUOR AND BEER SALES.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of intoxicating liquor, as defined in section 340.07, subdivision 2, and nonintoxicating malt liquor, as defined in section 340.001, subdivision 2, shall be (8.5) *eight percent for sales occurring after June 30, 1985, 7.5 percent for sales occurring after June 30, 1986, seven percent for sales occurring after June 30, 1987, 6.5 percent for sales occurring after June 30, 1988, six percent for sales occurring after June 30, 1989, and 5.5 percent for sales occurring after June 30, 1990.* Nonintoxicating malt liquor is subject to taxation under this subdivision only when sold at an on-sale or off-sale municipal liquor store or other establishment licensed to sell any type of intoxicating liquor.

Sec. 6. Minnesota Statutes 1984, section 297A.03, subdivision 2, is amended to read:

Subd. 2. It shall be unlawful for any retailer to advertise or hold out or state to the public or any customer, directly or indirectly, that the tax or any part thereof will be assumed or absorbed by the retailer, or that it will not be added to the sales price or that, if added, it or any part thereof will be refunded

except that in computing the tax to be collected as the result of any transaction amounts of tax less than one-half of one cent may be disregarded and amounts of tax if one-half cent or more may be considered an additional cent. If the sales price of any sale at retail is (EIGHT) *nine* cents or less, no tax shall be collected. Any person violating this provision shall be guilty of a misdemeanor.

Sec. 7. Minnesota Statutes 1984, 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, a use tax is imposed on every person in this state at the rate of (SIX) *5.5* percent of the sales price of sales at retail unless the tax imposed by section 297A.02 was paid on the sales price. Notwithstanding the provisions of the preceding sentence, the rate of the use tax imposed upon the sales price of sales of (FARM MACHINERY,) special tooling (,) and capital equipment is (FOUR) *three* percent.

A motor vehicle subject to tax under this section shall be taxed at its fair market value at the time of transport into Minnesota if the motor vehicle was acquired more than three months prior to its transport into this state.

Sec. 8. Minnesota Statutes 1984, section 297A.25, subdivision 1, is amended to read:

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, and food products which are not taxable pursuant to section 297A.01, subdivision 3, clause (c) and which are sold by a retailer, organized as a nonprofit corporation or association, within a place located on property owned by the state or an agency or instrumentality of the state, the entrance to which is subject to an admission charge. This exemption does not include the following:

(i) candy and candy products, except when sold for fundraising purposes by a nonprofit organization that provides edu-

cational and social activities for young people primarily aged 18 and under;

(ii) carbonated beverages, beverages commonly referred to as soft drinks containing less than 15 percent fruit juice, or bottled water other than noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size;

(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 by the purchaser 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); provided that the property is not subject to tax in that state or country to which it is transported for storage or use, or, if subject to tax in that other state, that state allows a similar exemption for property purchased therein and transported to Minnesota for use in this state; except that sales of tangible personal property that is shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the property is shipped or transported, unless that state has no use tax, in which case the sale shall be taxed at the rate generally imposed by this state; and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; 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. The term "publication" shall not include magazines and periodicals sold over the counter. 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, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, 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. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This

exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(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. For purposes of this clause, sales by a nonprofit organization shall be deemed to be "isolated or occasional" if they occur at sale events that have a duration of three or fewer consecutive days. The granting of the privilege of admission to places of amusement and the privilege of use of amusement devices by a nonprofit organization at an isolated or occasional event conducted on property owned or leased for a continuous period of more than 30 days by the nonprofit organization are also exempt. The exemption provided for isolated sales of tangible personal property and of the granting of admissions or the privilege of use of amusement devices by nonprofit organizations pursuant to this clause shall be available only if the sum of the days on which the organization and any subsidiary nonprofit organization sponsored by it that does not have a separate sales tax exemption permit conduct sales of tangible personal property, plus the days with respect to which the organization charges for the use of amusement devices or admission to places of amusement, does not exceed eight days in a calendar year. For purposes of this clause, a "nonprofit organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, no part of the net earnings of which inures to the benefit of a private individual;

(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 airflight 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 airflight 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 or association of groups that in general limits membership to persons age 55 or older and is 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. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(q) The gross receipts from the sale of caskets and burial vaults;

(r) 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;

(s) 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;

(t) 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 reg-

ulation for the refund of taxes paid on sales exempt in accordance with this paragraph;

(u) 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;

(v) 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. *This exemption includes envelopes used to transmit advertising and promotional materials outside the state, and also includes reply envelopes included with the advertising and promotional materials for use by customers located outside the state, even if the reply envelopes may be returned to Minnesota and processed within the state;*

(w) The gross receipt from the sale of residential heating fuels in the following manner:

(i) all fuel oil, coal, wood, steam, hot water, 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;

(x) The gross receipts from the sale or use of tickets or admissions to the premises of or events sponsored by an association, corporation or other group of persons which provides an opportunity for citizens of the state to participate in the creation, performance or appreciation of the arts and which qualifies as a tax-exempt organization within the meaning of Minnesota Statutes 1980, section 290.05, subdivision 1, clause (i);

(y) The gross receipts from either the sales to or the storage, use or consumption of tangible personal property by an organization of military service veterans or an auxiliary unit of an organization of military service veterans, provided that:

(i) the organization or auxiliary unit is organized within the state of Minnesota and is exempt from federal taxation pursuant to section 501(c), clause (19), of the Internal Revenue Code as amended through December 31, 1982; and

(ii) the tangible personal property which is sold to or stored, used or consumed by the organization or auxiliary unit is for charitable, civic, educational, or nonprofit uses and not for social, recreational, pleasure or profit uses;

(z) The gross receipts from the sale of sanitary napkins, tampons, or similar items used for feminine hygiene;

(aa) The gross receipts from the sale of a manufactured home, as defined in section 327.31, subdivision 6, to be used by the purchaser for residential purposes, unless the sale is the first retail sale of the manufactured home in this state;

(bb) The gross receipts from the sale of equipment used for processing solid or hazardous waste at a resource recovery facility, as defined in section 115A.03, subdivision 28;

(cc) *The gross receipts from sales of farm machinery;*

(dd) *The gross receipts from sales of tickets or admissions to school games, events, and activities. For purposes of this clause, "school" has the meaning given it in section 120.10, subdivision 2.*

Sec. 9. [297A.256] [EXEMPTIONS FOR CERTAIN NON-PROFIT GROUPS.]

Notwithstanding the provisions of this chapter, the following sales made by a "nonprofit organization" are exempt from the sales and use tax.

(a) *All sales made by an organization for fundraising purposes if that organization exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under. This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.*

(b) *All sales made by an organization for fundraising purposes if that organization is a senior citizen group which qualifies for exemption on its purchases pursuant to section 297A.25,*

subdivision 1, clause (p). This exemption shall apply only if the gross annual sales receipts of the organization from fundraising do not exceed \$10,000.

(c) The gross receipts from the sales of tangible personal property at, admission charges for, and sales of food, meals, or drinks at fundraising events sponsored by a nonprofit organization when the entire proceeds, except for the necessary expenses therewith, will be used solely and exclusively for charitable, religious, or educational purposes. This exemption does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities. For purposes of this clause, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, senior citizens' or veterans' purposes, no part of the net earnings of which enures to the benefit of a private individual.

If the profits are not used solely and exclusively for charitable, religious, or educational purposes, the entire gross receipts are subject to tax.

Each nonprofit organization shall keep a separate accounting record, including receipts and disbursements from each fundraising event. All deductions from gross receipts must be documented with receipts and other records. If records are not maintained as required, the entire gross receipts are subject to tax.

The exemption provided by this section does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation.

The exemption for fundraising events under this clause is limited to no more than six events a year with each event having a duration of no longer than four days.

Sec. 10. [297A.257] [DISTRESSED COUNTIES; CAPITAL EQUIPMENT EXEMPTION.]

Subdivision 1. [DESIGNATION OF DISTRESSED COUNTIES.] (a) The commissioner of energy and economic development shall annually on June 1 designate those counties which are distressed. A county is distressed if it satisfies either of the following two criteria:

(1) The county has an average unemployment rate of ten percent or more for the one-year period ending on April 30 of the year in which the designation is made; or

(2) *Ten percent or more of the total work force in the county is employed in agriculture for the one-year period ending on April 30 of the year in which the designation is made. The determination of whether a county is distressed must be made using the most current data available from the state demographer. The designation of a distressed county is effective for the 12-month period beginning July 1. A county may be designated as distressed as often as it qualifies.*

(b) *The authority to designate counties as distressed expires on June 30, 1989.*

Subd. 2. [SALES TAX EXEMPTION.] Purchase and use of capital equipment is exempt from the sales and use tax imposed by chapter 297A if the capital equipment is placed in service in connection with the construction of a new or an expansion of an existing manufacturing facility in a distressed county. The county is a distressed county for purposes of this subdivision if it was designated as a distressed county for the time period during which the contract to purchase the equipment was executed.

Subd. 3. [RULEMAKING AUTHORITY.] In order to carry out the purposes of this section, the commissioner of energy and economic development may adopt administrative rules under chapter 14. The commissioner may adopt emergency rules effective through December 31, 1986.

Sec. 11. Minnesota Statutes 1984, section 297A.26, is amended by adding a subdivision to read:

Subd. 1a. As compensation for the cost of collecting and remitting sales and use tax, a retailer filing a monthly return may retain the following percentage of tax collected:

(1) *if the sales tax collected is \$1,000 or less, two percent of the tax if the balance is received by the commissioner on or before the 20th day of the month succeeding the month in which the taxable events occurred;*

(2) *if the sales tax collected is greater than \$1,000, two percent of the first \$1,000 of tax if the balance is received by the commissioner on or before the 20th day of the month succeeding the month in which the taxable events occurred, plus 0.5 percent of the amount in excess of \$1,000, if the entire tax, less the amount deducted under this subdivision, is received by the commissioner on or before the tenth day of the month following the month in which the taxable events occurred.*

Sec. 12. Minnesota Statutes 1984, section 297A.27, subdivision 1, is amended to read:

Subdivision 1. (EXCEPT AS PROVIDED IN SECTION 297A.275.) On or before the 25th day of each month in which taxes imposed by sections 297A.01 to 297A.44 are payable, a return for the preceding reporting period shall be filed with the commissioner in such form as the commissioner may prescribe, verified by a written declaration that it is made under the criminal penalties for wilfully making a false return, and in addition shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid. Any person making sales at retail at two or more places of business may file a consolidated return subject to such regulations as the commissioner may prescribe.

Sec. 13. Minnesota Statutes 1984, section 477A.018, is amended to read:

477A.018 [(CITY) LOCAL LODGING TAX.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, *and a town may by vote at its annual meeting*, impose a tax of up to three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or (OTHER USE OF SPACE BY A TRANSIENT) *resort*, other than the renting or leasing of it for a continuous period of 30 days or more. *A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.*

Subd. 2. [EXISTING TAXES.] No statutory or home rule charter city *or town* may impose a tax under this section upon transient lodging that, when combined with any tax authorized by special law or enacted prior to 1972, exceeds a rate of three percent.

Subd. 3. [DISPOSITION OF PROCEEDS.] Ninety-five percent of the gross proceeds from any tax imposed under subdivision 1 shall be used by the statutory or home rule charter city *or town* to fund a local convention or tourism bureau for the purpose of marketing and promoting the city *or town* as a tourist or convention center. This subdivision shall not apply to any statutory or home rule charter city *or town* that has a lodging tax authorized by special law or enacted prior to 1972 at the time of enactment of this section.

Subd. 4. [UNORGANIZED TERRITORIES.] *A county board acting as a town board with respect to an unorganized territory may impose a lodging tax within the unorganized territory according to this section if it determines by resolution that imposition of the tax is in the public interest.*

Subd. 5. [JOINT POWERS AGREEMENTS.] Any statutory or home rule charter city, town, or county when the county board is acting as a town board with respect to an unorganized territory, may enter into a joint exercise of powers agreement pursuant to section 471.59 for the purpose of imposing the tax and disposing of its proceeds pursuant to this section.

Sec. 14. [REPEALER.]

Minnesota Statutes 1984, sections 297A.15, subdivision 5; and 297A.275, are repealed.

Sec. 15. [EFFECTIVE DATE.]

Sections 1, 2, 4, 5, 8, 9, 11, and that portion of section 14 which repeals Minnesota Statutes 1984, section 297A.15, subdivision 5, are effective for sales occurring after June 30, 1985. Sections 3 and 6 are effective for sales occurring after June 30, 1986. That portion of section 7 pertaining to the reduced rate for special tooling and capital equipment is effective for sales occurring after June 30, 1985; the rest of section 7 is effective for sales occurring after June 30, 1986. The commissioner of energy and economic development shall designate distressed counties pursuant to section 10, subdivision 1, for the period beginning July 1, 1985 as soon as practicable after the effective date of section 10, notwithstanding the requirement that the designation be made by June 1. Sections 10, 12, and that portion of section 14 which repeals Minnesota Statutes 1984, section 297A.275, are effective the day after final enactment.

ARTICLE 3

Section 1. Minnesota Statutes 1984, section 60A.15, subdivision 12, is amended to read:

Subd. 12. [OVERPAYMENTS, CLAIMS FOR REFUND.]

(1) [PROCEDURE, TIME LIMIT, APPROPRIATION.] A company who has paid, voluntarily or otherwise, or from whom there has been collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of the excess. Except as provided in subdivision 11, no claim or refund shall be allowed or made after 3-1/2 years from the date prescribed for filing the return (plus any extension of time granted for filing the return but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the company. For this purpose, a return or amended return claiming an overpayment constitutes a claim for refund.

Upon the filing of a claim, the commissioner shall examine it and shall make and file written findings denying or allowing the

claim in whole or in part. He shall mail a notice thereof to the company at the address stated upon the return. If the claim is allowed in whole or in part, the commissioner shall issue his certificate for the refundment of the excess paid by the company, with interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3* computed from the date of the payment of the tax until the date the refund is paid or the credit is made to the company. The commissioner of finance shall pay the refund out of the proceeds of the taxes imposed by this section, as other state moneys are expended. As much of the proceeds of the taxes as necessary are appropriated for that purpose.

(2) [DENIAL OF CLAIM, COURT PROCEEDINGS.] If the claim is denied in whole or in part, the commissioner shall mail an order of denial to the company in the manner prescribed in subdivision 8. An appeal from this order may be taken to the Minnesota tax court in the manner prescribed in section 271.06, or the company may commence an action against the commissioner to recover the denied overpayment. The action may be brought in the district court of the district in the county of its principal place of business, or in the district court for Ramsey county. The action in the district court must be commenced within 18 months following the mailing of the order of denial to the company. If a claim for refund is filed by a company and no order of denial is issued within six months of the filing, the company may commence an action in the district court as in the case of a denial, but the action must be commenced within two years of the date that the claim for refund was filed.

(3) [CONSENT TO EXTEND TIME.] If the commissioner and the company have, within the periods prescribed in clause (1), consented in writing to any extension of time for the assessment of the tax, the period within which a claim for refund may be filed, or a refund may be made or allowed, if no claim is filed, shall be the period within which the commissioner and the company have consented to an extension for the assessment of the tax and six months thereafter. The period within which a claim for refund may be filed shall not expire prior to two years after the tax was paid.

(4) [OVERPAYMENTS; REFUNDS.] If the amount determined to be an overpayment exceeds the taxes imposed by this section, the amount of excess shall be considered an overpayment. An amount paid as tax constitutes an overpayment even if in fact there was no tax liability with respect to which the amount was paid.

Notwithstanding any other provision of law to the contrary, in the case of any overpayment, the commissioner, within the applicable period of limitations, shall refund any balance of more than one dollar to the company if the company requests the refund.

Sec. 2. Minnesota Statutes 1984, section 60A.199, subdivision 8, is amended to read:

Subd. 8. [REFUND PROCEDURE; TIME LIMIT; APPROPRIATION.] A company which has paid, voluntarily or otherwise, or from which there was collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of the excess. Except as provided in subdivision 3, no claim or refund shall be allowed or made after 3-1/2 years from the date prescribed for filing the return (plus any extension of time granted for filing the return but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the company. For this purpose, a return or amended return claiming an overpayment constitutes a claim for refund.

Upon the filing of a claim the commissioner shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part. He shall mail a notice thereof to the company at the address stated upon the return. If the claim is allowed in whole or in part, the commissioner shall issue his certificate for a refund of the excess paid by the company, with interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3* computed from the date of the payment of the tax until the date the refund is paid or credit is made to the company. The commissioner of finance shall cause the refund to be paid as other state moneys are expended. So much of the proceeds of the taxes as is necessary are appropriated for that purpose.

Sec. 3. [270.76] [INTEREST ON REFUNDS.]

When any tax payable to the commissioner of revenue or to the department of revenue is overpaid and an amount is due the taxpayer as a refund of the overpayment, the overpayment shall bear interest from the date of payment of the tax until the date the refund is paid or credit is made, unless another period for computing interest is provided by law. The interest rate per annum on overpayments shall be 80 percent of the interest rate contained in section 270.75; the rate shall be adjusted annually and become effective as provided in section 270.75, subdivision 5; and the result of the adjustment in the rate shall be rounded to the nearest full percent. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the administrative procedure act contained in chapter 14.

Sec. 4. Minnesota Statutes 1984, section 270A.07, subdivision 5, is amended to read:

Subd. 5. [INTEREST ON REFUNDS.] Any refund wrongfully or incorrectly applied to a debt and transferred to a claim-

ant agency shall be paid by the agency to the debtor. The sum wrongfully or incorrectly withheld shall bear interest at (SIX PERCENT PER YEAR) *the rate specified in section 3*, computed from the date when the refund would begin to bear interest under section 290.92, subdivision 13, clause (1), regardless of whether the refund is payable under chapter 290 or 290A. If the claimant agency is a state agency, the payment shall be made out of the agency's appropriation.

Sec. 5. Minnesota Statutes 1984, section 271.12, is amended to read:

271.12 [WHEN ORDER EFFECTIVE.]

No order for refundment by the commissioner of revenue, the appropriate unit of government, or the tax court shall take effect until the time for appeal therefrom or review thereof by all parties entitled thereto has expired. Otherwise every order of the commissioner, the appropriate unit of government, or the tax court shall take effect immediately upon the filing thereof, and no appeal therefrom or review thereof shall stay the execution thereof or extend the time for payment of any tax or other obligation unless otherwise expressly provided by law; provided, that in case an order which has been acted upon, in whole or in part, shall thereafter be set aside or modified upon appeal, the determination upon appeal or review shall supersede the order appealed from and be binding upon all parties affected thereby, and such adjustments as may be necessary to give effect thereto shall be made accordingly. If it be finally determined upon such appeal or review that any person is entitled to refundment of any amount which has been paid for a tax or other obligation, such amount, unless otherwise provided by law, shall be paid to him by the state treasurer, or other proper officer, out of funds derived from taxes of the same kind, if available for the purpose, or out of other available funds, if any, with interest at (SIX PERCENT) *the rate specified in section 3* from the date of payment of the tax, unless a different rate of interest is otherwise provided by law, in which case such other rate shall apply, upon certification by the commissioner of revenue, the appropriate unit of government, the tax court or the supreme court. If any tax, assessment, or other obligation be increased upon such appeal or review, the increase shall be added to the original amount, and may be enforced and collected therewith.

Sec. 6. Minnesota Statutes 1984, section 290.50, subdivision 1, is amended to read:

Subdivision 1. [PROCEDURE, TIME LIMIT.] (a) A taxpayer who has paid or from whom there has been collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner a claim for a refund of such excess. Except as otherwise provided in this section, no claim or refund shall be allowed or made after three and

one-half years from the date prescribed for filing the return (plus any extension of time granted for filing the return, but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the taxpayer. For this purpose an income tax return or amended return claiming an overpayment shall constitute a claim for refund.

(b) If no claim was filed, the credit or refund shall not exceed the amount which would be allowable if a claim was filed on the date the credit or refund is allowed.

(c) If a claim relates to an overpayment on account of a failure to deduct a loss due to a bad debt or to a security becoming worthless, the claim shall be allowed if filed within seven years from the date prescribed in section 290.42 for the filing of the return, and the refund or credit shall be limited to the amount of overpayment attributable to the loss.

(d) For purposes of this section, the prepayment of tax made through the withholding of tax at the source, or payment of estimated tax, prior to the due date of the tax are considered as having been paid on the last day prescribed by law for the payment of the tax by the taxpayer. A return filed before the due date shall be considered as filed on the due date.

(e) Except as provided in sections 290.92, subdivision 13, 290.93, subdivision 9, and 290.936, interest on the overpayment refunded or credited to the taxpayer shall be allowed at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3* computed from the date of payment of the tax until the date the refund is paid or credit is made to the taxpayer. However, to the extent that the basis for the refund is a net operating loss carryback or a capital loss carryback, interest shall be computed only from the end of the taxable year in which the loss occurs.

(f) If a taxpayer reports a change in his federal gross income, items of tax preference, deductions, credits, or a renegotiation, or files a copy of his amended federal return, within 90 days as provided by section 290.56, subdivision 2, a refund may be made of any overpayment within one year after such report or amended return is filed except as provided in subdivision 2.

(g) There is hereby appropriated from the general fund to the commissioner of revenue the amounts necessary to make payments of refunds allowed pursuant to this section.

Sec. 7. Minnesota Statutes 1984, section 290.92, subdivision 6, is amended to read:

Subd. 6. [RETURNS, DEPOSITS.] (1) (a) [RETURNS.] Every employer who is required to deduct and withhold tax un-

der subdivision 2a or 3 shall file a return with the commissioner for each quarterly period, on or before the last day of the month following the close of each quarterly period, unless otherwise prescribed by the commissioner. Any tax required to be deducted and withheld during the quarterly period shall be paid with the return unless an earlier time for payment is provided. However, any return may be filed on or before the tenth day of the second calendar month following the period if the return shows timely deposits in full payment of the taxes due for that period. For the purpose of the preceding sentence, a deposit which is not required to be made within the return period, may be made on or before the last day of the first calendar month following the close of the period. Every employer, in preparing a quarterly return, shall take credit for monthly deposits previously made in accordance with this subdivision.

The return shall be in the form and contain the information prescribed by the commissioner. The commissioner may grant a reasonable extension of time for filing the return and paying the tax, but no extension shall be granted for more than six months.

(b) [ADVANCE DEPOSITS REQUIRED IN CERTAIN CASES.] (i) Unless clause (ii) is applicable, if during any calendar month, other than the last month of the calendar quarter, the aggregate amount of the tax withheld during that quarter under subdivision 2a or 3 exceeds \$500, the employer shall deposit the aggregate amount with the commissioner within 15 days after the close of the calendar month. (ii) If at the close of any eighth-monthly period the aggregate amount of undeposited taxes is \$3,000 or more, the employer shall deposit the undeposited taxes with the commissioner within three banking days after the close of the eighth-monthly period. For purposes of this subparagraph, the term "eighth-monthly period" means the first three days of a calendar month, the fourth day through the seventh day of a calendar month, the eighth day through the 11th day of a calendar month, the 12th day through the 15th day of a calendar month, the 16th day through the 19th day of a calendar month, the 20th day through the 22nd day of a calendar month, the 23rd day through the 25th day of a calendar month, or the portion of a calendar month following the 25th day of the month.

(c) [OTHER METHODS.] The commissioner may by rule prescribe other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify employers according to the amount of their tax liability and may adopt an appropriate reporting period for each class which he deems to be consistent with efficient tax collection. In no event shall the duration of the reporting period be more than one year, provided that for employers with annual withholding tax liabilities of less than \$1,200 the reporting period shall be no more frequent than quarterly.

(2) If less than the correct amount of tax is paid to the commissioner, proper adjustments, with respect to both the tax and the amount to be deducted, shall be made, without interest, in the manner and at the times as the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment shall be assessed and collected in the manner and at the times as the commissioner prescribes.

(3) If any employer fails to make and file any return required by paragraph (1) at the time prescribed, or makes and files a false or fraudulent return, the commissioner shall make for him a return from his own knowledge and from information he obtains through testimony, or otherwise, and assess a tax on the basis of it. The amount of tax shown on it shall be paid to the commissioner at the times as the commissioner prescribes. Any return or assessment made by the commissioner shall be prima facie correct and valid, and the employer shall have the burden of establishing its incorrectness or invalidity in any action or proceeding in respect to it.

(4) If the commissioner, in any case, has reason to believe that the collection of the tax provided for in paragraph (1) of this subdivision, and any added penalties and interest, if any, will be jeopardized by delay, he may immediately assess the tax, whether or not the time otherwise prescribed by law for making and filing the return and paying the tax has expired.

(5) Any assessment under this subdivision shall be made by recording the liability of the employer in the office of the commissioner in accordance with rules prescribed by the commissioner. Upon request of the employer, the commissioner shall furnish the employer a copy of the record of assessment.

(6) Any assessment of tax under this subdivision shall be made within 3-1/2 years after the due date of the return required by paragraph (1), or the date the return was filed, whichever is later. In the case of a false or fraudulent return or failure to file a return, the tax may be assessed at any time.

(7) (a) Except as provided in (b) of this paragraph, every employer who fails to pay to or deposit with the commissioner any sum or sums required by this section to be deducted, withheld and paid, shall be personally and individually liable to the state for the sum or sums (and any added penalties and interest). Any sum or sums deducted and withheld in accordance with the provisions of subdivision 2a or subdivision 3 shall be held to be a special fund in trust for the state of Minnesota.

(b) If the employer, in violation of this section, fails to deduct and withhold the tax under this section, and thereafter the taxes against which the tax may be credited are paid, the tax required to be deducted and withheld shall not be collected from

the employer; but this does not relieve the employer from liability for any penalties and interest otherwise applicable for failure to deduct and withhold.

(8) Upon the failure of any employer to pay to or deposit with the commissioner, within the time provided by paragraphs (1), (2), or (3) of this subdivision, any tax required to be withheld in accordance with the provisions of subdivision 2a or subdivision 3, or if the commissioner has assessed a tax pursuant to paragraph (4), the tax shall become immediately due and payable, and the commissioner may deliver to the attorney general a certified statement of the tax, penalties and interest due from the employer. The statement shall also give the address of the employer owing the tax, the period for which the tax is due, the date of the delinquency, and any other information required by the attorney general. The attorney general shall institute legal action in the name of the state to recover the amount of the tax, penalties, interest and costs. The commissioner's certified statement to the attorney general shall for all purposes and in all courts be prima facie evidence of the facts stated in it and that the amount shown in it is due from the employer named in the statement. If an action is instituted, the court shall, upon application of the attorney general, appoint a receiver of the property and business of the delinquent employer for the purpose of impounding it as security for any judgment which has been or may be recovered. Any action shall be brought within five years after the due date of the return or deposit required by paragraph (1), or the date the return was filed, or deposit made whichever is later. In the case of failure to make and file the return or if the return is false or fraudulent, or the deposit is not made, the action may be brought at any time.

(8a) The period of time during which a tax must be assessed or collection proceedings commenced under this subdivision shall be suspended during the period from the date of filing of a petition in bankruptcy until 30 days after the commissioner of revenue receives notice that the bankruptcy proceedings have been closed or dismissed or the automatic stay has been terminated or has expired.

The suspension of the statute of limitations under this subdivision shall apply to the person against whom the petition in bankruptcy is filed and all other persons who may also be wholly or partially liable for the tax under this chapter.

(9) Either party to an action for the recovery of any tax, interest or penalties under this subdivision may appeal the judgment as in other civil cases.

(10) No suit shall lie to enjoin the assessment or collection of any tax imposed by this section, or the interest and penalties added to it.

(11) *Except as provided by rule for eighth-monthly deposits required under clause (1)(b)(ii) of this subdivision, a withholding tax payment, return, or deposit is made or filed on time if it is mailed to the commissioner of revenue on or before the due date, including any extension of time. The payment, return, or deposit must be timely mailed by United States mail in an envelope, postage prepaid, and properly addressed.*

Sec. 8. Minnesota Statutes 1984, section 290.92, subdivision 11, is amended to read:

Subd. 11. [REFUNDS.] Where there has been an overpayment of tax imposed by this section, refund of such overpayment or credit shall be made to the employer in accordance with regulations prescribed by the commissioner, but only to the extent that the amount of such overpayment was not deducted and withheld under subdivision 2a or subdivision 3 by the employer. Any overpayment which is refunded shall bear interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3*, computed from the date of payment until the date the refund is paid to the employer. The commissioner of finance shall cause any such refund of tax and interest to be paid out of the general fund in accordance with the provisions of section 290.62 and so much of said fund as may be necessary is hereby appropriated for that purpose. Notwithstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

Sec. 9. Minnesota Statutes 1984, section 290.92, subdivision 13, is amended to read:

Subd. 13. [REFUNDS.] (1) Where the amount of the tax withheld at the source under subdivision 2a or subdivision 3 exceeds by \$1 or more the taxes (and any added penalties and interest) reported in the return of the employee taxpayer or imposed upon him by this chapter, the amount of such excess shall be refunded to the employee taxpayer. If the amount of such excess is less than \$1 the commissioner shall not be required to refund that amount. Where any amount of such excess to be refunded exceeds \$10, such amount on the original return shall bear interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3*, computed from 90 days after (a) the due date of the return of the employee taxpayer or (b) the date on which his return is filed, whichever is later, to the date the refund is paid to the taxpayer. A return shall not be treated as filed until it is in processible form. A return is in processible form when it is filed on a permitted form containing the taxpayer's name, address, social security account number, the required signature, and sufficient required information (whether on the return or on required attachments) to permit the mathematical verification of tax liability shown on the return. Not-

withstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

(2) Any action of the commissioner in refunding the amount of such excess shall not constitute a determination of the correctness of the return of the employee taxpayer within the purview of section 290.46.

(3) The commissioner of finance shall cause any such refund of tax and interest, to be paid out of the general fund in accordance with the provisions of section 290.62, and so much of said fund as may be necessary is hereby appropriated for that purpose.

Sec. 10. Minnesota Statutes 1984, section 290.93, subdivision 9, is amended to read:

Subd. 9. [OVERPAYMENT OF ESTIMATED TAX.] (1) Where the amount of an installment payment of estimated tax exceeds the amount determined to be the correct amount of such installment payment, the overpayment shall be credited against the unpaid installments, if any. Where the total amount of the estimated tax payments plus (a) the total amount of tax withheld at the source under section 290.92, subdivision 2a or subdivision 3 (if any) and (b) and other payments (if any) exceeds by \$1 or more the taxes (and any added penalties and interest) reported in the return of the taxpayer or imposed upon him by this chapter, the amount of such excess shall be refunded to the taxpayer. If the amount of such excess is less than \$1 the commissioner shall not be required to refund that amount. Where any amount of such excess to be refunded exceeds \$10, such amount on the original return shall bear interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3*, computed from 90 days after (a) the due date of the return of the taxpayer or (b) the date on which his return is filed, whichever is later, until the date the refund is paid to the taxpayer. A return shall not be treated as filed until it is in processible form. A return is in processible form when the return is filed on a permitted form, and the return contains the taxpayer's name, address, social security account number, the required signature, and sufficient required information (whether on the return or on required attachments) to permit the mathematical verification of tax liability shown on the return. Notwithstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

(2) Any action of the commissioner in refunding the amount of such excess shall not constitute a determination of the correct-

ness of the return of the taxpayer within the purview of section 290.46.

(3) The commissioner of finance shall cause any such refund of tax and interest to be paid out of the general fund in accordance with the provisions of section 290.62, and so much of said fund as may be necessary is hereby appropriated for that purpose.

Sec. 11. Minnesota Statutes 1984, section 290.936, is amended to read:

290.936 [OVERPAYMENT OF ESTIMATED TAX.]

(1) Where the amount of an installment payment of estimated tax exceeds the amount determined to be the correct amount of such installment payment, the overpayment shall be credited against the unpaid installments, if any. Where the total amount of the estimated tax payments and other payments, if any, exceeds by \$1 or more the taxes (and any added penalties and interest) reported in the return of the taxpayer or imposed upon him by this chapter, the amount of such excess shall be refunded to the taxpayer. If the amount of such excess is less than \$1, the commissioner shall not be required to refund. Where any amount of such excess to be refunded exceeds \$10, such amount on the original return shall bear interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3*, computed from 90 days after (a) the due date of the return of the taxpayer or (b) the date on which his return is filed, whichever is later, until the date the refund is paid to the taxpayer. Notwithstanding the provisions of section 290.50, written findings by the commissioner, notice by mail to the taxpayer, and certificate for refundment by the commissioner, shall not be necessary. The provisions of section 270.10, shall not be applicable.

(2) Any action of the commissioner in refunding the amount of such excess shall not constitute a determination of the correctness of the return of the taxpayer within the purview of section 290.46.

(3) The commissioner of finance shall cause any such refund of tax and interest to be paid out of the general fund in accordance with the provisions of section 290.62, and so much of said fund as may be necessary is hereby appropriated for that purpose.

Sec. 12. Minnesota Statutes 1984, section 290A.07, subdivision 2a, is amended to read:

Subd. 2a. A claimant who is a renter shall receive full payment after August 1 and prior to August 15 or 60 days after

receipt of the application, whichever is later. Interest shall be added at (SIX PERCENT PER ANNUM) *the rate specified in section 3* from August 15 or 60 days after receipt of the application whichever is later.

Sec. 13. Minnesota Statutes 1984, section 290A.07, subdivision 3, is amended to read:

Subd. 3. Any claimant not included in subdivision 2a shall receive full payment after September 15 and prior to September 30. Interest shall be added at (SIX PERCENT PER ANNUM) *the rate specified in section 3* from September 30 or 60 days after receipt of the application, whichever is later. Interest will be computed until the date the claim is paid.

Sec. 14. Minnesota Statutes 1984, section 291.18, is amended to read:

291.18 [OVERPAYMENT OF TAX; REFUNDS; APPROPRIATION.]

(1) When any tax or penalty and accrued interest thereon, imposed by this chapter shall have been paid or collected, in excess of the amount legally due, the person or corporation paying the same shall be entitled to a refundment of the amount of such taxes, penalty and interest overpaid, together with interest thereon at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3* from the date of payment, or from the date beginning nine months after death of the decedent, whichever date occurs later, in the manner provided by section 291.32; provided that all applications for such refundment shall be made within two years from the date of final determination or adjustment of any part of such tax by the taxpayer and the commissioner, the probate court or the tax court, as the case may be.

(2) There is hereby appropriated to the persons entitled to such refund, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment.

Sec. 15. Minnesota Statutes 1984, section 294.09, subdivision 1, is amended to read:

Subdivision 1. [PROCEDURES; TIME LIMIT.] A company, joint stock association, copartnership, corporation, or individual who has paid, voluntarily or otherwise, or from whom there has been collected (other than by proceedings instituted by the attorney general under sections 294.06 and 294.08, subdivision 3) an amount of gross earnings tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of such excess. Except as provided in subdivision 4, no such claim shall be entertained un-

less filed within two years after such tax was paid or collected, or within three and one-half years from the filing of the return, whichever period is the longer. Upon the filing of a claim the commissioner shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to such company, joint stock association, copartnership, corporation, or individual at the address stated upon the return. If such claim is allowed in whole or in part, the commissioner shall credit the amount of the allowance against any tax due the state from the claimant and for the balance of said allowance, if any, the commissioner shall issue his certificate for the refundment of the excess paid. The commissioner of finance shall cause such refund to be paid out of the proceeds of the gross earnings taxes imposed by Minnesota Statutes 1967, Chapters 294 and 295 as other state moneys are expended. So much of the proceeds as may be necessary are hereby appropriated for that purpose. Any allowance so made by the commissioner shall include interest at the rate (OF SIX PERCENT) *specified in section 3* computed from the date of payment or collection of the tax until the date the refund is paid to the claimant.

Sec. 16. Minnesota Statutes 1984, section 297A.26, subdivision 1, is amended to read:

Subdivision 1. The taxes imposed by sections 297A.01 to 297A.44 shall be due and payable to the commissioner monthly on or before the 25th day of the month next succeeding the month in which the taxable event occurred or succeeding such other reporting period as the commissioner may prescribe. *The tax payment is made on time if it is mailed to the commissioner on or before the due date. The payment must be mailed by United States mail in an envelope, postage prepaid, and properly addressed.*

Sec. 17. Minnesota Statutes 1984, section 297A.27, subdivision 1, is amended to read:

Subdivision 1. Except as provided in section 297A.275, on or before the 25th day of each month in which taxes imposed by sections 297A.01 to 297A.44 are payable, a return for the preceding reporting period shall be filed with the commissioner in such form as the commissioner may prescribe, verified by a written declaration that it is made under the criminal penalties for willfully making a false return, and in addition shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid. Any person making sales at retail at two or more places of business may file a consolidated return subject to such regulations as the commissioner may prescribe. *A return is filed on time if it is mailed to the commissioner of revenue on or before the due date. The return must be timely mailed by United States mail in an envelope, postage prepaid, and properly addressed.*

Sec. 18. Minnesota Statutes 1984, section 297A.35, subdivision 1, is amended to read:

Subdivision 1. A person who has, pursuant to the provisions of this chapter, paid to the commissioner an amount of tax for any period in excess of the amount legally due for that period, may file with the commissioner a claim for a refund of such excess subject to the conditions specified in subdivision 5. Except as provided in subdivision 4 no such claim shall be entertained unless filed within two years after such tax was paid, or within three years from the filing of the return, whichever period is the longer. The commissioner shall examine the claim and make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to such person at the address stated upon the claim. Any allowance shall include interest on the excess determined at a rate (OF SIX PERCENT PER ANNUM) *specified in section 3* from the date such excess was paid or collected until the date it is refunded or credited. If such claim is allowed in whole or in part, the commissioner shall credit the amount of the allowance against any taxes under sections 297A.01 to 297A.44 due from the claimant and for the balance of said allowance, if any, the commissioner shall issue his certificate for the refundment of the excess paid, and the commissioner of finance shall cause such refund to be paid out of the proceeds of the taxes imposed by sections 297A.01 to 297A.44, as other state moneys are expended. So much of the proceeds of such taxes as may be necessary are hereby appropriated for that purpose.

Sec. 19. Minnesota Statutes 1984, section 298.09, subdivision 4, is amended to read:

Subd. 4. If the amount of tax determined by the commissioner is subsequently found to be erroneous, the commissioner may, at any time within three years from the date the tax is certified as provided in section 298.10, redetermine the amount thereof. No such redetermination shall be made increasing the tax unless the person from whom the additional amount is due is given ten days written notice thereof and an opportunity to be heard thereon. If an order is made increasing the tax, the same proceedings shall be had as provided for occupation taxes originally determined and certified. Any person who has paid an occupation tax may apply to the commissioner within the time herein limited for a redetermination of the tax, and if the commissioner determines that the tax has been overpaid, he shall make and file an order determining the amount of such overpayment, and credit it against occupation taxes otherwise payable by the person who has overpaid the amount as so determined. If the tax is increased, interest at the rate specified in section 270.75 from the date payment should have been made shall be determined and paid; if the tax is reduced, interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3* from the date of overpayment shall be allowed.

Sec. 20. Minnesota Statutes 1984, section 299.05, is amended to read:

299.05 [ASSESSMENT BY COMMISSIONER.]

Upon receipt of the report provided for in section 299.03, the commissioner of revenue shall determine, from information as may be possessed, or obtained, whether the report is correct, or incorrect; and, if found correct, the commissioner shall determine the amount of tax due from the person, enter the amount of the tax in department records, make assessment of taxes due from the person, and the amount that has been paid; and, on or before June 30, of each year, demand payment from the person. The commissioner of revenue shall have power, in case he shall deem the report incorrect, or in case the report is not made and filed with the commissioner as provided in section 299.03, to make findings as to the amount of taxes due after hearing upon notice to the person interested, and the findings shall have the same effect as the determination of the amount of such taxes upon a report made as hereinbefore provided.

A person subletting land for the use of which is received royalty shall be required to pay taxes only on the difference between the amount of royalty paid by him or her and the amount received.

If the amount of tax determined by the commissioner is subsequently found to be erroneous, the commissioner may, at any time within three years from the date allowed above for the original assessment, redetermine the amount of the tax. No redetermination shall be made increasing the tax unless the person from whom the additional amount is due is given ten days written notice of the proposed increase and the person's right to a hearing pursuant to chapter 14. Any person who has paid a royalty tax may apply to the commissioner within three years from the date allowed above for the original assessment for a redetermination of the tax and if the commissioner determines that the tax has been overpaid, he or she shall make and file an order determining the amount of the overpayment and credit the overpayment against the royalty taxes otherwise payable by the person who overpaid the tax. If the tax is increased, interest at the rate specified in section 270.75 from the date payment should have been made shall be determined and added to the tax. If the tax is reduced, interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3* from the date of the overpayment shall be allowed.

Sec. 21. Minnesota Statutes 1984, section 299F.26, subdivision 1, is amended to read:

Subdivision 1. [PROCEDURE, TIME LIMIT, APPROPRIATION.] A company which has paid, voluntarily or otherwise, or

from which there was collected an amount of tax for any year in excess of the amount legally due for that year, may file with the commissioner of revenue a claim for a refund of the excess. Except as provided in subdivision 4, no claim or refund shall be allowed or made after 3-1/2 years from the date prescribed for filing the return (plus any extension of time granted for filing the return but only if filed within the extended time) or after two years from the date of overpayment, whichever period is longer, unless before the expiration of the period a claim is filed by the company. For this purpose a return or amended return claiming an overpayment constitutes a claim for refund.

Upon the filing of a claim the commissioner shall examine the same and shall make and file written findings thereon denying or allowing the claim in whole or in part and shall mail a notice thereof to the company at the address stated upon the return. If such claim is allowed in whole or in part, the commissioner shall issue his certificate for the refundment of the excess paid by the company, with interest at the rate (OF SIX PERCENT PER ANNUM) *specified in section 3* computed from the date of the payment of the tax until the date the refund is paid or the credit is made to the company, and the commissioner of finance shall cause the refund to be paid as other state moneys are expended. So much of the proceeds of the taxes as is necessary are appropriated for that purpose.

Sec. 22. [REPEALER.]

Minnesota Statutes 1984, section 297A.26, subdivision 3, is repealed.

Sec. 23. [EFFECTIVE DATE.]

Section 7 is effective for payments and returns of withholding taxes due after December 31, 1985. Sections 16, 17, and 22 are effective for tax payments and returns due after August 1, 1985. The remainder of the article is effective for interest earned on overpayments after December 31, 1985.

ARTICLE 4

Section 1. Minnesota Statutes 1984, section 290.01, subdivision 20e, is amended to read:

Subd. 20e. [MODIFICATION IN COMPUTING TAXABLE INCOME OF THE ESTATE OF A DECEDENT.] Amounts allowable under section (291.07, SUBDIVISION 1, CLAUSE (2)) *2053 or 2054 of the Internal Revenue Code of 1954* in computing (MINNESOTA INHERITANCE OR) *federal* estate tax liability shall not be allowed as a deduction (or as an offset

against the sales price of property in determining gain or loss) in computing the taxable income of the estate or any person 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 THE 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)) *an election is made for federal income tax purposes under section 642(g) of the Internal Revenue Code of 1954.* The election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 is binding for Minnesota tax purposes.

Sec. 2. Minnesota Statutes 1984, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities. (THE MINNESOTA GROSS ESTATE SHALL BE VALUED PURSUANT TO THE PROVISIONS OF SECTION 291.215, SUBDIVISION 1.)

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of his death was in Minnesota.

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

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1954 as amended through (MARCH 12, 1983) *December 31, 1984*.

Sec. 3. Minnesota Statutes 1984, section 291.03, subdivision 1, is amended to read:

Subdivision 1. [(GENERALLY) TAX AMOUNT.] The tax imposed shall be an amount equal to the (GREATER OF:)

((1) A TAX COMPUTED BY APPLYING TO THE MINNESOTA TAXABLE ESTATE THE FOLLOWING PRESCRIBED RATES:)

(10 PERCENT ON THE FIRST \$100,000,)

(11 PERCENT ON THE NEXT \$500,000 OR PART THEREOF,)

(12 PERCENT ON THE EXCESS, OR)

((2) A TAX EQUAL TO THE SAME) proportion of the maximum credit allowable under section 2011 of the Internal Revenue Code for state death taxes (DESCRIBED HEREIN) as the Minnesota gross estate bears to the value of the federal gross estate. *For a resident decedent, the tax shall be the maximum credit allowable under section 2011 of the Internal Revenue Code reduced by the amount of the death tax paid the other state and credited against the federal estate tax if this results in a larger amount of tax than the proportionate amount of the credit. The tax determined under this paragraph shall not be greater than the maximum credit allowable under section 2011 of the Internal Revenue Code.*

Sec. 4. Minnesota Statutes 1984, section 291.075, is amended to read:

291.075 [SPECIAL USE VALUATION OF QUALIFIED PROPERTY.]

(WHEN PROPERTY SUBJECT TO THE TAX IMPOSED BY THIS CHAPTER QUALIFIES FOR VALUATION BASED ON ITS USE PURSUANT TO SECTION 2032A OF THE INTERNAL REVENUE CODE, IT SHALL HAVE THE SAME VALUE FOR MINNESOTA ESTATE TAX PURPOSES AS IT HAS FOR FEDERAL ESTATE TAX PURPOSES.) If, after the final determination of the tax imposed by this chapter, the property valued pursuant to section 2032A of the Internal Revenue Code is disposed of or fails to qualify and an additional tax is imposed pursuant to section 2032A(c), any increase in the credit for state death taxes shall be reported to the commissioner within 90 days after final determination of the increased credit. Upon notification the commissioner may assess an additional tax in accordance with section 291.03, subdivision 1 (, CLAUSE (2). NO ADDITIONAL MINNESOTA ESTATE TAX COMPUTED IN ACCORDANCE WITH SECTION 291.03, SUBDIVISION 1, CLAUSE (1) WILL BE IMPOSED NOR WILL AN ADDITIONAL DEDUCTION FOR FEDERAL ESTATE TAXES PAID BE ALLOWED UNDER SECTION 291.07 OR 291.08).

Sec. 5. Minnesota Statutes 1984, section 291.09, subdivision 1a, is amended to read:

Subd. 1a. (IN ALL INSTANCES IN WHICH A DECEDENT DIES AFTER DECEMBER 31, 1979 AND BEFORE JANUARY 1, 1981 LEAVING A FEDERAL GROSS ESTATE IN EXCESS OF \$161,000 AND IN ALL INSTANCES IN WHICH A DECEDENT DIES AFTER DECEMBER 31, 1980 AND BEFORE JANUARY 1, 1982 LEAVING A FEDERAL GROSS ESTATE IN EXCESS OF \$175,000, AND THE DECEDENT HAS AN INTEREST IN PROPERTY WITH A SITUS IN MINNESOTA, THE PERSONAL REPRESENTATIVE SHALL SUBMIT TO THE COMMISSIONER, ON A FORM PRESCRIBED BY THE COMMISSIONER, A MINNESOTA ESTATE TAX RETURN.)

In the case of a decedent dying after December 31, (1981) 1985 who has an interest in property with a situs in Minnesota, the personal representative shall submit to the commissioner, on a form prescribed by the commissioner, a Minnesota estate tax return in (THE FOLLOWING) *all* instances (:)

(IN THE CASE OF A DECEDENT DYING IN	(A MINNESOTA ESTATE TAX RETURN SHALL BE FILED IF THE FEDERAL GROSS ESTATE EQUALS OR EXCEEDS
--	---

(1982	\$225,000)
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(1983	275,000)
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(1984	325,000)
(1985	400,000)
(1986	500,000)
(1987 AND THEREAFTER	600,000)
<i>in which a federal estate tax return is required to be filed.</i>	

The return shall be accompanied by a federal estate tax return, a schedule of all assets in the estate at their date of death values, and shall contain a computation of the Minnesota estate tax due. The return shall be signed by the personal representative.

Sec. 6. Minnesota Statutes 1984, section 291.09, subdivision 2a, is amended to read:

Subd. 2a. The commissioner may designate on the return the documents that are required to be filed together with the return in order to determine the (PROPER VALUATION OF ASSETS AND) computation of tax. The commissioner shall not be bound by any item on the return unless he has received all required documents and unless all items of information on the return have been completed.

Sec. 7. Minnesota Statutes 1984, section 291.09, subdivision 3a, is amended to read:

Subd. 3a. (1) The commissioner may challenge matters of (VALUATION OR) taxability of any assets reported on the return (, OR ANY DEDUCTIONS CLAIMED,) or the computation of tax, only if within 180 days from the due date of the return or the receipt of the return and all documents required to be filed with the return, whichever is later, the commissioner mails or delivers a written notice to the personal representative objecting to the return as filed and specifying the reasons for the objection.

(2) If the personal representative disagrees with the objection or does not wish to fully comply with the objection, he may request that the commissioner hold a hearing on the objection. Within 30 days of receipt of a request, the commissioner shall set a time and place for hearing. Unless otherwise agreed upon, the hearing date shall not be earlier than 30 days nor later than 60 days from the date of the notice setting the hearing. The notice of hearing shall set forth the rights available to the personal representative under chapter 14. Not later than 30 days after the commissioner receives the report and recommendation of the administrative law judge, or a written waiver of his hearing rights by the personal representative, the commissioner shall issue an order determining the tax. Any such determination made by the

commissioner may be appealed to the tax court as provided in section 271.09.

(3) At any time together with or after the objection, the commissioner, on his own initiative, may set a time and place for a hearing in accordance with (2) above.

(4) In his objection, or at any time thereafter, the commissioner may assess any additional tax as the facts may warrant, subject to the right of the personal representative to demand a hearing under chapter (15) 14. If the personal representative does not demand a hearing within 90 days of the date of the assessment, the tax so assessed shall be legally due and the commissioner may proceed to collect (ANY) *the* unpaid tax (AFTER ONE YEAR FROM THE DATE OF DEATH). If the commissioner later finds the tax assessment to be erroneous, he may adjust the assessment prior to collection.

(5) The commissioner shall not be required to object to any subsequent original, amended or supplemental return in order to preserve his rights. The commissioner shall not be precluded from objecting to a subsequent original, amended or supplemental return even though an original return was accepted as filed. If the commissioner had accepted an original return showing no tax due and a subsequent original, amended or supplemental return discloses additional assets not disclosed on the original return, the commissioner may object to any matter of (VALUATION,) taxability (, DEDUCTION) or computation of tax on the original return within 180 days of receipt of the subsequent original, amended or supplemental return.

(6) Subject to the provisions of sections 291.11 and 291.215, the Minnesota estate tax liability shall be considered as finally determined on the date notification of acceptance is issued to the personal representative or, if no objection is filed, on the day following 180 days from the due date of the return or the receipt of the return, together with all other documents required to be filed with the return, whichever is later.

(7) Subject to the time limits imposed elsewhere in this chapter, the commissioner may refund an overpayment of tax, penalty or interest even though the personal representative has not made an application for refund.

Sec. 8. Minnesota Statutes 1984, section 291.11, subdivision 1, is amended to read:

Subdivision 1. (1) All taxes imposed by this chapter shall take effect at and upon the death of the person whose estate is subject to taxation and shall be due and payable at the expiration of nine months from such death, except as otherwise pro-

vided in this chapter. *Where an extension to file the federal estate tax return has been granted under the provision of section 6081 of the Internal Revenue Code, the time for filing the estate tax return or making payment of the tax without penalty, is extended for the same period. Provided, that any taxpayer who owes at least \$5,000 in taxes (MAY CHOOSE TO PAY THESE TAXES IN FIVE EQUAL INSTALLMENTS OVER A PERIOD OF TIME NOT TO EXCEED FIVE YEARS FROM THE DEATH OF THE PERSON WHOSE ESTATE IS SUBJECT TO TAXATION OR FIVE YEARS FROM THE EXPIRATION OF THE EXTENSION GRANTED BY THE COMMISSIONER PURSUANT TO SECTION 291.132, WHICHEVER IS LATER) and who, under section 6161 or 6166 of the Internal Revenue Code, has been granted an extension for payment of the tax shown on the return, may elect to pay the commissioner the amount of tax due in equal amounts at the same time as required for federal purposes. When a taxpayer elects to pay the tax in installments, he shall notify the commissioner in writing no later than nine months after the death of the person whose estate is subject to taxation. If the taxpayer fails to pay an installment on time, unless it is shown that such failure is due to reasonable cause, the election shall be revoked and the entire amount of unpaid tax plus accrued interest shall be due and payable 90 days after the date on which the installment was payable.*

(2) (a) False return—in the case of a false or fraudulent return with the intent to evade tax, any additional tax resulting therefrom may be assessed at any time.

(b) No return—in the case of failure to file a return, the tax may be assessed at any time.

(c) Omissions—in the case where there is omitted from the estate items subject to tax under this chapter the tax on such omitted items may be assessed at any time.

In determining the items omitted, there shall not be taken into account any item which has been disclosed in the return or in a statement attached to the return in a manner adequate to apprise the commissioner of the nature and amount of such item.

(3) Where, before the expiration of the time prescribed in this chapter for the determination or adjustment of the tax, the commissioner and the taxpayer shall consent in writing to the extension of time for such determination or adjustment the tax may be determined at any time prior to the expiration agreed upon and in the manner agreed upon. The period so agreed upon may be extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

Sec. 9. Minnesota Statutes 1984, section 291.15, subdivision 1, is amended to read:

Subdivision 1. If the tax is not paid within (NINE MONTHS FROM THE ACCRUING THEREOF,) *the time specified for payment, the unpaid tax and any penalty imposed under section 291.131 shall bear interest (SHALL BE CHARGED AND COLLECTED THEREON) at the rate specified in section 270.75 from the due date until the date the tax is paid. Unpaid tax includes the unpaid tax when the taxpayer elects to pay the tax in installments and the due date is the date the tax was due without regard to any extension that is granted or an election to pay the tax in installments.* In the event a person or corporation upon proper authorization makes a payment to be applied against the tax thereafter, no interest shall accrue on the amount so paid. All payments shall be applied first to penalties, next to interest and then upon principal.

Sec. 10. Minnesota Statutes 1984, section 291.15, subdivision 3, is amended to read:

Subd. 3. Interest shall be paid on installment payments of the tax authorized under section 291.11, subdivision 1, (OR 291.132, SUBDIVISION 2,) at the rate of interest in effect pursuant to section 270.75 nine months following the date of death.

Sec. 11. Minnesota Statutes 1984, section 291.215, subdivision 1, is amended to read:

Subdivision 1. All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. (EXCEPT AS OTHERWISE PROVIDED IN SECTION 291.075, THE VALUE OF ALL PROPERTY INCLUDABLE IN THE MINNESOTA GROSS ESTATE OF A DECEDENT MAY BE INDEPENDENTLY DETERMINED UNDER SAID SECTIONS FOR MINNESOTA ESTATE TAX PURPOSES.) *Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.*

Sec. 12. Minnesota Statutes 1984, section 291.32, is amended to read:

291.32 [REFUNDING OF TAX.]

Subdivision 1. (WHENEVER,) *If under the provisions of this chapter any person or corporation (SHALL BE) is entitled to a return of any part of a tax, penalty or interest previously paid in excess of the amount legally due, he may (MAKE APPLICATION) apply to the commissioner for a determination of the amount which he is entitled to have returned (, AND ON SUCH*

APPLICATION SHALL). *The applicant must furnish the commissioner with (AFFIDAVITS AND OTHER) evidence showing the facts which entitled him to such return and the amount he is entitled to have returned. (UPON THE FILING OF SUCH APPLICATION,) The commissioner (SHALL) must examine the (SAME) application and (SHALL MAKE A WRITTEN ORDER THEREON DENYING OR ALLOWING) deny or allow, in a written order, the application in whole or in part (AND SHALL MAIL). A copy of (SUCH ORDER BY CERTIFIED MAIL) the order must be mailed to the applicant at the address stated on the application. If such application is allowed in whole or in part, the commissioner shall (CAUSE SUCH) pay the refund (TO BE PAID IN THE MANNER PROVIDED BY LAW. IT SHALL BE THE DUTY OF THE STATE TREASURER TO PAY WARRANTS THEREFOR OUT OF ANY FUNDS IN THE STATE TREASURY NOT OTHERWISE APPROPRIATED). The amount of taxes, penalty and interest in excess of the amount legally due must be paid with interest from the date of payment or from the date beginning nine months after the death of the decedent, whichever is later. The moneys necessary to pay (SUCH WARRANTS) the amounts are (HEREBY) appropriated to the commissioner out of (ANY MONEYS IN THE STATE TREASURY NOT OTHERWISE APPROPRIATED) the general fund.*

Subd. 2. *All applications for refunds must be made within two years from the date of final determination or adjustment of any part of the tax, penalty or interest by the taxpayer, the commissioner or the tax court, as applicable. If the application is denied in whole or in part the taxpayer may commence an action against the commissioner to recover any overpayments of taxes claimed to be refundable but for which the commissioner has issued no order of refundment. Such action may be brought in the District Court of the district in which lies the county of his residence or principal place of business if an estate or trust, of the principal place of its administration, or in the district court for Ramsey County. Such action may be commenced after the expiration of six months after the application is filed if the commissioner has not taken final action thereon and shall be commenced within 18 months after the date of the order denying the application. If the commissioner has not acted within two years after the application is filed, it shall be considered denied.*

Sec. 13. Minnesota Statutes 1984, section 524.3-1202, is amended to read:

524.3-1202 [EFFECT OF AFFIDAVIT.]

The person paying, delivering, transferring, or issuing personal property or the evidence thereof pursuant to affidavit (SHALL SUBMIT A COPY OF THE AFFIDAVIT TO THE COMMISSIONER OF REVENUE WITHIN FIVE DAYS OF ITS RECEIPT AND THEN) is discharged and released to the

same extent as if he dealt with a personal representative of the decedent. He is not required to see to the application of the personal property or evidence thereof or to inquire into the truth of any statement in the affidavit. If any person to whom an affidavit is delivered refuses to pay, deliver, transfer, or issue any personal property or evidence thereof, it may be recovered or its payment, delivery, transfer, or issuance compelled upon proof of their right in a proceeding brought for the purpose by or on behalf of the persons entitled thereto. Any person to whom payment, delivery, transfer or issuance is made is answerable and accountable therefor to any personal representative of the estate or to any other person having a superior right.

Sec. 14. [REPEALER.]

(a) *Minnesota Statutes 1984, sections 55.10, subdivision 2; 270.75, subdivision 7; 291.015; 291.03, subdivisions 3, 4, 5, 6, and 7; 291.05; 291.051; 291.06; 291.065; 291.07; 291.08; 291.09, subdivision 5; 291.111; 291.131, subdivision 6; 291.132; 291.15, subdivision 2; 291.18; 291.20; and 385.36, are repealed.*

(b) *Minnesota Statutes 1984, sections 291.131, subdivision 5; and 291.29, subdivision 5, are repealed.*

Sec. 15. [EFFECTIVE DATE.]

Sections 1 to 12 and 14, paragraph (a) are effective for estates of persons dying after December 31, 1985, except that the update of the Internal Revenue Code in section 2 is effective for estates of persons dying after December 31, 1984. Sections 13 and 14, paragraph (b) are effective the day after final enactment.

ARTICLE 5

Section 1. Minnesota Statutes 1984, section 290.07, subdivision 1, is amended to read:

Subdivision 1. [ANNUAL ACCOUNTING PERIOD.] Net income and taxable net income shall be computed upon the basis of the taxpayer's annual accounting period. If a taxpayer has no annual accounting period, or has one other than a fiscal year, as heretofore defined, the net income and taxable net income shall be computed on the basis of the calendar year. Taxpayers shall employ the same accounting period on which they report, or would be required to report, their net income under the Internal Revenue Code. (THE COMMISSIONER SHALL PROVIDE BY RULE FOR THE DETERMINATION OF THE ACCOUNTING PERIOD FOR TAXPAYERS WHO FILE A COMBINED REPORT UNDER SECTION 290.34, SUBDIVISION 2, WHEN MEMBERS OF THE GROUP USE DIFFERENT ACCOUNT-

ING PERIODS FOR FEDERAL INCOME TAX PURPOSES. UNLESS THE TAXPAYER CHANGES ITS ACCOUNTING PERIOD FOR FEDERAL PURPOSES, THE DUE DATE OF THE RETURN IS NOT CHANGED.)

A taxpayer may change his accounting period only with the consent of the commissioner. In case of any such change, he shall pay a tax for the period not included in either his former or newly adopted taxable year, computed as provided in section 290.32.

Sec. 2. Minnesota Statutes 1984, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER AND CARRYBACK.] (a) Except as provided in (CLAUSE (D) OR) subdivision 8, a net operating loss for any taxable year shall be:

(1) A net operating loss carryback to each of the three taxable years preceding the taxable year of such loss, and

(2) A net operating loss carryover to each of the five taxable years following the taxable year of such loss.

(b) The entire amount of the net operating loss for any taxable year shall be carried to the earliest of the taxable years to which, by reason of subdivision 3, clause (a) (OR (D)), such loss may be carried. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the taxable net income, adjusted by the modifications specified in subdivision 4, for each of the prior taxable years to which such loss may be carried.

(c) Where a corporation does business both within and without Minnesota, and apportions its income under the provisions of section 290.19, the net operating loss deduction shall be allowed to the extent of the apportionment ratio of the loss year, or the year to which the loss is carried, whichever is smaller.

((D) WHERE A CORPORATION FILES A COMBINED REPORT WHICH REFLECTS THE ENTIRE UNITARY BUSINESS AS PROVIDED IN SECTION 290.34, SUBDIVISION 2, THE CORPORATION SHALL NOT BE ALLOWED A NET OPERATING LOSS CARRYBACK TO A YEAR IN WHICH IT DID NOT FILE A COMBINED REPORT. THE NUMBER OF TAXABLE YEARS FOR WHICH A NET OPERATING LOSS CARRYOVER IS ALLOWED SHALL BE INCREASED BY THE NUMBER OF TAXABLE YEARS FOR WHICH A NET OPERATING LOSS CARRYBACK IS NOT ALLOWED UNDER THIS CLAUSE.)

Sec. 3. Minnesota Statutes 1984, section 290.17, subdivision 2, is amended to read:

Subd. 2. [OTHER TAXPAYERS.] In the case of an individual who is not a full year resident, this subdivision applies to determine what income is assignable to Minnesota for purposes of determining the numerator of the fraction used in section 290.06, subdivision 2c. 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)(a) 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.

(b) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner.

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. In order to eliminate the need to file state or provincial income tax returns in several states or provinces, Minnesota will exclude from income any income assigned to Minnesota under the provisions of this clause for a nonresident athlete who is employed by an athletic team whose operations are not based in this state if the state or province in which the athletic team is based provides a similar income exclusion. If the state or province in which the athletic team's operations are based does not have an income tax on an individual's personal service income, it will be deemed that that state or province has a similar income exclusion. As used in the preceding sentence, the term "province" means a province of Canada.

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete not listed in clause (i), or who is an entertainer, for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(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 from winnings on Minnesota pari-mutuel betting tickets shall be assigned to 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 or is a resident trust or estate.

(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 provision 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), nor shall it apply to income from the operation of a farm which is subject to the provisions of clause (2). 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.

(IF THE TRADE OR BUSINESS CARRIED ON WHOLLY OR PARTLY IN MINNESOTA IS PART OF A UNITARY BUSINESS, THE ENTIRE INCOME OF THAT UNITARY BUSINESS SHALL BE SUBJECT TO APPORTIONMENT UNDER SECTION 290.19 EXCEPT FOR BUSINESS INCOME SUBJECT TO THE PROVISIONS OF CLAUSE (1) AND

FARM INCOME SUBJECT TO THE PROVISIONS OF CLAUSE (2). THE TERM "UNITARY BUSINESS" SHALL MEAN BUSINESS ACTIVITIES OR OPERATIONS WHICH ARE OF MUTUAL BENEFIT, DEPENDENT UPON, OR CONTRIBUTORY TO ONE ANOTHER, INDIVIDUALLY OR AS A GROUP. UNITY SHALL BE PRESUMED WHENEVER THERE IS UNITY OF OWNERSHIP, OPERATION, AND USE, EVIDENCED BY CENTRALIZED MANAGEMENT OR EXECUTIVE FORCE, CENTRALIZED PURCHASING, ADVERTISING, ACCOUNTING, OR OTHER CONTROLLED INTERACTION BUT THE ABSENCE OF THESE CENTRALIZED ACTIVITIES WILL NOT NECESSARILY EVIDENCE A NONUNITARY BUSINESS. UNITY OF OWNERSHIP WILL NOT BE DEEMED TO EXIST WHEN A CORPORATION IS INVOLVED UNLESS THAT CORPORATION IS A MEMBER OF A GROUP OF TWO OR MORE CORPORATIONS MORE THAN 50 PERCENT OF THE VOTING STOCK OF EACH MEMBER OF THE GROUP IS DIRECTLY OR INDIRECTLY OWNED BY A COMMON OWNER OR BY COMMON OWNERS, EITHER CORPORATE OR NONCORPORATE, OR BY ONE OR MORE OF THE MEMBER CORPORATIONS OF THE GROUP.)

(THE ENTIRE INCOME OF A UNITARY BUSINESS SHALL BE SUBJECT TO APPORTIONMENT AS PROVIDED IN SECTION 290.19. NONE OF THE INCOME OF A UNITARY BUSINESS SHALL BE CONSIDERED AS DERIVED FROM ANY PARTICULAR SOURCE AND NONE SHALL BE ALLOCATED TO ANY PARTICULAR PLACE EXCEPT AS PROVIDED BY THE APPLICABLE APPORTIONMENT FORMULA.)

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) For purposes of this section, amounts received by a non-resident from the United States, its agencies or instrumentali-

ties, 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, 409 or 409A of the Internal Revenue Code of 1954, as amended through December 31, 1983, 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.

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

Sec. 4. Minnesota Statutes 1984, section 290.175, is amended to read:

290.175 [OPTIONAL APPORTIONMENT.]

Notwithstanding the provisions of section 290.171, the taxpayer may elect to apportion his income to Minnesota pursuant to this chapter, without regard to section 290.171, article IV. *Combined reporting is not allowed under section 290.171.* The provisions of section 290.171, article IV, are effective for taxable years beginning after December 31, 1982 (AND ALLOW COMBINED REPORTING ONLY TO THE EXTENT ALLOWED UNDER SECTION 290.34, SUBDIVISION 2).

Sec. 5. Minnesota Statutes 1984, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) 85 percent of dividends received by a corporation during the taxable year from another corporation, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. The remaining 15 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of the other corporation, *and the dividends were paid from income arising out of business done in this state by the corporation paying the dividends; but if the income out of which the dividends are declared was derived from business done within and without this state, then as much of the remaining 15 percent is allowed as a deduction as the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation, the rate being determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding the distribu-*

tion. The burden is on the taxpayer to show that the amount of remainder claimed as a deduction has been received from income arising out of business done in this state.

(b) *If the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of the other corporation, and the dividends were paid from income arising out of business done in this state by the corporation paying the dividends; but, if the income out of which the dividends are declared was derived from business done within and without this state, then as much of the dividends is allowed as a deduction as the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation, the rate being determined by the returns under this chapter of the corporation paying such dividends for the taxable year preceding the distribution. The burden is on the taxpayer to show that the amount of dividends claimed as a deduction has been received from income arising out of business done in this state.*

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

((D) IF DIVIDENDS RECEIVED BY A CORPORATION THAT DOES NOT HAVE NEXUS WITH MINNESOTA UNDER THE PROVISIONS OF PUBLIC LAW 86-272 ARE INCLUDED AS INCOME ON THE RETURN OF AN AFFILIATED CORPORATION PERMITTED OR REQUIRED TO FILE A COMBINED REPORT UNDER SECTION 290.34, SUBDIVISION 2, THEN FOR PURPOSES OF THIS SUBDIVISION THE DETERMINATION AS TO WHETHER THE TRADE OR BUSINESS OF THE CORPORATION CONSISTS PRINCIPALLY OF THE HOLDING OF STOCKS AND THE COLLECTION OF INCOME AND GAINS THEREFROM SHALL BE MADE WITH REFERENCE TO THE TRADE OR BUSINESS OF THE AFFILIATED CORPORATION HAVING A NEXUS WITH MINNESOTA.)

((E) DIVIDENDS RECEIVED BY A CORPORATION FROM ANOTHER CORPORATION WHICH IS ORGANIZED UNDER THE LAWS OF A FOREIGN COUNTRY OR A POLITICAL SUBDIVISION OF A FOREIGN COUNTRY, IF THE DIVIDENDS ARE PAID FROM INCOME ARISING FROM SOURCES WITHOUT THE UNITED STATES, THE COMMONWEALTH OF PUERTO RICO, AND THE POSSESSIONS OF THE UNITED STATES. THE DEDUCTION PROVIDED BY THIS CLAUSE DOES NOT APPLY IF THE CORPORATE STOCK WITH RESPECT TO WHICH DIVIDENDS ARE PAID CONSTITUTES THE STOCK IN TRADE OF THE TAXPAYER, OR WOULD BE INCLUDED IN THE INVENTORY OF THE TAXPAYER, OR CONSTITUTES PROPERTY HELD BY THE TAXPAYER PRIMARILY FOR SALE TO CUSTOMERS IN THE ORDINARY COURSE OF THE TAXPAYER'S TRADE OR BUSINESS, OR IF THE TRADE OR BUSINESS OF THE TAXPAYER CONSISTS PRINCIPALLY OF THE HOLDING OF STOCKS AND THE COLLECTION OF THE INCOME OR GAINS THEREFROM. NO DIVIDEND MAY BE DEDUCTED UNDER THIS CLAUSE IF IT IS DEDUCTED UNDER CLAUSE (A).)

Sec. 6. Minnesota Statutes 1984, section 290.34, subdivision 1, is amended to read:

Subdivision 1. [BUSINESS CONDUCTED IN SUCH A WAY AS TO CREATE LOSSES OR IMPROPER TAXABLE NET INCOME.] When any corporation liable to taxation under this chapter conducts its business in such a manner as, directly or indirectly, to benefit its members or stockholders or any person or corporation interested in such business or to reduce the income attributable to this state by selling the commodities or services in which it deals at less than the fair price which might be obtained therefor, or buying such commodities or services at more than the fair price for which they might have been obtained, or when any corporation, a substantial portion of whose shares is owned directly or indirectly by another corporation, deals in the commodities or services of the latter corporation in such a manner as to create a loss or improper net income or to reduce the taxable net income attributable to this state, the commissioner of revenue may determine the amount of its income so as to reflect what would have been its reasonable taxable net income but for the arrangements causing the understatement of its taxable net income or the overstatement of its losses, having regard to the fair profits which, but for any agreement, arrangement, or understanding, might have been or could have been obtained from such business.

For purposes of this section, a small foreign sales corporation, as defined in section 922(b) of the Internal Revenue Code of 1954, as amended through December 31, 1984, is treated as a separate corporation.

Sec. 7. Minnesota Statutes 1984, section 290.34, is amended by adding a subdivision to read:

Subd. 5. [AFFILIATED CORPORATIONS, CONSOLIDATED RETURNS.] An affiliated group of corporations, filing a federal consolidated income tax return pursuant to section 1501 of the Internal Revenue Code of 1954, as amended through December 31, 1984, any of the members of which are required to file income tax returns under the provisions of this chapter, may file a consolidated return in lieu of separate returns if any income of any of the members of the affiliated group including the common parent, if any, is assignable to this state under the provisions of this chapter. No group of corporations filing separate federal income tax returns may file a Minnesota consolidated return. In the case of a corporation which is a member of the affiliated group for a fractional part of the taxable year, the consolidated return must include the income of that corporation for the part of the year that it was a member of the affiliated group. The commissioner may adopt rules governing the determination of the consolidated income of the affiliated group.

Sec. 8. Minnesota Statutes 1984, section 290.932, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] The declaration of estimated tax required of corporations by section 290.931 shall be filed as follows:

If the requirements of section 290.931 are first met—	The declaration shall be filed on or before—
before the 1st day of the (3RD) 4th month of the taxable year	the 15th day of the (3RD) 4th month of the taxable year
after the last day of the (2ND) 3rd month and before the 1st day of the 6th month of the taxable year	the 15th day of the 6th month of the taxable year
after the last day of the 5th month and before the 1st day of the 9th month of the taxable year	the 15th day of the 9th month of the taxable year
after the last day of the 8th month and before the 1st day of the 12th month of the taxable year	the 15th day of the 12th month of the taxable year

Sec. 9. Minnesota Statutes 1984, section 290.933, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT AND TIME FOR PAYMENT OF EACH INSTALLMENT.] The amount of estimated tax with respect to which a declaration is required under section 290.931 shall be paid as follows:

(1) [PAYMENT IN FOUR INSTALLMENTS.] If the declaration is filed on or before the 15th day of the (3RD) 4th month of the taxable year, the estimated tax shall be paid in four equal installments on the 15th day of the (3RD) 4th, 6th, 9th and 12th month of the taxable year.

(2) [PAYMENT IN THREE INSTALLMENTS.] If the declaration is filed after the 15th day of the (3RD) 4th month and not after the 15th day of the 6th month of the taxable year, and is not required by section 290.932, subdivision 1, to be filed on or before the 15th day of such (3RD) 4th month, the estimated tax shall be paid in three equal installments on the 15th day of the 6th, 9th and 12th month of the taxable year.

(3) [PAYMENT IN TWO INSTALLMENTS.] If the declaration of estimated tax is filed after the 15th day of the 6th month and not after the 15th day of the 9th month of the taxable year, and is not required by section 290.932, subdivision 1, to be filed on or before the 15th day of such 6th month, the estimated tax shall be paid in two equal installments on the 15th day of the 9th and 12th month of the taxable year.

(4) [PAYMENT IN ONE INSTALLMENT.] If the declaration of estimated tax is filed after the 15th day of the 9th month of the taxable year, and is not required by section 290.932, subdivision 1, to be filed on or before the 15th day of such 9th month, the estimated tax shall be paid in one installment.

(5) [LATE FILING.] If the declaration is filed after the time prescribed in section 290.932, subdivision 1 (determined without regard to any extension of time for filing the declaration under section 290.932, subdivision 4), paragraphs (2), (3), and (4) of this subdivision shall not apply, and there shall be paid at the time of such filing all installments of estimated tax which would have been payable on or before such time if the declaration had been filed within the time prescribed in section 290.932, subdivision 1, and the remaining installments shall be paid at the times at which, and in the amounts in which, they would have been payable if the declaration had been so filed.

Sec. 10. [REPEALER.]

Minnesota Statutes 1984, sections 290.06, subdivision 15; 290.068, subdivision 6; 290.21, subdivision 8; and 290.34, subdivision 2, are repealed.

Sec. 11. [EFFECTIVE DATE.]

Sections 1 to 5, 7, and 10 are effective for taxable years beginning after December 31, 1984. Sections 8 and 9 are effective for taxable years beginning after December 31, 1985. Section 6 applies to transactions after December 31, 1984.

ARTICLE 6

Section 1. [16A.042] [CONTINGENT PAYMENT SCHEDULES; TAX REFUNDS AND INTERGOVERNMENTAL AIDS.]

Subdivision 1. [REVENUE AND CASH FLOW ESTIMATES; DUTIES OF COMMISSIONER.] The commissioner shall regularly prepare estimates of the state's revenues, expenditures, and cash flow relative to the amounts appropriated and payment schedules established by law: (i) upon the conditions provided by subdivision 3, and (ii) if the commissioner determines that adoption of the new payment schedule would not require the state to engage in additional borrowing in anticipation of the receipt of revenues, the commissioner shall issue an order establishing new payment schedules as provided by this section. The commissioner must certify the new payment schedule to the commissioner of revenue and notify the appropriations, finance, and tax committees of the house of representatives and senate of the new payment schedules. The commissioner's order must state the first fiscal and calendar years for which the new payment schedule is effective. The payment schedule shall remain in effect unless subsequently modified by law.

Subd. 2. [NEW PAYMENT SCHEDULES.] (a) Notwithstanding the provisions of sections 124.195, subdivisions 7 and 10; 273.13, subdivision 15a; 290A.07, subdivision 2a; and 477A.015 or any other law, the payment schedules established by this section apply if the commissioner issues an order pursuant to this section imposing the schedules.

(b) The property tax refund for a claimant who is a renter must be paid in full not later than 60 days after receipt of the application or the claimant may elect to take the refund as a credit against his income tax liability.

(c) The school aid percentage of entitlement paid during the fiscal year of the entitlement pursuant to section 124.195, subdivisions 7 and 10, shall be increased from 85 percent to 90 percent and the 90 percent figure shall apply to the computation of the cumulative amount guaranteed under section 124.195, subdivision 2.

(d) The local government aid amounts provided by sections 477A.011 to 477A.04 must be paid in four equal installments on

March 1, May 1, September 1, and December 1 of each calendar year.

(e) The state paid homestead credit, reimbursement for assessment reductions resulting from a major disaster, and any other state paid property tax reimbursement otherwise paid pursuant to the schedule provided by section 273.13, subdivision 15a, must be paid in four equal installments on March 1, May 1, September 1, and December 1 of each calendar year.

If actual data are not available, the commissioner of revenue shall estimate the amounts to which the local governments are entitled for the March and May payments under paragraphs (d) and (e). The subsequent payments shall be adjusted to reflect the estimated payments and the actual amounts due.

Subd. 3. [TIMING; PRIORITY.] The following order of priority and timing apply in the establishment of the payment schedules provided by subdivision 2:

(a) The commissioner shall establish the new payment schedule provided by subdivision 2, paragraph (b), for the property tax refund for renters beginning with the succeeding calendar year if the following conditions are met:

(1) the commissioner determines that there will be an unobligated general fund balance at the close of the biennium sufficient to fund, in full, the new payment schedule; and

(2) the certification of the new payment schedules is made prior to September 1 or otherwise within sufficient time to permit the commissioner of revenue to make the necessary modifications in printing the property refund and income tax forms.

(b) The commissioner may establish the new payment schedules provided by subdivision 2, paragraphs (c), (d), and (e), if either (1) the new property tax refund schedule has been adopted or (2) the estimate of sufficient general fund moneys is made after September 1 of an even-numbered year. The order of priority is to establish the new payment schedule for: first, the school aid entitlement percentage; second, local government aids; and third, state property tax reimbursement. The commissioner shall establish the new payment schedules if he determines that the unobligated general fund balance at the close of the fiscal year will be sufficient to fund in full the new payment schedule and if the conditions established in the first sentence of this paragraph are satisfied.

Subd. 4. [PARTIAL ESTABLISHMENT OF NEW PAYMENT SCHEDULES.] The commissioner shall issue an order providing for partial establishment of the new payment sched-

ules for local government aids or state reimbursement for property tax reductions under the following circumstances:

(1) the commissioner determines that there are insufficient funds to establish fully a new payment schedule as provided by subdivisions 1, 2, and 3;

(2) the commissioner determines that the unobligated general fund balance at the close of the biennium will exceed \$30 million; and

(3) less than six months remain until the end of the biennium.

The order of priority is to establish the payment schedule for: first, the school aid entitlement percentage; second, the local government aid payment schedule; and third, the state reimbursement for property tax reductions. In the case of local government aids and property tax reimbursement, the partial establishment shall be done by taking the estimated available general fund moneys and allocating them equally between the March and May payments. The balance of the amount of the aids or reimbursement due shall be paid out in six installments as provided by sections 273.13, subdivision 15a; and 477A.015.

Subd. 5. [DEFINITION.] For purposes of this section, "unobligated fund balance" does not include funds transferred to the budget reserve account pursuant to section 16A.15, subdivision 6, and must be determined after application of the property tax shift reduction provided by section 121.904, subdivision 4c, to the extent applicable.

Subd. 6. [ADMINISTRATIVE PROCEDURE ACT.] The activities required by the commissioner under this section are not subject to the administrative procedure act, chapter 14.

Sec. 2. Minnesota Statutes 1984, section 16A.15, subdivision 6, is amended to read:

Subd. 6. [BUDGET RESERVE ACCOUNT.] A budget reserve account is created (IN THE GENERAL) as a segregated fund, separate from the general fund, in the state treasury. The commissioner of finance on (JULY 1, 1983) July 1, 1985, shall transfer \$250,000,000 to the budget reserve account. (THE COMMISSIONER OF FINANCE ON JULY 1, 1984, SHALL TRANSFER AN ADDITIONAL \$125,000,000 TO THE BUDGET RESERVE ACCOUNT IN THE GENERAL FUND.) The amounts transferred shall remain in the budget reserve account until expended under subdivision 1. Investment earnings from funds in the budget reserve account shall be retained in the account.

The commissioner of finance may borrow as many times as necessary from the budget reserve account to disburse appropriations for a period of up to 90 days, but each time he must credit, from the investment income of the general fund, the amount of interest the loan would have earned at the prevailing market interest rate back into the budget reserve account.

ARTICLE 7

Section 1. Minnesota Statutes 1984, section 124.2137, subdivision 1, is amended to read:

Subdivision 1. [TAX REDUCTIONS.] The county auditor shall reduce the tax for school purposes on all *agricultural property (RECEIVING THE HOMESTEAD CREDIT) classified as homestead* pursuant to section 273.13, subdivision 6, by an amount equal to (33) 50 percent of the tax levy imposed on up to 320 acres of land including the buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling. The county auditor shall reduce the tax for school purposes on (THE NEXT 320 ACRES CLASSIFIED PURSUANT TO SECTION 273.13, SUBDIVISION 6 BY AN AMOUNT EQUAL TO 15 PERCENT OF THE TAX LEVY IMPOSED ON THE PROPERTY. THE TAX ON) all other agricultural lands classified pursuant to section 273.13, subdivision 6 (SHALL BE REDUCED) by an amount equal to ten percent of the tax levy imposed on the property. The tax on (THE FIRST 320 ACRES OF) all agricultural land classified pursuant to section 273.13, subdivision 4 including buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling and all real estate devoted to temporary and seasonal residential occupancy for recreational purposes, but not devoted to commercial purposes, (SHALL BE REDUCED BY AN AMOUNT EQUAL TO 15 PERCENT OF THE TAX IMPOSED ON THE PROPERTY. THE TAX) and on timber land classified pursuant to section 273.13, subdivision 8a (AND AGRICULTURAL LAND IN EXCESS OF 320 ACRES CLASSIFIED PURSUANT TO SECTION 273.13, SUBDIVISION 4) shall be reduced by an amount equal to ten percent of the tax levy imposed 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 the certifications to determine their accuracy. He may make changes in the certification as he may deem necessary or return a certification to the county auditor for corrections. (THE AMOUNT OF THE REDUCTION PROVIDED UNDER THIS SUBDIVISION WHICH ANY TAXPAYER CAN RECEIVE ON ALL QUALIFYING PROPERTY WHICH HE OWNS SHALL NOT EXCEED \$4,000 IN THE CASE OF AGRICULTURAL PROPERTY AND SHALL NOT EXCEED \$100 IN THE CASE OF

SEASONAL RESIDENTIAL RECREATIONAL PROPERTY. IN THE CASE OF PROPERTY OWNED BY MORE THAN ONE PERSON, THE MAXIMUM AMOUNT OF THE REDUCTION SHALL APPLY TO THE TOTAL OF ALL THE OWNERS.) For purposes of computing the credit pursuant to this subdivision, the "tax levy" shall be the tax levy reduced by the credits provided by sections (273.115, 273.116,) 273.123, 273.42, subdivision 2, and 473H.10.

Sec. 2. Minnesota Statutes 1984, section 124A.02, subdivision 7, is amended to read:

Subd. 7. [BASIC MAINTENANCE MILL RATE.] "Basic maintenance mill rate" means the mill rate applicable to the adjusted assessed valuation of a district, used in the computation of basic foundation aid for a particular school year and of the basic maintenance levy for use in that school year. (THE BASIC MAINTENANCE MILL RATE SHALL BE .024 FOR THE 1982 PAYABLE 1983 LEVIES AND FOR FOUNDATION AID FOR THE 1983-1984 SCHOOL YEAR.) The basic maintenance mill rate shall be .024 for the 1983 payable 1984 levies and for foundation aid for the 1984-1985 school year. The basic maintenance mill rate shall be .0235 for the 1984 payable 1985 levies and for foundation aid for the 1985-1986 school year. *The basic maintenance mill rate for 1985 payable 1986 levies and each year thereafter, and for foundation aid for the 1986-1987 school year and each year thereafter, shall be established as provided in section 3.*

Sec. 3. [124A.025] [ESTABLISHMENT OF BASIC MAINTENANCE MILL RATE.]

(a) *The commissioner of revenue shall establish the basic maintenance mill rate and certify it to the commissioner of education by August 1 of each year for levies payable in the following year. The established basic maintenance mill rate shall be a rate, rounded up to the nearest tenth of a mill, which when applied to the adjusted assessed valuation of taxable property for each school district under the provisions of section 124A.03, subdivisions 1 or 3, as applicable, will raise the total amount specified in this section. The amount levied by a school district to replace aids subtracted pursuant to section 124A.037 shall not be included in the computation of the mill rate.*

(b) *The basic maintenance mill rate for the 1985 payable 1986 levies and for foundation aid for the 1986-1987 school year shall be established at a rate that will raise a total of \$613,000,000. The basic maintenance mill rate computed by the commissioner of revenue shall not be recomputed due to changes or corrections made in a school district's adjusted assessed valuation after the mill rate has been certified to the department of education pursuant to paragraph (a).*

Sec. 4. Minnesota Statutes 1984, section 272.02, subdivision 1, is amended to read:

Subdivision 1. 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 parcels of property containing structures and the structures assessed pursuant to section 273.13, subdivisions 17, 17b, 17c or 17d;**
- (7) All public property exclusively used for any public purpose;**
- (8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, (CLAUSE) *paragraphs (c) and (d)* shall be exempt.**

The following personal property shall be taxable:

- (a) 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;**
- (b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;**
- (c) personal property defined in section 272.03, subdivision 2, clause (3);**
- (d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.13, subdivision 7b or 7d; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;**

- (e) property classified as class 2a property; and
- (f) flight property as defined in section 270.071.

(9) 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, other than real property used primarily as a solid waste disposal site.

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. The 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 the property from taxation. The 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.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause and section 273.116. Upon receipt of an application for the exemption (AND CREDIT) provided in this clause (AND SECTION 273.116) for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commis-

sioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of his decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1982, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is 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; provided the property is used primarily as a clubhouse, meeting facility or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8 and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band;

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band; and

(c) a facility at which a licensed Minnesota manufacturer produces distilled spirituous liquors, liqueurs, cordials, or liquors designated as specialties regardless of alcoholic content, but not

including ethyl alcohol, distilled with a majority of the ingredients grown or produced in Minnesota. An exemption provided by paragraph (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

The exemptions granted by this subdivision shall be subject to the limits contained in the other subdivisions of this section, section 272.025, or section 273.13, subdivisions 17, 17b, 17c, or 17d.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

Sec. 5. Minnesota Statutes 1984, section 272.03, subdivision 1, is amended to read:

Subdivision 1. [REAL PROPERTY.] (a) For the purposes of taxation, "real property" includes the land itself, rails, ties, and other track materials annexed to the land, and all buildings, structures, and improvements or other fixtures on it, bridges of bridge companies, and all rights and privileges belonging or appertaining to the land, and all mines, minerals, quarries, fossils, and trees on or under it.

(b) A building or structure shall include the building or structure itself, together with all improvements or fixtures annexed to the building or structure, which are integrated with and of permanent benefit to the building or structure, regardless of the present use of the building, and which cannot be removed without substantial damage to itself or to the building or structure.

(c) (i) The term real property shall not include tools, implements, machinery, and equipment attached to or installed in real property for use in the business or production activity conducted thereon, regardless of size, weight or method of attachment.

(ii) The exclusion provided in (CLAUSE) *paragraph (c) (i)* shall not apply to machinery and equipment includable as real estate by clauses (a) and (b) even though such machinery and equipment is used in the business or production activity conducted on the real property if and to the extent such business or production activity consists of furnishing services or products to other buildings or structures which are subject to taxation under this chapter.

(iii) The exclusion provided in paragraph (c)(i) does not apply to the exterior shell of a structure which constitutes walls, ceilings, roofs, or floors if the shell of the structure has structural, insulation, or temperature control functions or provides protection from the elements. Such an exterior shell is included in the definition of real property even if it also has special functions distinct from that of a building.

(d) The term real property does not include tools, implements, machinery, equipment, poles, lines, cables, wires, conduit, and station connections which are part of a telephone communications system, regardless of attachment to or installation in real property and regardless of size, weight, or method of attachment or installation.

Sec. 6. Minnesota Statutes 1984, section 273.115, subdivision 2, is amended to read:

Subd. 2. The total amounts of (CREDITS ALLOWED PURSUANT TO SUBDIVISION 1 AND THE TOTAL AMOUNTS OF) revenue lost as a result of the exemption provided in section 272.02, subdivision 1, clause (15), shall be submitted by the county auditor 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. The amount of revenue lost as a result of the exemption shall be computed each year by applying the current mill rates of the taxing jurisdictions in which the wetlands are located to the assessed valuation of the wetlands for purposes of taxes levied in 1979, payable in 1980. Provided that payment to the county for lost revenue shall not be less than the revenue which would have been received in taxes if the wetlands had an assessed value of \$5 per acre. 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.

Sec. 7. Minnesota Statutes 1984, section 273.115, subdivision 3, is amended to read:

Subd. 3. 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 exemption provided in

section 272.02, subdivision 1, clause (15) (, AND THE CREDIT PROVIDED IN THIS SECTION).

Sec. 8. Minnesota Statutes 1984, section 273.116, subdivision 2, is amended to read:

Subd. 2. The total amounts of (CREDITS ALLOWED PURSUANT TO SUBDIVISION 1 AND THE TOTAL AMOUNTS OF) revenue lost as a result of the exemption provided in section 272.02, subdivision 1, clause (16), shall be submitted by the county auditor 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. The amount of revenue lost as a result of the exemption shall be computed each year by applying the current mill rates of the taxing jurisdictions in which the native prairie is located to the assessed valuation of the native prairie for purposes of taxes levied in 1979, payable in 1980. Provided that payment to the county for lost revenue shall not be less than the revenue which would have been received in taxes if the native prairie had an assessed value of \$5 per acre. The commissioner of revenue shall review such certifications to determine their accuracy. He may make any changes in the certification he may deem necessary or return a certification to the county auditor for corrections.

Sec. 9. Minnesota Statutes 1984, section 273.116, subdivision 3, is amended to read:

Subd. 3. 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 exemption provided in section 272.02, subdivision 1 (, AND THE CREDIT PROVIDED IN THIS SECTION).

Sec. 10. Minnesota Statutes 1984, section 273.13, subdivision 4, is amended to read:

Subd. 4. [CLASS 3.] (a) *Except as provided in section 273.38 or 273.41, tools, implements (AND), machinery, poles, towers, wires, and equipment attached thereto, of an electric generating, transmission or distribution system; or tools, implements, machinery, pipes, mains and valves of a pipeline system (TRANSPORTING OR) distributing water (,) or gas (,); or (PETROLEUM PRODUCTS) tools, implements, and machinery of a pipeline system transporting gas, petroleum products, or crude oil; or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, (WHICH ARE FIXTURES) whether classified as real or personal property, all agricultural land, except as provided by classes 1, 3b, 3e, shall constitute class 3 and shall be valued and assessed at (33-1/3) 35 percent of the market value thereof, except as provided in clause (b). All buildings and structures assessed as per-*

sonal 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 be assessed based upon the use made of the building or structure. 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. Class 3 shall also include commercial use real property used exclusively for recreational purposes in conjunction with class 3 property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 200 days in the year preceding the year of assessment and is located within two miles of the class 3 property with which it is used.

Class 3 shall also include real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this subdivision, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1954, as amended through December 31, 1984. For purposes of this subdivision, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 4. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity.

(b) Agricultural land which is classified as class 3 shall be assessed at (19) 15 percent of its market value. Real property devoted to temporary and seasonal residential occupancy for

recreation purposes which is classified as class 3 shall be assessed at (21) 20 percent (OF ITS) *on the first \$64,000 of market value and 28 percent on the remainder of market value. Real property owned by a nonprofit community service oriented organization which is classified as class 3 shall be assessed at 21 percent of its market value.*

Sec. 11. Minnesota Statutes 1984, section 273.13, subdivision 5a, is amended to read:

Subd. 5a. [CLASS 3A.] Class 3a shall constitute commercial use real property which abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, which includes a portion used as a homestead by the owner, with the following limitations: *the homestead dwelling and surrounding acre of land must be assessed pursuant to subdivision 7 as if it were class 3c property and must receive the homestead credit pursuant to subdivision 7; the additional area of the property which shall be included in class 3a shall not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property, up to a total of 800 feet, and 500 feet in depth measured away from the lakeshore. Other than the homestead dwelling and surrounding one acre of land, class 3a shall be assessed at (12) 15 percent of the market value thereof (IN 1980, FOR TAXES PAYABLE IN 1981, AND THEREAFTER).* The remainder of the parcel shall be classified and assessed according to the provisions of subdivision 4.

Sec. 12. Minnesota Statutes 1984, section 273.13, subdivision 6, is amended to read:

Subd. 6. [CLASS 3B.] Agricultural land, except as provided by class 1, which is used for the purposes of a homestead shall constitute class 3b and shall be valued and assessed as follows: *the (FIRST \$60,000 OF MARKET VALUE SHALL BE VALUED AND ASSESSED AT 14 PERCENT) dwelling and surrounding one acre of land, not including any farm buildings or structures, shall be assessed pursuant to subdivision 7 as if it were class 3c property and shall receive the homestead credit pursuant to subdivision 7; the remaining market value shall be valued and assessed at (19) 15 percent. (THE MAXIMUM AMOUNT OF THE MARKET VALUE OF THE HOMESTEAD BRACKET SUBJECT TO THE 14 PERCENT RATE SHALL BE ADJUSTED BY THE COMMISSIONER OF REVENUE AS PROVIDED IN SECTION 273.1311.)* The property tax to be paid on *that portion of class 3b property consisting of the dwelling and surrounding one acre* as otherwise determined by law less any reduction received pursuant to sections (124.2137,) 273.123, 273.135, and 473H.10 shall be reduced by (54) 50 percent of the tax. The amount of the reduction shall not exceed (\$650) \$700. Noncontiguous land shall constitute class 3b only

if the homestead is classified as class 3b and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land as used herein, and in section 124.2137, 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.

The assessor shall determine and list separately on his records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified class 3b. If agricultural land is classified class 3b, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 3b and is entitled to the homestead credit.

Sec. 13. Minnesota Statutes 1984, 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) *each* 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. The homestead 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. 14. Minnesota Statutes 1984, 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) class 1 (AND 3CC), which is used for the purposes of a homestead, shall constitute class 3c, and shall be valued and assessed as follows: the first (\$30,000) \$64,000 of market value shall be valued and assessed at (17) 20 percent; (THE NEXT \$30,000 OF MARKET VALUE SHALL BE VALUED AND ASSESSED AT 19 PERCENT;) and the remaining market value shall be valued and assessed at (30) 28 percent. (THE MAXIMUM AMOUNTS OF THE MARKET VALUE OF THE HOMESTEAD BRACKETS SUBJECT TO THE 17 PERCENT AND 19 PERCENT RATES SHALL BE ADJUSTED BY THE COMMISSIONER OF REVENUE AS PROVIDED IN SECTION 273.1311.) The property tax to be paid on class 3c property as otherwise determined by law, less any reduction received pursuant to sections 273.123, 273.135, and 473H.10 shall be reduced by (54) 50 percent of the tax (IMPOSED ON THE FIRST \$67,000 OF MARKET VALUE). The amount of the reduction shall not exceed (\$650) \$700.

(CLASS 3CC PROPERTY SHALL INCLUDE REAL ESTATE OR MANUFACTURED HOMES USED FOR THE PURPOSES OF A HOMESTEAD BY (A) ANY BLIND PERSON, IF THE BLIND PERSON IS THE OWNER THEREOF OR IF THE BLIND PERSON AND HIS OR HER SPOUSE ARE THE SOLE OWNERS THEREOF; OR (B) ANY PERSON (HEREINAFTER REFERRED TO AS VETERAN) WHO: (1) SERVED IN THE ACTIVE MILITARY OR NAVAL SERVICE OF THE UNITED STATES AND (2) 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 EX-

TREMITIES, SUCH AS TO PRECLUDE MOTION WITHOUT THE AID OF BRACES, CRUTCHES, CANES, OR A WHEEL-CHAIR, AND (3) 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 THE SURVIVING SPOUSE OF THE DECEASED VETERAN FOR AS LONG AS THE SURVIVING SPOUSE RETAINS THE SPECIAL HOUSING UNIT AS HIS OR HER HOMESTEAD; OR (C) ANY PERSON WHO: (1) IS PERMANENTLY AND TOTALLY DISABLED AND (2) RECEIVES 90 PERCENT OR MORE OF HIS TOTAL INCOME FROM (I) AID FROM ANY STATE 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, INCLUDING THE AMOUNT OF A DISABILITY INSURANCE BENEFIT WHICH IS CONVERTED TO AN OLD AGE INSURANCE BENEFIT AND ANY SUBSEQUENT COST OF LIVING INCREASES, OR (V) AID UNDER THE FEDERAL RAILROAD RETIREMENT ACT OF 1937, 45 UNITED STATES CODE ANNOTATED, SECTION 228B(A)5. OR (VI) A PENSION FROM ANY LOCAL GOVERNMENT RETIREMENT FUND LOCATED IN THE STATE OF MINNESOTA AS A RESULT OF THAT DISABILITY. PROPERTY SHALL BE CLASSIFIED AND ASSESSED PURSUANT TO CLAUSE (A) ONLY IF THE COMMISSIONER OF HUMAN SERVICES CERTIFIES TO THE ASSESSOR THAT THE OWNER OF THE PROPERTY SATISFIES THE REQUIREMENTS OF THIS SUBDIVISION. THE COMMISSIONER OF HUMAN SERVICES SHALL PROVIDE A COPY OF THE CERTIFICATION TO THE COMMISSIONER OF REVENUE. CLASS 3CC PROPERTY SHALL BE VALUED AND ASSESSED AS FOLLOWS: IN THE CASE OF AGRICULTURAL LAND, INCLUDING A MANUFACTURED HOME, USED FOR A HOMESTEAD, THE FIRST \$30,000 OF MARKET VALUE SHALL BE VALUED AND ASSESSED AT FIVE PERCENT, THE NEXT \$30,000 OF MARKET VALUE SHALL BE VALUED AND ASSESSED AT 14 PERCENT, AND THE REMAINING MARKET VALUE SHALL BE VALUED AND ASSESSED AT 19 PERCENT; AND IN THE CASE OF ALL OTHER REAL ESTATE AND MANUFACTURED HOMES, THE FIRST \$30,000 OF MARKET VALUE SHALL BE VALUED AND ASSESSED AT FIVE PERCENT, THE NEXT \$30,000 OF MARKET VALUE SHALL BE VALUED AND ASSESSED AT 19 PERCENT, AND THE REMAINING MARKET VALUE SHALL BE VALUED AND ASSESSED AT 30 PERCENT. IN THE CASE OF AGRICULTURAL LAND INCLUDING A MANUFACTURED HOME USED FOR PURPOSES OF A HOMESTEAD, THE COMMISSIONER OF REV-

ENUE SHALL ADJUST, AS PROVIDED IN SECTION 273.1311, THE MAXIMUM AMOUNT OF THE MARKET VALUE OF THE HOMESTEAD BRACKETS SUBJECT TO THE FIVE PERCENT AND 14 PERCENT RATES; AND FOR ALL OTHER REAL ESTATE AND MANUFACTURED HOMES, THE COMMISSIONER OF REVENUE SHALL ADJUST, AS PROVIDED IN SECTION 273.1311, THE MAXIMUM AMOUNT OF THE MARKET VALUE OF THE HOMESTEAD BRACKETS SUBJECT TO THE FIVE PERCENT AND 19 PERCENT RATES. 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. THE PROPERTY TAX TO BE PAID ON CLASS 3CC PROPERTY AS OTHERWISE DETERMINED BY LAW, SHALL BE REDUCED BY 54 PERCENT OF THE TAX IMPOSED ON THE FIRST \$67,000 OF MARKET VALUE. THE AMOUNT OF THE REDUCTION SHALL NOT EXCEED \$650.)

For purposes of this subdivision, homestead property which qualifies for the classification ratios and credits provided in this subdivision shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner shall apply for it to the assessor by July 1 of the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

Sec. 15. Minnesota Statutes 1984, section 273.13, subdivision 7b, is amended to read:

Subd. 7b. [CLASS 3F.] Class 3f consists of all buildings and appurtenances thereto owned by the occupant and used by him as a permanent residence which are located upon land the title to which is vested in a person or entity other than the occupant. Such buildings shall be valued and assessed as if they were homestead property within the scope of class 3b (,) or 3c, (OR 3CC,) whichever is applicable.

Sec. 16. Minnesota Statutes 1984, section 273.13, subdivision 7c, is amended to read:

Subd. 7c. [TOWNHOUSES; COMMON AREAS; CONDOMINIUMS; COOPERATIVES.] (a) Townhouse property

shall be classified and valued as is other property under this section except that the value of the townhouse property shall be increased by the value added by the right to use any common areas in connection with the townhouse development. The common areas of the development shall not be separately taxed. The total value of the townhouse property, including the value added as provided herein, shall have the benefit of homestead treatment or other special classification if the townhouse otherwise qualifies.

(b) Condominium property qualifying as a homestead under section 515A.1-105 and property owned by a cooperative association that qualifies as a homestead under section 273.133 shall have the benefit of homestead treatment or other special classification if the condominium or cooperative association property otherwise qualifies. In the event that the condominium or cooperative association property is owned by the occupant and used for the purposes of a homestead but is located upon land which is leased, that leased land shall be valued and assessed as if it were homestead property within the scope of class 3c (OR 3CC, WHICHEVER IS APPLICABLE,) if all of the following criteria are met:

(1) The occupant is using the property as his permanent residence;

(2) The occupant or the cooperative association is paying the ad valorem property taxes and any special assessments levied against the land and structure;

(3) The occupant or the cooperative association has signed a land lease; and

(4) The term of the land lease is at least 50 years, notwithstanding the fact that the amount of the rental payment may be renegotiated at shorter intervals.

Sec. 17. Minnesota Statutes 1984, section 273.13, subdivision 7d, is amended to read:

Subd. 7d. [LEASED HOMESTEAD PROPERTY.] Class 3g consists of all buildings and appurtenances located upon land owned by the occupant and used for the purposes of a homestead together with the land upon which they are located. Class 3g property shall be valued and assessed as if it were homestead property within the scope of class 3c (OR 3CC, WHICHEVER IS APPLICABLE,) if all of the following criteria are met:

(a) the occupant is using such property as his permanent residence; and

(b) the occupant is paying the ad valorem property taxes and any special assessments levied against such property; and

(c) the occupant has signed a lease which has an option to purchase the buildings and appurtenances; and

(d) the term of the lease is at least five years.

Any taxpayer meeting all the requirements herein must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, as soon as possible after signing the lease agreement and occupying the buildings as his homestead.

Sec. 18. Minnesota Statutes 1984, section 273.13, subdivision 8a, is amended to read:

Subd. 8a. [CLASS 3E.] Real estate, rural in character, and used exclusively for the purpose of growing trees for timber, lumber, wood and wood products shall constitute class 3e, and shall be valued and assessed at (19) ~~21~~ percent of the market value thereof.

Sec. 19. Minnesota Statutes 1984, section 273.13, subdivision 9, is amended to read:

Subd. 9. [CLASS 4A, 4B, 4C, AND 4D.] (1) All property not included in the preceding classes shall constitute class 4a and shall be valued and assessed at (43) ~~42~~ percent of the market value thereof, except as otherwise provided in this subdivision.

(2) Real property which is not improved with a structure and which is not utilized as part of a commercial or industrial activity shall constitute class 4b and shall be valued and assessed at (40) ~~35~~ percent of market value.

(3) Commercial and industrial property, except as provided in this subdivision, shall constitute class 4c and shall be valued and assessed at (28) ~~30~~ percent of the first \$60,000 of market value and (43) ~~42~~ percent of the remainder, provided that in the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel shall qualify for the (28) ~~30~~ percent assessment (, AND IN THE CASE OF OTHER COMMERCIAL OR INDUSTRIAL PROPERTY OWNED BY ONE PERSON OR ENTITY, ONLY ONE PARCEL IN EACH COUNTY SHALL QUALIFY FOR THE 28 PERCENT ASSESSMENT).

(4) Employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 4d and shall be valued and assessed at (20) ~~21~~ percent (OF THE FIRST \$50,000 OF MARKET VALUE AND 21.5 PERCENT OF THE REMAINDER), except that for employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), the first

(\$50,000) \$60,000 of market value shall be valued and assessed at (31.5) 28 percent and the remainder shall be assessed and valued at (38.5) 35 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 273.1314, subdivision 9, paragraph (a).

Sec. 20. Minnesota Statutes 1984, 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 for the purposes of a homestead, 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 (54) 50 percent of the amount of the tax (IN RESPECT OF THE VALUE NOT IN EXCESS OF \$67,000 AS OTHERWISE DETERMINED BY LAW), but not by more than (\$650) \$700.

Sec. 21. Minnesota Statutes 1984, section 273.13, subdivision 16, is amended to read:

Subd. 16. [HOMESTEAD ESTABLISHED AFTER ASSESSMENT DATE.] (1) Any property which was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on June 1 of such year, shall constitute class 3b (,) or class 3c (OR CLASS 3CC), as the case may be, to the extent of one-half of the valuation which would have been includible in such class and one-half the homestead tax credit to which it would have been entitled had the property been used as a homestead on both such dates.

(2) Any taxpayer meeting the requirements of clause (1) must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, prior to June 15 of such year in order to qualify thereunder.

The county assessor and the county auditor are hereby empowered to make the necessary changes on their assessment and tax records to provide for proper homestead classification and credit as provided in clauses (1) and (2).

(3) The owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, regardless of whether or not the notification required

in clause (2) has been timely filed, may be entitled to receive such benefits by proper application as provided in sections 270.-07 or 375.192.

The county assessor shall cause to be published in a newspaper of general circulation within the county no later than June 1 of each year a notice to the public informing them of the requirement to file an application for homestead prior to June 15.

Sec. 22. Minnesota Statutes 1984, section 273.13, subdivision 17, is amended to read:

Subd. 17. [TITLE II OR STATE HOUSING FINANCE AGENCY PROPERTY USED FOR ELDERLY AND LOW AND MODERATE INCOME FAMILIES.] (a) Except as provided in clause (b), a structure situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or regulations promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof shall, for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan, be assessed at (20) 21 percent of the market value thereof, provided that the fair market value as determined by the assessor is based on the normal approach to value using normal unrestricted rents.

(b) In the case of a structure described in clause (a), the (20) 21 percent assessment ratio shall apply only to that portion of the structure that is occupied by elderly persons or low and moderate income families as defined above unless (1) construction or substantial rehabilitation of the structure had been commenced prior to January 1, 1984; or (2) the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or (3) financing of the project had been approved by a federal or state agency prior to June 30, 1983.

Sec. 23. Minnesota Statutes 1984, section 273.13, subdivision 17b, is amended to read:

Subd. 17b. [VALUATION OF FARMERS HOME ADMINISTRATION PROPERTY IN MUNICIPALITIES OF UNDER 10,000.] (a) Notwithstanding any other provision of law, except as provided in clause (b), any structure

(1) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration,

- (2) located in a municipality of less than 10,000 population,
- (3) financed by a direct loan or insured loan from the farmers home administration, and
- (4) which qualifies under subdivision 17a, shall, for 15 years from the date of the completion of the original construction or for the original term of the loan, be assessed at (FIVE) 15 percent of the market value thereof, provided that the fair market value as determined by the assessor is based on the normal approach to value using normal unrestricted rents.

(b) A structure described in clause (a) shall be assessed at (20) 21 percent of its market value, but only in proportion to its occupancy by elderly persons or low and moderate income families as defined above unless (1) construction of the structure had been commenced prior to January 1, 1984; or (2) the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or (3) financing of the project had been approved by a federal or state agency prior to June 30, 1983.

Sec. 24. Minnesota Statutes 1984, section 273.13, subdivision 17c, is amended to read:

Subd. 17c. [VALUATION OF LOWER INCOME HOUSING.] (a) Except as provided in clause (b), a structure which is

(1) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended, and

(2) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel, shall, for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter, be assessed at (20) 21 percent of its market value. The market value determined by the assessor shall be based on the normal approach to value using normal unrestricted rents.

(b) In the case of a structure described in clause (a), the (20) 21 percent assessment ratio shall apply only to that portion of the structure that is occupied by lower income families or elderly or handicapped persons as defined above unless (1) construction of the structure had been commenced prior to January 1, 1984; or (2) the project had been approved by the governing body of the municipality in which it is located prior to

June 30, 1983; or (3) financing of the project had been approved by a federal or state agency prior to June 30, 1983.

Sec. 25. Minnesota Statutes 1984, section 273.13, subdivision 17d, is amended to read:

Subd. 17d. [NEIGHBORHOOD REAL ESTATE TRUSTS.] When a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, are owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families, the land and improvements, if any, shall be assessed at (20) 21 percent of the market value. This subdivision shall not apply to any portion of the land or improvements used for nonresidential purposes.

For purposes of this subdivision, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area as determined by the U.S. Secretary of Housing and Urban Development.

For purposes of this subdivision, neighborhood real estate trust means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (a) it is a nonprofit corporation organized under chapter 317; (b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (c) it limits membership with voting rights to residents of the designated community; and (d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust.

Sec. 26. Minnesota Statutes 1984, section 273.13, subdivision 19, is amended to read:

Subd. 19. [CLASS 3D, 3DD.] *For taxes levied in 1985, payable in 1986, residential real estate containing four or more units, other than seasonal residential, recreational and homesteads shall be classified as class 3d property and shall have a taxable value equal to 34 percent. For taxes levied in 1986 and thereafter, payable in 1987 and thereafter, the taxable value of class 3d property shall be equal to 28 percent on the first \$100,000 of market value and 35 percent on the remainder.*

For taxes levied in 1985, payable in 1986, residential real estate containing three or less units, other than seasonal residential, recreational and homesteads, shall be classified as class 3dd property and shall have a taxable value equal to (28) 26 percent. For taxes levied in 1986 and thereafter, payable in 1987 and

thereafter, the taxable value of class 3dd property shall be equal to 20 percent on the first \$64,000 of market value and 28 percent on the remainder of market value.

Residential real estate as used 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 or 3dd and a portion does not qualify for class 3d or 3dd the valuation shall be apportioned according to the respective uses.

Residential real estate containing less than four units when entitled to homestead classification for one or more units shall be classed as 3b (,) or 3c (OR 3CC) according to the provisions of subdivisions 6 and 7. A single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead must be classified as 3b (,) or 3c (, OR 3CC) as part of the owner's homestead according to the provisions of subdivisions 6 and 7. If more than one dwelling unit is attached to the structure, the units must be assessed as class 3d or 3dd property.

For purposes of this subdivision, class 3d also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided.

For purposes of this subdivision, class 3dd shall also include post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing.

Sec. 27. Minnesota Statutes 1984, section 273.13, subdivision 20, is amended to read:

Subd. 20. [TAXATION; APARTMENTS; ASSESSED VALUE; APARTMENT HOUSING OF TYPE I OR II CONSTRUCTION.] That portion of real property subject to a general property tax and assessed as a structure upon the land shall, when such structure is constructed with materials meeting the requirements for type I or II construction as defined in the state building code, 90 percent or more is used or is to be used as apartment housing, and no part of which is subject to the provisions of subdivisions 7, 17, 17b, 17c, and 17d be classified for the purposes of taxation for a period of 40 years from the date of completion of original construction, or the date of initial

though partial use, whichever is the earlier date, when the structure is of a height of five or more stories that part, section, floor or area used or to be used for apartment housing shall be valued and assessed at (25) 28 percent (OF THE) *for taxes levied in 1985, payable in 1986. For taxes levied in 1986 and thereafter, payable in 1987 and thereafter, the property shall be valued and assessed at 28 percent on the first \$100,000 of market value and 35 percent on the remainder.*

Sec. 28. Minnesota Statutes 1984, section 273.13, subdivision 21, is amended to read:

Subd. 21. [LIMITATION ON HOMESTEAD CLASSIFICATION.] If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as 3b (,) or 3c (, OR 3CC) or the value of the first tier of assessment percentages provided under those subdivisions shall be entitled to homestead treatment, except as provided in subdivision 19 for buildings containing fewer than four residential units and for a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead.

If the assessor has classified a property as both homestead and nonhomestead, the homestead credit provided under subdivisions 6 and 7 and the reductions in tax provided under sections 273.135 and 273.1391, shall apply to the value of both the homestead and the nonhomestead portions of the property.

Sec. 29. Minnesota Statutes 1984, section 273.133, is amended by adding a subdivision to read:

Subd. 2a. [CONTINUING CARE FACILITIES.] *When a building containing several dwelling units is owned by an entity which is regulated under the provisions of chapter 80D and operating as a continuing care facility enters into residency agreements with persons who occupy a unit in the building and the residency agreement entitles the resident to occupancy in the building after personal assets are exhausted and regardless of ability to pay the monthly maintenance fee, homestead classification shall be given to each unit so occupied and the entire building shall be assessed in the manner provided in subdivision 1 for cooperatives and charitable corporations.*

Sec. 30. Minnesota Statutes 1984, section 273.135, subdivision 1, is amended to read:

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area on class 3b property (,) and on class 3c property, (AND ON CLASS 3CC PROP-

ERTY,) as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitation contained therein.

Sec. 31. Minnesota Statutes 1984, section 273.135, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be

(a) in the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the (NET) tax (UP TO THE TACONITE BREAKPOINT PLUS A PERCENTAGE EQUAL TO THE HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE OF THE NET TAX IN EXCESS OF THE TACONITE BREAKPOINT), provided that the reduction shall not exceed the maximum (AMOUNTS) *amount* specified in clause (c).

(b) in the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the (NET) tax (UP TO THE TACONITE BREAKPOINT PLUS A PERCENTAGE EQUAL TO THE HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE OF THE NET TAX IN EXCESS OF THE TACONITE BREAKPOINT), provided that the reduction shall not exceed the maximum (AMOUNTS) *amount* specified in clause (c).

(c) ((1)) The maximum reduction of the (NET) tax (UP TO THE TACONITE BREAKPOINT) is (\$225.40) \$505 on property described in clause (a) and (\$200.10) \$450 on property described in clause (b), for taxes payable in (1985) 1986. These maximum amounts shall increase by \$15 (TIMES THE QUANTITY ONE MINUS THE HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE) per year for taxes payable in (1986) 1987 and subsequent years.

((2)) THE TOTAL MAXIMUM REDUCTION OF THE NET TAX ON PROPERTY DESCRIBED IN CLAUSE (A) IS \$490 FOR TAXES PAYABLE IN 1985. THE TOTAL MAXIMUM REDUCTION FOR THE NET TAX ON PROPERTY DESCRIBED IN CLAUSE (B) IS \$435 FOR TAXES PAYABLE IN 1985. THESE MAXIMUM AMOUNTS SHALL INCREASE BY \$15 PER YEAR FOR TAXES PAYABLE IN 1986 AND THEREAFTER.)

(FOR THE PURPOSES OF THIS SUBDIVISION, "NET TAX" MEANS THE TAX ON THE PROPERTY AFTER DEDUCTION OF ANY CREDIT UNDER SECTION 273.13,

SUBDIVISION 6, 7, OR 14A, "TACONITE BREAKPOINT" MEANS THE LOWEST POSSIBLE NET TAX FOR A HOMESTEAD QUALIFYING FOR THE MAXIMUM REDUCTION PURSUANT TO SECTION 273.13, SUBDIVISION 7, ROUNDED TO THE NEAREST WHOLE DOLLAR, AND "HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE" MEANS A PERCENTAGE EQUAL TO THE PERCENTAGE REDUCTION AUTHORIZED IN SECTION 273.13, SUBDIVISION 7.)

Sec. 32. Minnesota Statutes 1984, section 273.135, subdivision 5, is amended to read:

Subd. 5. For the purposes of this section, the amount of property tax to be paid shall be determined (AFTER) *before* the allowance of any reduction prescribed by section 273.13, and the reduction prescribed by this section shall be in addition to that prescribed by section 273.13.

Sec. 33. Minnesota Statutes 1984, section 273.1391, subdivision 1, is amended to read:

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area described in subdivision 2 on class 3b property (,) *and* on class 3c property, (AND ON CLASS 3CC PROPERTY,) as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Sec. 34. Minnesota Statutes 1984, section 273.1391, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the (NET) tax (UP TO THE TACONITE BREAKPOINT PLUS A PERCENTAGE EQUAL TO THE HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE OF THE NET TAX IN EXCESS OF THE TACONITE BREAKPOINT) on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum (AMOUNTS) *amount* specified in clause (c). The reduction provided by this clause

shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the (NET) tax (UP TO THE TACONITE BREAKPOINT PLUS A PERCENTAGE EQUAL TO THE HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE OF THE NET TAX IN EXCESS OF THE TACONITE BREAKPOINT), but not to exceed the (MAXIMUMS) *maximum* specified in clause (c).

(c) ((1)) The maximum reduction of the (NET) tax (UP TO THE TACONITE BREAKPOINT) is (\$200.10) \$450 for taxes payable in (1985) 1986. This maximum amount shall increase by \$15 (MULTIPLIED BY THE QUANTITY ONE MINUS THE HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE) per year for taxes payable in (1986) 1987 and subsequent years.

((2)) THE TOTAL MAXIMUM REDUCTION OF THE NET TAX IS \$435 FOR TAXES PAYABLE IN 1985. THIS TOTAL MAXIMUM AMOUNT SHALL INCREASE BY \$15 PER YEAR FOR TAXES PAYABLE IN 1986 AND THEREAFTER.)

(FOR THE PURPOSES OF THIS SUBDIVISION, "NET TAX" MEANS THE TAX ON THE PROPERTY AFTER DEDUCTION OF ANY CREDIT UNDER SECTION 273.13, SUBDIVISION 6, 7, OR 14A, "TACONITE BREAKPOINT" MEANS THE LOWEST POSSIBLE NET TAX FOR A HOMESTEAD QUALIFYING FOR THE MAXIMUM REDUCTION PURSUANT TO SECTION 273.13, SUBDIVISION 7, ROUNDED TO THE NEAREST WHOLE DOLLAR, AND "HOMESTEAD CREDIT EQUIVALENCY PERCENTAGE" MEANS A PERCENTAGE EQUAL TO THE PERCENTAGE REDUCTION AUTHORIZED IN SECTION 273.13, SUBDIVISION 7.)

Sec. 35. Minnesota Statutes 1984, section 273.1391, subdivision 4, is amended to read:

Subd. 4. For the purposes of this section, the amount of property tax to be paid shall be determined (AFTER) *before* the allowance of any reduction prescribed by section 273.13, and the reduction prescribed by this section shall be in addition to that prescribed by section 273.13.

Sec. 36. Minnesota Statutes 1984, section 273.1392, is amended to read:

273.1392 [PAYMENT; AIDS TO SCHOOL DISTRICTS.]

The amounts of homestead credit under section 273.13, subdivisions 6, 7, and 14a; wetlands (CREDIT AND) reimbursement under section 273.115; native prairie (CREDIT AND) reimbursement under section 273.116; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; (REIMBURSEMENT UNDER SECTION 273.139;) and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. (THE AMOUNTS SO CERTIFIED SHALL BE PAID ACCORDING TO THE SCHEDULE FOR PAYMENT OF FOUNDATION AIDS PURSUANT TO SECTION 124.11 FOR FISCAL YEAR 1983. BEGINNING IN FISCAL YEAR 1984,) The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

Sec. 37. Minnesota Statutes 1984, section 273.40, is amended to read:

273.40 [ANNUAL TAX ON COOPERATIVE ASSOCIATIONS.]

Cooperative associations organized under the provisions of Laws 1923, Chapter 326, and laws amendatory thereof and laws supplemental thereto, and engaged in electrical heat, light or power business upon a mutual, non-profit, and cooperative plan in rural areas, as hereinafter defined, are hereby recognized as quasi-public in their nature and purposes; but such cooperative associations, which operate within the corporate limits of any city shall be assessed (ON THE BASIS OF 43 PERCENT OF THE MARKET VALUE OF THAT PORTION OF ITS PROPERTY LOCATED WITHIN THE CORPORATE LIMITS OF ANY CITY) as provided (FOR) in section 273.13.

Sec. 38. Minnesota Statutes 1984, section 273.42, subdivision 2, is amended to read:

Subd. 2. Owners of land defined as class 3, 3b, 3c, (3CC,) 3d or 3f pursuant to section 273.13 listed on records of the county auditor or county treasurer over which runs a high voltage transmission line as defined in section 116C.52, subdivision 3, except a high voltage transmission line the construction of which was commenced prior to July 1, 1974, shall receive a property tax credit in an amount determined by multiplying a fraction, the numerator of which is the length of high voltage transmission line which runs over that parcel and the denominator of which is the total length of that particular line running over all property within the city or township by ten percent of the trans-

mission line tax revenue derived from the tax on that portion of the line within the city or township pursuant to section 273.36. In the case of property owners in unorganized townships, the property tax credit shall be determined by multiplying a fraction, the numerator of which is the length of the qualifying high voltage transmission line which runs over the parcel and the denominator of which is the total length of the qualifying high voltage transmission line running over all property within all the unorganized townships within the county, by the total utility property tax credit fund amount available within the county for that year pursuant to section 273.42, subdivision 1. Where a right-of-way width is shared by more than one property owner, the numerator shall be adjusted by multiplying the length of line on the parcel by the proportion of the total width on the parcel owned by that property owner. The amount of credit for which the property qualifies shall not exceed 20 percent of the total gross tax on the parcel prior to deduction of the state paid agricultural credit and the state paid homestead credit, provided that, if the property containing the right of way is included in a parcel which exceeds 40 acres, the total gross tax on the parcel shall be multiplied by a fraction, the numerator of which is the sum of the number of acres in each quarter-quarter section or portion thereof which contains a right of way and the denominator of which is the total number of acres in the parcel set forth on the tax statement, and the maximum credit shall be 20 percent of the product of that computation, prior to deduction of those credits. The auditor of the county in which the affected parcel is located shall calculate the amount of the credit due for each parcel and transmit that information to the county treasurer. The county auditor, in computing the credits received pursuant to sections 273.13 and 273.135, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than \$10.

If, after the county auditor has computed the credit to those qualifying property owners in unorganized townships, there is money remaining in the utility property tax credit fund, then that excess amount in the fund shall be returned to the general school fund of the county.

Sec. 39. Minnesota Statutes 1984, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead before reductions made pursuant to section 273.13, subdivisions 6, 7 and 14a, but after deductions made pursuant to sections 124.2137, (273.115, 273.116,) 273.135, 273.139, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of

the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 168.011, subdivision 8, "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site in which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. 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 and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivisions 6, 7, or 14a on or before June 1 of the year in which the "property taxes payable" were levied; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made prior to October 1 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 40. [REVISION OF MINNESOTA ASSESSORS' MANUAL.]

In accordance with the provisions of Minnesota Statutes, section 270.06, clause (14), the commissioner of revenue shall prepare a revised Minnesota assessors' manual by July 1, 1986, and thereafter shall revise the manual in a timely manner.

Sec. 41. [LOCAL GOVERNMENT FINANCE STUDY COMMISSION.]

A local government finance study commission consisting of 18 members is created. Nine members of the commission shall be members of the senate and appointed by the committee on committees. Nine members of the commission shall be members of the house of representatives and appointed by the speaker. The

study commission shall elect a chairman from among its members and meetings of the commission will be held at the call of the chairman.

The purpose of the commission is to study the present local government finance structure, concentrating on the state paid homestead credit and agricultural credit distribution amounts, historical changes, and relationship to local government property tax levies and spending patterns. The commission may do all things necessary and reasonable to conduct the study including holding meetings and soliciting testimony and information. The commission shall make specific recommendations on changes in the present system which encourage local government accountability while at the same time attempting to simplify the property tax system. The commission shall report to the legislature and the governor its conclusions and recommendations by January 15, 1986. The commission shall expire on February 1, 1986. Expenses of the commission including per diem and expenses of commission members will be provided by the appointing authority.

Sec. 42. [REPEALER.]

Minnesota Statutes 1984, sections 273.115, subdivisions 1, 5, 6, and 7; 273.116, subdivisions 1, 5, 6, and 7; 273.1311; and 273.1315, are repealed.

Sec. 43. [EFFECTIVE DATES.]

Sections 1, 4 to 38, and 42 are effective for taxes levied in 1985 and thereafter, payable in 1986 and thereafter, except that section 5, clause (d) and the amendment to section 272.02, subdivision 1, clause (8) in section 4 are effective beginning with taxes assessed in 1986, payable in 1987.

Section 39 is effective for claims based on property taxes payable in 1986 and thereafter. Sections 40 and 41 are effective the day after final enactment.

ARTICLE 8

Section 1. Minnesota Statutes 1984, section 92.46, subdivision 1, is amended to read:

Subdivision 1. [PUBLIC CAMP GROUNDS.] The director may designate suitable portions of the state lands so withdrawn from sale and not reserved, as provided in section 92.45, as permanent state public camp grounds and cause the same to be surveyed and platted into lots of convenient size, and may lease and let such lots for cottage and camp purposes under such terms and conditions as he may prescribe; *provided, however,*

that the appraised value of this land as determined by the department of natural resources shall be of a comparable market value to other equivalent land within the same county of the same property use. No lease shall be made for a longer term than ten years, with the privilege of renewal, from time to time, for additional terms of not to exceed ten years each.

Pursuant to chapter 14, by June 1, 1986, the commissioner of revenue, in consultation with the commissioner of natural resources and the commissioner of education, shall adopt rules establishing procedures for leasing lands under this section. The rules must address at least the following:

- (1) method of appraising the property;*
- (2) determination of lease rates; and*
- (3) an appeal procedure for both the appraised values and lease rates.*

All moneys received from these leases of state lands so withdrawn from sale shall be credited to the fund to which the proceeds of the land belong. Notwithstanding section 16A.125 or any other law to the contrary, all money received from the lease of permanent school fund lands leased pursuant to this subdivision shall be deposited into the permanent school trust fund.

Sec. 2. Minnesota Statutes 1984, section 272.02, subdivision 1, is amended to read:

Subdivision 1. 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 parcels of property containing structures and the structures assessed pursuant to section 273.13, subdivisions 17, 17b, 17c or 17d;
- (7) All public property exclusively used for any public purpose;

(8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, clause (c) shall be exempt.

The following personal property shall be taxable:

(a) 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;

(b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.13, subdivision 7b or 7d; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) property classified as class 2a property; and

(f) flight property as defined in section 270.071.

(9) 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, other than real property used primarily as a solid waste disposal site.

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. The 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 the property from taxation. The 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.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or

(2) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause and section 273.116. Upon receipt of an application for the exemption and credit provided in this clause and section 273.116 for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of his decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1982, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is 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; provided the property is used primarily as a clubhouse, meeting facility or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8 and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band;

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band; and

(c) a facility at which a licensed Minnesota manufacturer produces distilled spirituous liquors, liqueurs, cordials, or liquors designated as specialties regardless of alcoholic content, but not including ethyl alcohol, distilled with a majority of the ingredients grown or produced in Minnesota. An exemption provided by paragraph (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

The exemptions granted by this subdivision shall be subject to the limits contained in the other subdivisions of this section, section 272.025, or section 273.13, subdivisions 17, 17b, 17c, or 17d.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3),

primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state trust fund lands as contained in section 92.46 and which are leased from the department of natural resources.

Sec. 3. [LEASE RATE INCREASES.]

Increases of lease rates to be effective on January 1, 1986, for state lands leased pursuant to Minnesota Statutes, section 92.46, subdivision 1, shall be phased in by three equal annual increments except that lease rates shall be adjusted to reflect changes in lease rates resulting from rules promulgated pursuant to section 1.

Sec. 4. [REPORT.]

The commissioner of natural resources shall inventory the lakeshore leases and prepare a report on any leased land that should be sold. The report must be submitted by January 1, 1987, to the house committees on environment and natural resources and on education, to the senate committees on agriculture and natural resources and on education, and to the permanent school fund advisory committee.

Sec. 5. [EFFECTIVE DATE.]

Section 1 is effective January 1, 1986, and thereafter, except that portion of section 1 containing the promulgation of rules is effective the day following final enactment. Section 2 is effective for taxes levied in 1985 and thereafter, payable in 1986 and thereafter. The appraised value used in determining the lease rate increases as provided in section 3 shall be subject to the limitations contained in section 1.

ARTICLE 9

Section 1. Minnesota Statutes 1984, section 295.34, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 2 every telephone company shall file a return with the commissioner of revenue on or before April 15 of each year, and submit payment therewith, of the following percentages of its gross earnings of the preceding calendar year derived from business within this state:

(a) (4 PERCENT OF ITS) for gross earnings from service to rural subscribers (; (B) 4 PERCENT OF ITS GROSS

EARNINGS) and from exchange business of all cities of the fourth class and statutory cities having a population of 10,000 or less

for calendar years beginning before December 31, 1985, 4 percent,

for calendar year 1986, 3 percent,

for calendar years 1987 and 1988, 2 percent,

for calendar year 1989, 1 percent, and

for calendar years beginning after December 31, 1989, exempt;
and ((C) 7 PERCENT OF ITS)

(b) *for gross earnings derived from all other business (; WHICH SHALL BE)*

for calendar years beginning before December 31, 1985, 7 percent,

for calendar year 1986, 6 percent,

for calendar year 1987, 4.5 percent,

for calendar year 1988, 3 percent,

for calendar year 1989, 1.5 percent, and

for calendar years beginning after December 31, 1989, exempt.

The tax imposed is in lieu of all other taxes, except the taxes imposed by chapter 290, property taxes assessed beginning in 1986, and sales and use taxes imposed as a result of section 4. All moneys paid by a company for connecting fees and switching charges to any other company shall be reported as earnings by the company to which they are paid, but shall not be deemed earnings of the collecting and paying company. For the purposes of this section, the population of any statutory city shall be considered as that stated in the latest federal census.

Sec. 2. Minnesota Statutes 1984, section 297A.25, subdivision 1, is amended to read:

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, and food products which are not taxable pursuant to section 297A.01, subdivision 3, clause (c) and which are sold by a retailer, organized as a nonprofit corporation or association, within a place located on property owned by the state or an agency or instrumentality of the state, the entrance to which is subject to an admission charge. This exemption does not include the following:

(i) candy and candy products, except when sold for fundraising purposes by a nonprofit organization that provides educational and social activities for young people primarily aged 18 and under;

(ii) carbonated beverages, beverages commonly referred to as soft drinks containing less than 15 percent fruit juice, or bottled water other than noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size;

(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 by the purchaser 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); provided that the property is not subject to tax in that state or country to which it is transported for storage or use, or, if subject to tax in that other state, that state allows a similar exemption for property purchased therein and transported to Minnesota for use in this state; except that sales of tangible personal property that is shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the prop-

erty is shipped or transported, unless that state has no use tax, in which case the sale shall be taxed at the rate generally imposed by this state; and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; 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. The term "publication" shall not include magazines and periodicals sold over the counter. 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, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement

under section 465.71, 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. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(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. For purposes of this clause, sales by a nonprofit organization shall be deemed to be "isolated or occasional" if they occur at sale events that have a duration of three or fewer consecutive days. The granting of the privilege of admission to places of amusement and the privilege of use of amusement devices by a nonprofit organization at an isolated or occasional event conducted on property owned or leased for a continuous period of more than 30 days by the nonprofit organization are also exempt. The exemption provided for isolated sales of tangible personal property and of the granting of admissions or the privilege of use of amusement devices by nonprofit organizations pursuant to this clause shall be available only if the sum of the days on which the organization and any subsidiary nonprofit organization sponsored by it that does not have a separate sales tax exemption permit conduct sales of tangible personal property, plus the days with respect to which the organization charges for the use of amusement devices or admission to places of amusement, does not exceed eight days in a calendar year. For purposes of this clause, a "nonprofit organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, no part of the net earnings of which inures to the benefit of a private individual;

(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 airflight 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 airflight 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 toconite, the material of which primarily is added to and becomes a part of the material being processed;

((P)) (o) 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 or association of groups that in general limits membership to persons age 55 or older and is 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. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

((Q)) (p) The gross receipts from the sale of caskets and burial vaults;

((R)) (q) 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;

((S)) (r) 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;

((T)) (s) 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, sub-contractors, 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;

((U)) (t) 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;

((V)) (u) 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;

((W)) (v) The gross receipt from the sale of residential heating fuels in the following manner:

(i) all fuel oil, coal, wood, steam, hot water, 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;

((X)) (w) The gross receipts from the sale or use of tickets or admissions to the premises of or events sponsored by an association, corporation or other group of persons which provides an opportunity for citizens of the state to participate in the creation, performance or appreciation of the arts and which qualifies as a tax-exempt organization within the meaning of Minnesota Statutes 1980, section 290.05, subdivision 1, clause (i);

((Y)) (x) The gross receipts from either the sales to or the storage, use or consumption of tangible personal property by an organization of military service veterans or an auxiliary unit of an organization of military service veterans, provided that:

(i) the organization or auxiliary unit is organized within the state of Minnesota and is exempt from federal taxation pursuant to section 501(c), clause (19), of the Internal Revenue Code as amended through December 31, 1982; and

(ii) the tangible personal property which is sold to or stored, used or consumed by the organization or auxiliary unit is for charitable, civic, educational, or nonprofit uses and not for social, recreational, pleasure or profit uses;

((Z)) (y) The gross receipts from the sale of sanitary napkins, tampons, or similar items used for feminine hygiene;

((AA)) (z) The gross receipts from the sale of a manufactured home, as defined in section 327.31, subdivision 6, to be used by the purchaser for residential purposes, unless the sale is the first retail sale of the manufactured home in this state;

((BB)) (aa) The gross receipts from the sale of equipment used for processing solid or hazardous waste at a resource recovery facility, as defined in section 115A.03, subdivision 28.

Sec. 3. [REPEALER.]

Minnesota Statutes 1984, section 295.34, subdivision 2, is repealed.

Sec. 4. [EFFECTIVE DATE.]

Section 2 is effective for sales made after December 31, 1986. Section 3 is effective beginning for calendar year 1990.

ARTICLE 10

Section 1. Minnesota Statutes 1984, section 273.111, subdivision 11, is amended to read:

Subd. 11. The payment of special local assessments levied after June 1, 1967 for improvements made to any real property

described in subdivision 3 together with the interest thereon shall, on timely application as provided in subdivision 8, be deferred as long as such property meets the conditions contained in subdivisions 3 and 6. If special assessments against the property have been deferred pursuant to this subdivision, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the affected property and of the amount deferred. When such property no longer qualifies under subdivisions 3 and 6, all deferred special assessments plus interest shall be payable (WITHIN 90 DAYS) *in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest shall be payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments.* Penalty shall not be levied on any such special assessments if timely paid. (IF NOT PAID WITHIN SUCH 90 DAYS, THE COUNTY AUDITOR SHALL INCLUDE SUCH DEFERRED SPECIAL ASSESSMENTS PLUS A TEN PERCENT PENALTY ON THE TAX LIST FOR THE CURRENT YEAR.)

Sec. 2. Minnesota Statutes 1984, section 275.50, is amended by adding a subdivision to read:

Subd. 9. [CERTAIN LOCAL ENTITIES.] Notwithstanding any other law to the contrary, any entity or appointing authority, except special taxing districts as determined by the department of revenue, which possesses statutory or other authority to submit budgets to counties shall be subject to the provisions of sections 275.51 to 275.56. The county board may, at its discretion, waive by resolution the application of sections 275.51 to 275.56 to the entity or appointing authority in any budget year.

Sec. 3. Minnesota Statutes 1984, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in (1983) 1985 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to subdivision 3f, increased by:

(a) a percentage equal to the percentage growth in the implicit price deflator, or five percent, whichever is greater;

(b) a percentage equal to the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, using figures derived pursuant to section 275.51, subdivision 6;

(c) one-half of the amount levied as a special levy in the previous year for paying the costs of municipal services provided

to new private industrial and nonresidential commercial development pursuant to section 275.50, subdivision 5, clause (m), if the special levy is discontinued; (AND)

(d) the amount of any permanent increase in the levy limit base approved at a general or special election held during the 12-month period ending September 30 of the levy year, pursuant to section 275.58, subdivisions 1 and 2; and

(e) *the amount, if known, equal to the decrease in federal revenue sharing allotment from the levy year to the year in which the levy is payable; otherwise the amount equal to the decrease in federal revenue sharing allotment in the levy year as compared to the previous year if the levy base for the previous year has not been adjusted for a decrease in federal revenue sharing allotment.*

Sec. 4. Minnesota Statutes 1984, section 277.03, is amended to read:

277.03 [DISTRESS AND SALE.]

Upon the tenth secular day next after the filing of such list the clerk of the district court shall issue his warrants to the sheriff of the county as to all the taxes and penalties embraced in the list, except those as to which a petition has been filed, pursuant to section 277.011, directing him to proceed to collect the same. If such taxes are not paid upon demand, the sheriff shall distrain sufficient goods and chattels belonging to the person charged with such taxes, if found within the county, to pay the same, with the said penalty of eight percent and all accruing costs, together with (25 CENTS) *a fee as set by the county board to cover administrative costs* from each delinquent, as compensation to the clerk of the district court. Immediately after making distress, the sheriff shall give at least ten days' posted notice in the town or district where the property is taken, stating that the property, or so much thereof as will be sufficient to pay the taxes for which it is distrained, with penalty and costs of distress and sale, will be sold at public vendue at a place and time therein designated, which time shall not be less than ten days after such taking. If such taxes and penalties and accrued costs are not paid before the day designated, the sheriff or his deputy shall proceed to sell the property pursuant to the notice.

Sec. 5. Minnesota Statutes 1984, section 277.10, is amended to read:

277.10 [CLERK'S FEES; EXECUTION.]

The clerk of the district court shall receive (AS) *fees as set by the county board to cover administrative costs* for issuing such citation and perfecting the judgment (\$1.50) in cases not con-

tested, and in contested cases such fees as are allowed by law in civil actions (; AND, FOR EACH CITATION ISSUED IN CASES WHERE THE SHERIFF SHALL FAIL, AFTER DILIGENT INQUIRY, TO FIND THE DEFENDANT, 25 CENTS). All such fees and costs shall be entered, taxed, and made part of the judgment. Execution shall be issued upon the judgment at the request of the county attorney, and shall state that the judgment was obtained for delinquent personal property taxes, and no property shall be exempt from seizure thereon, and such execution may be renewed and reissued in the same manner as provided by law in case of executions upon judgments in civil actions.

Sec. 6. Minnesota Statutes 1984, section 279.37, subdivision 8, is amended to read:

Subd. 8. The party or parties making such confession of judgment shall pay the county auditor a fee (OF 50 CENTS AND A FEE OF 50 CENTS TO THE CLERK OF THE COURT FOR ENTRY OF JUDGMENT AND 15 CENTS FOR EACH FULL OR PARTIAL RELEASE THEREOF, WHICH SHALL BE COLLECTED BY THE COUNTY AUDITOR; PROVIDED, THAT IN COUNTIES WHERE SAID FEES WOULD REVERT TO THE COUNTY REVENUE FUND UNDER EXISTING LAWS, THE COUNTY AUDITOR MAY USE SAID FEES FOR THE PURCHASE OF SUPPLIES NECESSARY TO CARRY OUT THE PROVISIONS OF THIS SECTION OR FOR ADDITIONAL CLERK HIRE IN HIS OFFICE) *as set by the county board to defray the costs of processing the confession of judgment and making the annual billings required. Fees as set by the county board shall be paid to the clerk of the court for entry of judgment and for the entry of each full or partial release thereof. Fees shall be credited to the general revenue fund of the county.*

Sec. 7. Minnesota Statutes 1984, section 279.37, subdivision 1, is amended to read:

Subdivision 1. [COMPOSITION INTO ONE ITEM.] Delinquent taxes upon any parcel of real estate (WHICH HAVE BEEN BID IN FOR AND ARE HELD BY THE STATE AND NOT ASSIGNED BY IT,) may be composed into one item or amount by confession of judgment at any time prior to the forfeiture of the parcel of land to the state for taxes, for the aggregate amount of all the taxes, costs, penalties, and interest accrued against the parcel, as hereinafter provided (; EXCEPT THAT). Taxes upon property which, for the previous year's assessment, was classified as vacant land, mineral property, employment property, or commercial or industrial property shall not be eligible to be composed into any confession of judgment pursuant to this section *except as provided in subdivision 1a. The entire parcel is eligible for the ten-year installment plan as provided in sub-*

division 2 if 25 percent or more of the market value of the parcel is eligible for confession of judgment under this subdivision.

Sec. 8. Minnesota Statutes 1984, section 279.37, is amended by adding a subdivision to read:

Subd. 1a. The delinquent taxes upon a parcel of property which was classified pursuant to section 273.13, subdivision 9, clause (4)(c), for the previous year's assessment and had a total market value of less than \$100,000 for that same assessment shall be eligible to be composed into a confession of judgment. Property qualifying under this subdivision shall be subject to the same provisions as provided in section 279.37 except as herein provided.

(a) The down payment shall include all special assessments due in the current tax year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties, and interest accrued against the parcel. The balance remaining shall be payable in four equal annual installments; and

(b) The amounts entered in judgment shall bear interest at the rate provided in section 270.75, subdivision 5, commencing with the date the judgment is entered. The interest rate is subject to change each year on the unpaid balance in the manner provided in section 270.75, subdivision 5, except that the interest change will be implemented on January 1 of each year.

Sec. 9. Minnesota Statutes 1984, section 279.37, subdivision 3, is amended to read:

Subd. 3. Upon the receipt of the offer and payment of the sum required, the auditor shall notify the county board of the offer. (IF THE COUNTY BOARD APPROVES THE OFFER,) The auditor shall note it upon his records and shall file the offer and confession of judgment with the clerk of the district court of the county who is directed to enter judgment in accordance with the offer. (IF THE COUNTY BOARD DOES NOT APPROVE THE OFFER WITHIN 30 DAYS OF ITS NOTIFICATION BY THE COUNTY AUDITOR, CONFESSION OF JUDGMENT WILL NOT BE ALLOWED FOR THE PROPERTY, AND THE AMOUNT REMITTED PURSUANT TO SUBDIVISION 2 SHALL BE RETURNED TO THE PAYOR.)

Sec. 10. Minnesota Statutes 1984, section 279.37, subdivision 4, is amended to read:

Subd. 4. The auditor shall immediately deliver to the treasurer the initial payments received by him. The judgment so rendered shall not constitute a personal judgment against the party or parties therein and shall be a judgment in rem. *For the*

purpose of computing the applicable period of redemption pursuant to section 281.17, lands included in a confession of judgment will be deemed to be sold to the state at the first tax judgment sale following the entry of judgment.

Sec. 11. Minnesota Statutes 1984, section 281.23, subdivision 1, is amended to read:

Subdivision 1. [DUTY OF AUDITOR.] In case any parcel of land bid in for the state at any tax judgment sale has not been redeemed by (60) 120 days before the expiration of the period of redemption of such parcel, it shall be the duty of the county auditor thereupon forthwith to give notice of expiration of the time for redemption of such parcel, as herein provided; provided, that delay in giving such notice shall not affect the validity thereof.

Sec. 12. Minnesota Statutes 1984, section 281.29, is amended to read:

281.29 [STATEMENT TO BE FILED WITH COUNTY AUDITOR.]

Each such statement so filed in the office of the county auditor in this state shall be immediately numbered and filed in his office by such auditor consecutively in the order in which it is received and he shall, at the same time, enter consecutively in the order in which such statement is received, in a book to be kept by him for that purpose, first, the file number of such statement; second, the date when such statement is received and filed by him; third, the name of the person or corporation named in such statement as having some right, title, or interest in land or real property, with the post-office address of such person or corporation, if given in such statement; and, fourth, the name of the person or corporation named in such statement as the one upon whom or upon which a personal service of notice may be made. At the same time the auditor shall enter the file number of such statement in his real estate transfer book or books under each piece or parcel of land described in such statement. For the duties required of the auditor by sections 281.28 to 281.30 he shall be paid, (FOR HIS OWN USE AND AS AN ADDITIONAL EMOLUMENT OF HIS OFFICE,) by the person presenting such statement to be filed, a fee (OF 25 CENTS) *as set by the county board to cover administrative costs* for each piece or parcel of land described in such statement. Each such statement shall cease to be valid and effectual as such for any and all purposes of sections 281.28 to 281.30 at the expiration of five years from the date of its filing, or when the person named therein as the one upon whom a personal service of notices may be made dies or ceases to be a resident of such county, or when the corporation named therein as the one upon which a personal service of notices may be made ceases to have an office or place of busi-

ness within such county. The person or corporation named in a statement filed under the provision of sections 281.28 to 281.30 as having such right, title, or interest may file in the same office in which such statement is filed an instrument releasing any particular piece or parcel of land or real property described in such statement from the effect of such statement, such releasing instrument to be executed with the same formalities as are necessary to entitle conveyances of real estate to record. Such releasing instrument shall be, by the auditor, immediately attached to and filed with such statement affected thereby. Every person or corporation filing such releasing instrument shall, before such releasing instrument is filed, pay to the auditor, for his own use, a fee of ten cents for each such releasing instrument. From the time such releasing instrument is so filed such statement affected thereby shall cease to be valid and effectual as to such particular piece or parcel of land or real property so released, but shall nevertheless be and remain valid and effectual as such for any and all the purposes of sections 281.28 to 281.30 as to each and every other piece or parcel of land or real property therein described.

Sec. 13. Minnesota Statutes 1984, section 282.01, subdivision 7a, is amended to read:

Subd. 7a. [ALTERNATE SALE PROCEDURE.] Land located in a home rule charter or statutory city, or in a town (DESCRIBED IN SECTION 368.01, SUBDIVISION 1,) which cannot be improved because of noncompliance with local ordinances regarding minimum area, shape, frontage or access may be sold by the county auditor pursuant to this subdivision if the auditor determines that a nonpublic sale will encourage the approval of sale of the land by the city or town and promote its return to the tax rolls. If the physical characteristics of the land indicate that its highest and best use will be achieved by combining it with an adjoining parcel and the city or town has not adopted a local ordinance governing minimum area, shape, frontage, or access, the land may also be sold pursuant to this subdivision. The sale of land pursuant to this subdivision shall be subject to any conditions imposed by the county board pursuant to section 282.03. The governing body of the city or town may recommend to the county board conditions to be imposed on the sale. The county auditor may restrict the sale to owners of lands adjoining the land to be sold. The county auditor shall conduct the sale by sealed bid or may select another means of sale. The land shall be sold to the highest bidder but in no event shall the land be sold for less than its appraised value. All owners of land adjoining the land to be sold shall be given a written notice at least 30 days prior to the sale.

This subdivision shall be liberally construed to encourage the sale and utilization of tax-forfeited land, to eliminate nuisances and dangerous conditions and to increase compliance with land use ordinances.

Sec. 14. Minnesota Statutes 1984, section 282.021, is amended to read:

282.021 [NOTIFICATION OF SALE.]

Thirty days before the sale of tax-forfeited land at public auction, the county auditor shall publish in a newspaper of general circulation the notice of sale and each parcel's appraised value (OR MARKET VALUE, WHICHEVER IS HIGHER, AS DETERMINED BY THE COUNTY OR LOCAL ASSESSOR WHO IS RESPONSIBLE FOR VALUING THE PROPERTY) for sale purposes. The county auditor shall also mail notice to all owners of land adjoining each parcel to be sold and to all owners of platted or unplatted land whose boundaries are within 300 feet of the boundaries of each parcel (TO BE SOLD) offered for sale having an appraised value of \$1,000 or more. For purposes of this section, owner shall mean the taxpayer as listed in the records of the county auditor.

Sec. 15. Minnesota Statutes 1984, section 282.261, is amended by adding a subdivision to read:

Subd. 4. [SERVICE FEE.] The county auditor may collect a service fee to cover administrative costs as set by the county board for each repurchase contract approved after July 1, 1985. The fee shall be paid at the time of repurchase and shall be credited to the county general revenue fund.

Sec. 16. Minnesota Statutes 1984, section 473.556, subdivision 4, is amended to read:

Subd. 4. [EXEMPTION OF PROPERTY.] (ANY) Notwithstanding the lease or other grant of exclusive use of all or part thereof to others by the commission, the sports facilities constructed under the provisions of sections 473.551 to 473.595, the metropolitan sports area, and any other real or personal property acquired, owned, leased, controlled, used, or occupied by the commission for any of the purposes of sections 473.551 to 473.595 is declared to be acquired, owned, leased, controlled, used and occupied for public, governmental, and municipal purposes, and shall be exempt from ad valorem taxation by the state or any political subdivision of the state, provided that such properties shall be subject to special assessments levied by a political subdivision for a local improvement in amounts proportionate to and not exceeding the special benefit received by the properties from the improvement. No possible use of any such properties in any manner different from their use under sections 473.551 to 473.595 at the time shall be considered in determining the special benefit received by the properties. All assessments shall be subject to final confirmation by the council, whose determination of the benefits shall be conclusive upon the political subdivision levying the assessment. The provisions of this subdivision, insofar as they

require exemption or special treatment, shall not apply to any real property at the metropolitan sports area which is leased by the commission for development pursuant to subdivision 6.

Sec. 17. [1985 ASSESSMENT ADJUSTMENT BASED ON REAL ESTATE SALES ANALYSIS.]

Notwithstanding the provisions of Minnesota Statutes, section 270.12, subdivision 2, for property tax assessments made in 1985 only, the commissioner of revenue, acting as the state board of equalization, shall adjust the aggregate value of any class of real property in any county to reflect reductions in market values for that class of property for the January 2, 1985, assessment. To determine changes in market values, the commissioner shall analyze real estate sales in the county in calendar year 1984.

Sec. 18. [DISASTER CREDIT REFUND.]

Notwithstanding any other law to the contrary, a taxpayer who made application to the county assessor in calendar year 1984 and qualified pursuant to the provisions of section 273.123, subdivision 7, clauses (a), (b), and (c), is eligible to receive the disaster credit based upon the destruction which occurred to the owner's homestead in 1984.

Sec. 19. [EFFECTIVE DATE.]

Section 1 is effective for property that no longer qualifies under Minnesota Statutes, section 273.111, subdivisions 3 and 6, after July 31, 1985. Sections 2 and 3 are effective for taxes levied in 1985 and thereafter, for taxes payable in 1986 and thereafter. Sections 4 to 6, 12, and 15 are effective July 1, 1985. Sections 14 and 18 are effective the day after final enactment. Section 17 is effective only for taxes assessed in 1985 and payable in 1986.

ARTICLE 11

Section 1. Minnesota Statutes 1984, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through December 31, 1983; 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 20a, clauses (1), (2), (4), (9), (10), and (14);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends and interest excluded from federal adjusted gross income under sections 116 or 128 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 benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(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. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

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

(d) relief granted under this chapter;

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

(f) federal adjusted gross income shall be reduced by wage or salary expense which is not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954; or

(g) *the first \$2,000 of household income if the claimant was disabled on or before June 1 or attained the age of 65 prior to June 1 of the year following the year for which the taxes were levied or in which the rent was paid.*

Sec. 2. Minnesota Statutes 1984, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead before reductions made pursuant to section 273.13, subdivisions 6, 7 and 14a, but after deductions made pursuant to sections 124.2137, 273.115, 273.116, 273.135, 273.139, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located or, if the claimant is required to pay the property taxes assessed against that parcel in addition to paying ground rent, the entire amount of those property taxes. 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 manufactured homes as defined in section 168.011, subdivision 8, "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. 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 and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivisions 6, 7, or 14a on or before June 1 of the year in which the "property taxes payable" were levied; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made prior to October 1 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 3. Minnesota Statutes 1984, section 290A.04, subdivision 1, is amended to read:

Subdivision 1. A (CREDIT) *refund* shall be allowed each claimant in the amount that property taxes payable or rent constituting property taxes exceed the percentage of the household income of the claimant specified in subdivision 2 in the year for which the taxes were levied or in the year in which the rent was paid *and the remaining amount of property taxes payable or rent constituting property taxes are then reduced by the percent to be paid by the claimant as specified in subdivision 2.* If the amount of property taxes payable or rent constituting property taxes is equal to or less than the percentage of the household income of the claimant specified in subdivision 2 in the year for which the taxes were levied or in the year in which the rent was paid, the claimant shall not be eligible for a state refund pursuant to this section. For purposes of claiming this (CREDIT) *refund*, 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.

Sec. 4. Minnesota Statutes 1984, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level (AND) *along with the percent to be paid by the claimant of the remaining amount of property taxes payable or rent constituting property taxes.* The state refund will be equal to (AN) *the amount of property taxes payable or rent constituting property taxes that remain,* up to the state refund amount shown below.

Household Income Net loss and	Percent of Income	(STATE REFUND)	Percent Paid by Claimant	Maximum State Refund
up to \$2,999	(0.5) 1.0 percent	(\$13)	5 percent	\$1,250
3,000 to 3,499	(0.6) 1.0 percent	(\$15)	6 percent	\$1,250
3,500 to 3,999	(0.6) 1.0 percent	(\$18)	7 percent	\$1,250
4,000 to 4,499	(0.7) 1.0 percent	(\$20)	8 percent	\$1,250
4,500 to 4,999	(0.7) 1.0 percent	(\$23)	9 percent	\$1,250
5,000 to 5,999	(0.8) 1.0 percent	(\$40)	10 percent	\$1,250
6,000 to 6,999	(0.9) 1.0 percent	(\$54)	11 percent	\$1,250
7,000 to 7,999	1.0 percent	(\$70)	12 percent	\$1,250
8,000 to 8,999	1.1 percent	(\$88)	13 percent	\$1,250
9,000 to 9,999	1.2 percent	(\$108)	14 percent	\$1,250
10,000 to 10,999	1.3 percent	(\$130)	15 percent	\$1,250
11,000 to 11,999	1.4 percent	(\$154)	16 percent	\$1,250
12,000 to 12,999	1.5 percent	(\$180)	17 percent	\$1,250
13,000 to 13,999	1.5 percent	(\$195)	18 percent	\$1,250
14,000 to 14,999	1.5 percent	(\$210)	19 percent	\$1,250
15,000 to 15,999	1.5 percent	(\$225)	20 percent	\$1,250
16,000 to 16,999	1.5 percent	(\$240)	21 percent	\$1,250
17,000 to 17,999	1.5 percent	(\$255)	22 percent	\$1,250
18,000 to 18,999	1.5 percent	(\$270)	23 percent	\$1,250
19,000 to 19,999	1.5 percent	(\$285)	24 percent	\$1,250
20,000 to 20,999	1.6 percent	(\$320)	25 percent	\$1,250
21,000 to 21,999	1.6 percent	(\$336)	27 percent	\$1,250
22,000 to 22,999	1.6 percent	(\$352)	29 percent	\$1,250
23,000 to 23,999	1.8 percent	(\$414)	30 percent	\$1,250
24,000 to 24,999	1.8 percent	(\$432)	31 percent	\$1,250
25,000 to 25,999	1.8 percent	(\$450)	32 percent	\$1,205
26,000 to (26,499)	(2.0 PERCENT)	(\$520)		
(26,500 TO) 26,999	2.0 percent	(\$530)	34 percent	\$1,175
27,000 to (27,499)	(2.0 PERCENT)	(\$540)		
(27,500 TO) 27,999	2.0 percent	(\$550)	36 percent	\$1,145
28,000 to (28,499)	(2.0 PERCENT)	(\$560)		
(28,500 TO) 28,999	2.0 percent	(\$570)	38 percent	\$1,115

29,000 to (29,499)	(2.0 PERCENT)	(\$580)		
(29,500 TO) 29,999	2.0 percent	(\$590)	39 percent	\$1,085
30,000 to (30,499)	(2.0 PERCENT)	(\$600)		
(30,500 TO) 30,999	2.0 percent	(\$610)	40 percent	\$1,055
31,000 to (31,499)	(2.2 PERCENT)	(\$620)		
(31,500 TO) 31,999	2.2 percent	(\$630)	42 percent	\$1,025
32,000 to (32,499)	(2.0 PERCENT)	(\$640)		
(32,500 TO) 32,999	2.2 percent	(\$650)	44 percent	\$925
33,000 to 33,999	2.2 percent	(\$700)	46 percent	\$825
34,000 to 34,999	2.2 percent	(\$600)	48 percent	\$725
35,000 to 35,999	2.2 percent	(\$500)	50 percent	\$625
36,000 to 36,999	2.4 percent	(\$400)	50 percent	\$525
37,000 to 37,999	2.4 percent	(\$300)	50 percent	\$425
38,000 to 38,999	2.4 percent	(\$200)	50 percent	\$325
39,000 to 39,999	2.4 percent	(\$100)	50 percent	\$225
40,000 to 40,999	2.4 percent		50 percent	\$125
41,000 to 41,249	2.4 percent		50 percent	\$25
41,250 and over				-0-

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision, less the homestead credit given pursuant to section 273.13, subdivisions 6, 7 and 14a. *No payment is allowed if the claimant's household income is \$41,250 or more.*

Sec. 5. Minnesota Statutes 1984, section 290A.04, is amended by adding a subdivision to read:

Subd. 2h. If the net property taxes payable on a homestead in 1986 increase more than 12.5 percent over the net property taxes payable in 1985 on the same property, a claimant who is a homeowner is allowed an additional refund equal to 50 percent of the amount by which the increase exceeds the greater of 12.5 percent or \$100. This subdivision does not apply to any increase in the net property taxes payable attributable to improvements made to the homestead.

For purposes of this subdivision, "net property taxes payable" means property taxes payable after reductions made pursuant to sections 124.2137; 273.13, subdivisions 6, 7, and 14a; 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to this section.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

This subdivision is repealed effective for property taxes levied in 1986, payable in 1987.

Sec. 6. Minnesota Statutes 1984, 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) refund allowed at various levels of income and assessment. The table shall follow the schedule of income percentages, maximums and other provisions specified in (SUBDIVISIONS) subdivision 2, (2A, AND 2B,) except that the commissioner may graduate the transition between income brackets. All refunds shall be computed in accordance with tables prepared and issued by the commissioner of revenue.

Sec. 7. Minnesota Statutes 1984, section 290A.06, is amended to read:

290A.06 [FILING TIME LIMIT, LATE FILING.]

Any claim for property taxes payable shall be filed with the department of revenue on or before August (31) 15 of the year in which the property taxes are due and payable. Any claim for rent constituting property taxes shall be filed with the department of revenue on or before August (31) 15 of the year following the year in which the rent was paid. The commissioner may extend the time for filing these claims for a period not to exceed six months in the case of sickness, absence, or other disability, or when in his judgment other good cause exists.

A claim filed after the original or extended due date shall be allowed, but the amount of credit shall be reduced by five percent of the amount otherwise allowable, plus an additional five percent for each month of delinquency, not exceeding a total reduction of 25 percent which may be cancelled or reduced by the commissioner in the case of sickness, absence, or other disability, or when in his judgment other good cause exists. In any event no claim shall be allowed if the initial claim is filed two years after the original due date for filing the claim.

The time limit on redetermination of claims for refund and examination of records shall be governed by sections 290.49, 290.50, and 290.56 and for purposes of computing the time limit as provided in these sections the due date of the property tax

refund return shall be the same as the due date contained in section 290.42 for an income tax return covering the year in which the rent was paid or the year preceding the year in which the property taxes are payable.

Sec. 8. Minnesota Statutes 1984, section 290A.10, is amended to read:

290A.10 [(PROOF OF TAXES PAID) PAYMENT IF TAXES ARE DELINQUENT.]

Every claimant who files a claim for relief for property taxes payable shall include with his claim a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating (THAT) *whether* there are (NO) delinquent property taxes on the homestead. (INDICATION ON THE PROPERTY TAX STATEMENT FROM THE COUNTY TREASURER THAT THERE ARE NO DELINQUENT TAXES ON THE HOMESTEAD SHALL BE SUFFICIENT PROOF.) Taxes included in a confession of judgment under section 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 279.37.

If it is indicated that taxes are delinquent on the homestead, the commissioner shall allow the claim but the check issued to the claimant must be made payable to the order of the claimant and the county. Amounts received by the county under this section must be apportioned and paid to the taxing districts in the same manner and at the same time payments would be apportioned and paid if made directly by the claimant on the day the payment is received. Notwithstanding sections 279.01 and 279.02, the county shall accept the payment and apply it to the most recent year that there are delinquent taxes.

Sec. 9. Minnesota Statutes 1984, section 290A.19, is amended to read:

290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE; PENALTY.]

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead shall furnish a certificate of rent constituting property tax to each person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves prior to December 31, the owner or managing agent shall at his option either provide the certificate to the renter at the time he moves, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate shall be made available to the renter not later than January 31 of the year following the year in which the rent was paid. Any owner or managing agent who willfully

fails to furnish a certificate as provided herein shall be liable to the commissioner for a penalty of \$20 for each act or failure to act. The penalty shall be assessed and collected in the manner provided in chapter 290 for the assessment and collection of income tax.

(b) If the owner or managing agent elects to provide the renter with the certificate at the time he moves, rather than after December 31, the amount of rent constituting property taxes shall be computed as follows:

(i) The net tax shall be reduced by 1/12th for each month remaining in the calendar year.

(ii) In calculating the denominator of the fraction pursuant to section 290A.03, subdivision 11, the gross rent paid through the last month of claimant's occupancy shall be substituted for "the gross rent paid for the calendar year for the property in which the unit is located."

(c) The certificate of rent constituting property taxes shall include the address of the property, including the county, and the property tax parcel identification number and any additional information which the commissioner determines is appropriate.

(d) If the owner or managing agent fails to provide the renter with a certificate of rent constituting property taxes, the commissioner shall allocate the net tax on the building to the unit on a square footage basis or other appropriate basis as the commissioner determines. The renter shall supply the commissioner with a statement from the county treasurer which gives the amount of property tax on the parcel, the address and property tax parcel identification number of the property, and the number of units in the building.

((E) EFFECTIVE JANUARY 1, 1986, THE COMMISSIONER SHALL PROVIDE TO THE COMMISSIONER OF ENERGY AND ECONOMIC DEVELOPMENT A COPY OF ALL CERTIFICATES OF RENT CONSTITUTING PROPERTY TAXES THAT HAVE BEEN FILED WITH THE DEPARTMENT. THE COPIES OF THE CERTIFICATES SHALL BE PROVIDED BY JUNE 1 OF EACH YEAR.)

Sec. 10. [REPEALER.]

Minnesota Statutes 1984, section 290A.04, subdivisions 2a and 2b are repealed.

Sec. 11. [EFFECTIVE DATE.]

Sections 1, 3, 4, 6, 7, and 10 are effective for claims based on rent paid in 1985 and thereafter and for property taxes payable

in 1986 and thereafter. Section 2 is effective for claims based on property taxes payable in 1985 and thereafter. Section 5 is effective for property taxes payable in 1986. Section 8 is effective for claims based on property taxes payable in 1986 and thereafter. Section 9 is effective the day after final enactment.

ARTICLE 12

Section 1. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

Subd. 1a. [CITY.] City means a statutory or home rule charter city.

Sec. 2. Minnesota Statutes 1984, section 477A.011, subdivision 3, is amended to read:

Subd. 3. [POPULATION.] Population means the population established by the most recent federal census, by a special census conducted under contract with the United States bureau of the census, by a population estimate made by the metropolitan council, or by a population estimate of the state demographer made pursuant to section 116K.04, subdivision 4, clause (10), whichever is the most recent as to the stated date of the count or estimate. The term "per capita" refers to population as defined by this subdivision.

Sec. 3. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

Subd. 12. [PREVIOUS YEAR AID AMOUNT.] For any calendar year aid distribution, a municipality's previous year aid amount means the amount that it was certified to receive for the previous calendar year pursuant to sections 477A.011 to 477A.03.

Sec. 4. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

Subd. 13. [FISCAL NEED FACTOR.] For any calendar year aid distribution, a city's fiscal need factor means the three-year average of the sum of its municipal levy, its fiscal disparities distribution amount and its local government aid distribution amount, for taxes payable and distribution amounts receivable in the three years immediately preceding the aid distribution year.

Sec. 5. Minnesota Statutes 1984, section 477A.011, is amended by adding a subdivision to read:

Subd. 14. [LOCAL EFFORT MILL RATE.] For any calendar year aid distribution, a city's local effort mill rate means its

fiscal need factor per capita divided by \$16 per capita per mill for the first \$250 of its fiscal need factor per capita; plus its fiscal need factor per capita divided by \$13 per capita per mill on that part of its fiscal need factor per capita, if any, between \$250 and \$350; plus its fiscal need factor per capita divided by \$11 per capita per mill on that part of its fiscal need factor per capita, if any, in excess of \$350. In no case shall a city's local effort mill rate be less than eight mills.

Sec. 6. Minnesota Statutes 1984, section 477A.013, is amended to read:

477A.013 [MUNICIPAL GOVERNMENT DISTRIBUTIONS.]

Subdivision 1. [TOWNS.] ((A) IN 1984, EACH TOWN SHALL RECEIVE A DISTRIBUTION EQUAL TO 50 PERCENT OF THE AMOUNT RECEIVED IN 1983 PURSUANT TO MINNESOTA STATUTES 1982, SECTIONS 273.138, 273.139, AND 477A.011 TO 477A.03.)

((B)) In (1985 AND) each (SUCCEEDING) calendar year, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to (50) *the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03* (.)

(SUBD. 2. [CITIES AND TOWNS.] IN EACH CALENDAR YEAR, EACH STATUTORY AND HOME RULE CHARTER CITY SHALL RECEIVE A DISTRIBUTION EQUAL TO THE AMOUNT OBTAINED BY SUBTRACTING TEN MILLS MULTIPLIED BY THE MUNICIPALITY'S EQUALIZED ASSESSED VALUE FROM THE ADJUSTED LOCAL REVENUE BASE.)

(AN AID AMOUNT SHALL BE COMPUTED IN THE SAME MANNER FOR ALL TOWNS WHICH HAD LEVIED FOR TAXES PAYABLE IN THE PREVIOUS YEAR AT LEAST ONE MILL ON THE DOLLAR OF THE ASSESSED VALUE OF THE TOWN. A TOWN'S FINAL AID AMOUNT SHALL BE DETERMINED BY EITHER THE SUBDIVISION 1 OR THE SUBDIVISION 2 CALCULATION, WHICHEVER IS GREATER.)

(SUBD. 3. [AID LIMITATION.] THE AID AMOUNT DETERMINED PURSUANT TO SUBDIVISION 2 SHALL BE LIMITED SO THAT IT IS NOT GREATER THAN THE MUNICIPALITY'S MAXIMUM AID AMOUNT) ; or (b) *106 percent of the amount received in 1985 pursuant to Minnesota Statutes 1984, sections 477A.011 to 477A.03.*

Subd. 2. [CITIES.] For each calendar year aid distribution, a preliminary aid amount shall be computed for each city equal to the amount obtained by subtracting its local effort mill rate multiplied by its equalized assessed value from its fiscal need factor, except that its preliminary aid amount may not be less than its previous year aid amount.

For each city, an aid increase amount equal to the amount by which its preliminary aid amount exceeds its previous year aid amount shall be determined. Each city's aid increase amount shall be reduced by a uniform percentage as determined by the commissioner of revenue, to bring the total aid distribution into conformity with the aid limitation pursuant to subdivision 3. Each city's aid increase amount shall be further limited so that it does not exceed ten percent of its previous year aid.

Each city's final aid amount shall be equal to the sum of its aid increase amount, as adjusted, and its previous year aid amount.

Subd. 3. [AID LIMITATION.] The total amount available for distribution to cities pursuant to subdivision 2 shall be \$280,800,000 for calendar year 1986.

Sec. 7. [REPEALER.]

Minnesota Statutes 1984, sections 477A.011, subdivision 10, and 477A.0131, are repealed.

Sec. 8. [EFFECTIVE DATE.]

Sections 1 to 7 are effective for local government aid distributions beginning with calendar year 1986."

Delete the title and insert:

"A bill for an act relating to taxation; simplifying Minnesota income tax law by increasing conformity to federal income tax law; changing income tax rates, rate brackets, credits, and deductions; providing for computation of interest on overpayments; providing for timely payment of certain taxes; changing the estate tax; changing corporate income tax provisions; rescheduling payments and reducing the budget reserve; reducing sales tax rates and providing sales tax exemptions; authorizing lodging taxes for towns; reducing the basic maintenance mill rate; changing the computation of or eliminating certain property tax credits; changing property tax exemptions, classes, and classification ratios; changing the taxation of telephone companies; providing for studies; imposing duties on the commissioner of revenue and commissioner of natural resources; providing for increase in the levy limit base; changing property tax

provisions relating to collection of property tax, confessions of judgment, and sale of tax forfeit lands; changing property tax refund benefit schedules, eligible claimants, and definition of property taxes payable; changing local government aids; appropriating money; amending Minnesota Statutes 1984, sections 10A.31, subdivisions 1 and 3; 13.04, subdivision 2; 16A.15, subdivision 6; 41.55; 60A.15, subdivision 12; 60A.199, subdivision 8; 92.46, subdivision 1; 117.55; 124.2137, subdivision 1; 124A.02, subdivision 7; 270A.07, subdivision 5; 271.12; 272.02, subdivision 1; 272.03, subdivision 1; 273.111, subdivision 11; 273.115, subdivisions 2 and 3; 273.116, subdivisions 2 and 3; 273.13, subdivisions 4, 5a, 6, 6a, 7, 7b, 7c, 7d, 8a, 9, 14a, 16, 17, 17b, 17c, 17d, 19, 20 and 21; 273.133, by adding a subdivision; 273.135, subdivisions 1, 2, and 5; 273.1391, subdivisions 1, 2, and 4; 273.1392; 273.40; 273.42, subdivision 2; 275.50, by adding a subdivision; 275.51, subdivision 3h; 277.03; 277.10; 279.37, subdivisions 1, 3, 4, 8, and by adding a subdivision; 281.23, subdivision 1; 281.29; 282.01, subdivision 7a; 282.021; 282.261, by adding a subdivision; 290.01, subdivisions 20, 20a, 20b, 20d, and 20e; 290.032, subdivision 2; 290.05, subdivision 3; 290.06, subdivisions 2c, 2d, 3f, 3g, 11, and by adding a subdivision; 290.067, subdivision 1; 290.069, subdivision 4; 290.07, subdivision 1; 290.08, subdivision 26, and by adding a subdivision; 290.089, subdivision 2; 290.09, subdivisions 1 and 7; 290.091; 290.095, subdivisions 3, 7, 9, and 11; 290.10; 290.12, subdivision 2; 290.14; 290.17, subdivision 2; 290.175; 290.18, subdivision 2; 290.21, subdivisions 3 and 4; 290.34, subdivision 1, and by adding a subdivision; 290.37, subdivision 1; 290.38; 290.39, subdivision 1a; 290.41, subdivision 2; 290.50, subdivisions 1, 5, and 6; 290.92, subdivisions 2a, 6, 11, 13, and 19; 290.93, subdivision 9; 290.932, subdivision 1; 290.933, subdivision 1; 290.936; 290A.03, subdivisions 3 and 13; 290A.04, subdivisions 1, 2, and 3; 290A.06; 290A.07, subdivisions 2a and 3; 290A.10; 290A.19; 291.005, subdivision 1; 291.03, subdivision 1; 291.075; 291.09, subdivisions 1a, 2a, and 3a; 291.11, subdivision 1; 291.15, subdivisions 1 and 3; 291.18; 291.215, subdivision 1; 291.32; 294.09, subdivision 1; 295.34, subdivision 1; 297A.01, subdivisions 15 and 16; 297A.02, subdivisions 1, 2, and 3; 297A.03, subdivision 2; 297A.14; 297A.25, subdivision 1; 297A.26, subdivision 1, and by adding a subdivision; 297A.27, subdivision 1; 297A.35, subdivision 1; 298.09, subdivision 4; 298.40, by adding a subdivision; 299.05; 299F.26, subdivision 1; 473.556, subdivision 4; 477A.011, subdivision 3, and by adding subdivisions; 477A.013; 477A.018; 524.3-1202; amending Laws 1984, chapter 644, section 85; proposing coding for new law in Minnesota Statutes, chapters 16A; 124A; 270; 290; and 297A; repealing Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 55.10, subdivision 2; 62E.03, subdivision 2; 270.75, subdivision 7; 273.115, subdivisions 1, 5, 6, and 7; 273.116, subdivisions 1, 5, 6, and 7; 273.1311; 273.1315; 290.01, subdivisions 20c and 26; 290.012; 290.06, subdivisions 2f, 3d, 3e, 14, 15, 16, 17, 18, and 19; 290.067, subdivisions 2 and 4; 290.068, subdivision 6; 290.077, subdivision 4; 290.08, subdivisions 23 and 24;

290.089, subdivisions 1, 3, 4, 5, and 6; 290.09, subdivision 29; 290.101; 290.18, subdivision 4; 290.21, subdivision 8; 290.34, subdivision 2; 290.39, subdivision 2; 290.41, subdivision 5; 290A.04, subdivisions 2a and 2b; 291.015; 291.03, subdivisions 3, 4, 5, 6, and 7; 291.05; 291.051; 291.06; 291.065; 291.07; 291.08; 291.09, subdivision 5; 291.111; 291.131, subdivisions 5 and 6; 291.132; 291.15, subdivision 2; 291.18; 291.20; 291.29, subdivision 5; 295.34, subdivision 2; 297A.15, subdivision 5; 297A.26, subdivision 3; 297A.275; 385.36; 477A.011, subdivision 10; and 477A.0131; repealing Laws 1982, chapter 523, article 7, section 3."

With the recommendation that when so amended the bill pass.

MINORITY REPORT

April 24, 1985

We, the undersigned, being a minority of the Committee on Taxes, recommend that H. F. No. 756, do pass with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1984, section 10A.31, subdivision 1, is amended to read:

Subdivision 1. Every individual resident of Minnesota who files an income tax return or a renter and homeowner property tax refund return with the commissioner of revenue may designate on their original return that \$2 shall be paid from the general fund of the state into the state elections campaign fund. If a husband and wife file a joint return, each spouse may designate that \$2 shall be paid. (AN INDIVIDUAL WHO IS 18 YEARS OF AGE OR OLDER, WHO IS A RESIDENT OF MINNESOTA, AND WHO IS A DEPENDENT OF ANOTHER INDIVIDUAL WHO FILES A TAX RETURN OR A RENTER AND HOMEOWNER PROPERTY TAX REFUND RETURN, MAY DESIGNATE THAT \$2 SHALL BE PAID FROM THE GENERAL FUND OF THE STATE INTO THE STATE ELECTIONS CAMPAIGN FUND.) No individual shall be allowed to designate \$2 more than once in any year.

Sec. 2. Minnesota Statutes 1984, section 10A.31, subdivision 3, is amended to read:

Subd. 3. The commissioner of the department of revenue shall provide on the first page of the income tax form and the renter and homeowner property tax refund return a space for the (FILING) individual (AND ANY ADULT DEPENDENT OF THAT INDIVIDUAL) to indicate (WHETHER OR NOT) he

wishes to allocate \$2 (\$4 if filing a joint return) from the general fund of the state to finance the election campaigns of state candidates. The form shall also contain language prepared by the commissioner which permits the individual to direct the state to allocate the \$2 (or \$4 if filing a joint return) to: (i) one of the major political parties; (ii) any minor political party as defined in section 10A.01, subdivision 13, which qualifies under the provisions of subdivision 3a; or (iii) all qualifying candidates as provided by subdivision 7. (THE DEPENDENT ON THE TAX RETURN OR THE RENTER AND HOMEOWNER PROPERTY TAX REFUND RETURN SHALL SIGN A STATEMENT WHICH AUTHORIZES THE DESIGNATION OF \$2.) The renter and homeowner property tax refund return shall include instructions that the individual filing the return may designate \$2 on the return only if he has not designated \$2 on the income tax return.

Sec. 3. Minnesota Statutes 1984, section 13.04, subdivision 2, is amended to read:

Subd. 2. [INFORMATION REQUIRED TO BE GIVEN INDIVIDUAL.] An individual asked to supply private or confidential data concerning himself shall be informed of: (a) the purpose and intended use of the requested data within the collecting state agency, political subdivision, or statewide system; (b) whether he may refuse or is legally required to supply the requested data; (c) any known consequence arising from his supplying or refusing to supply private or confidential data; and (d) the identity of other persons or entities authorized by state or federal law to receive the data. This requirement shall not apply when an individual is asked to supply investigative data, pursuant to section 13.82, subdivision 5, to a law enforcement officer.

The commissioner of revenue may place the notice required under this subdivision in the individual income tax or property tax refund instructions instead of on those forms.

Sec. 4. Minnesota Statutes 1984, section 41.55, is amended to read:

41.55 [ELIGIBILITY.]

A family farm security loan approval may be granted if the following criteria are satisfied:

(a) That the applicant is a resident of the state of Minnesota;

(b) That the applicant has sufficient education, training, or experience in the type of farming for which he wishes the loan and continued participation in a farm management program, approved by the commissioner, for at least the first ten years of the family farm security loan;

(c) That the applicant, his dependents and spouse have total net worth valued at less than \$75,000 and has demonstrated a need for the loan;

(d) That the applicant intends to purchase farm land to be used by the applicant for agricultural purposes;

(e) That the applicant is credit worthy according to standards prescribed by the commissioner (;)

((F) THAT THE SELLER HAS NOT ACQUIRED THE FARM LAND FOR PURPOSES OF OBTAINING THE INCOME TAX EXEMPTION ALLOWED BY SECTIONS 41.58 AND LAWS 1976, CHAPTER 210, SECTION 12).

Sec. 5. Minnesota Statutes 1984, section 117.55, is amended to read:

117.55 [PAYMENTS NOT CONSIDERED INCOME FOR TAX OR PUBLIC ASSISTANCE PURPOSES.]

No payments received under sections 117.50 to 117.56 shall be considered (AS INCOME FOR THE PURPOSES OF CHAPTER 290, OR) for purposes of determining the eligibility or the extent of eligibility of any person for public assistance based on need under the laws of the state of Minnesota.

Sec. 6. Minnesota Statutes 1984, section 270.68, subdivision 4, is amended to read:

Subd. 4. [CONFESSION OF JUDGMENT.] (a) The commissioner may, within 3-1/2 years after any return or report is filed, notwithstanding section 541.09, enter judgment on any confession of judgment contained in the return or report after ten days notice served upon the taxpayer by mail at the address shown in his return or report. The judgment shall be entered by the clerk of court of any county upon the filing of a photocopy or similar reproduction of that part of the return or report containing the confession of judgment along with a statement of the commissioner or his agent that the tax has not been paid. *The commissioner may prescribe the words for the confession of judgment statement contained in the return or report.*

(b) Notwithstanding any other provision of the law to the contrary, the commissioner may, within five years after a written agreement is signed by the taxpayer and the commissioner under the provisions of section 270.67, subdivision 2, enter judgment on the confession of judgment contained within the agreement after ten days notice served upon the taxpayer at the address shown in the agreement. Such judgment shall be entered by the clerk of court of any county upon the filing of the agreement

or a certified copy thereof along with a statement of the commissioner or his agent that the tax has not been paid.

Sec. 7. Minnesota Statutes 1984, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the gross income, as defined in subdivision 20, less the following deductions to the extent allowed by section 290.18, subdivision 1:

(a) For corporations, the deductions allowed by section 290.09;

(b) For individuals, the deductions allowed in (SECTION 290.088, WITHOUT REGARD TO) sections 290.18, subdivision 1, 290.089, and 290.09; and

(c) For estates and trusts, the deduction allowed by section 290.088, without regard to section 290.18, subdivision 1.

Sec. 8. Minnesota Statutes 1984, 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.

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income 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 subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income 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 subdivision and in subdivisions 20a to 20f.

(i) (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 THIS CHAPTER AT THE SAME TIME THEY BECOME EFFECTIVE FOR FEDERAL INCOME TAX PURPOSES.)

(THE PROVISIONS OF SECTION 4 OF P.L. 95-458, SECTIONS 131, 133, 134, 141, 152, 156, 157, 405, AND 543 OF P.L. 95-600, AND SECTION 2 OF P.L. 96-608 (RELATING TO PENSIONS, INDIVIDUAL RETIREMENT ACCOUNTS, DEFERRED COMPENSATION PLANS, THE SALE OF A RESIDENCE AND TO CONSERVATION PAYMENTS TO FARMERS) INCLUDING THE AMENDMENTS MADE TO THESE SECTIONS IN P.L. 96-222 SHALL BE EFFECTIVE AT THE SAME TIME THAT THESE PROVISIONS BECAME EFFECTIVE FOR FEDERAL INCOME TAX PURPOSES.)

((II)) THE INTERNAL REVENUE CODE OF 1954, AS AMENDED THROUGH DECEMBER 31, 1979, SHALL BE IN EFFECT FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1979.)

((III)) The Internal Revenue Code of 1954, as amended through December 31, 1980, and as amended by sections 302(b) and 501 to 509 of Public Law Number 97-34, shall be in effect for taxable years beginning after December 31, 1980 including the provisions of section 404 (relating to partial exclusions of dividends and interest received by individuals) of the Crude Oil Windfall Profit Tax Act of 1980, P.L. 96-223. The provisions of P.L. 96-471 (relating to installment sales) sections 122, 123, 126, 201, 202, 203, 204, 211, 213, 214, 251, 261, 264, 265, 311(g)(3), 313, 314(a)(1), 321(a), 501 to 507, 811, and 812 of the Economic Recovery Tax Act of 1981, Public Law Number 97-34 and section 113 of Public Law Number 97-119 shall be effective at the same time that they become effective for federal income tax purposes.

((IV)) (ii) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. The provisions of sections 205(a), 214 to 222, 231, 232, 236, 247, 251, 252, 253, 265, 266, 285, 288, and 335 of the Tax Equity and Fiscal Responsibility Act of 1982, Public Law Number 97-248, section 6(b)(2) and (3) of the Subchapter S Revision Act of 1982, Public Law Number 97-354, section 517 of Public Law Number 97-424, sections 101(c) and (d), 102(a), (aa), (f)(4), (g), (j), (l), 103(c), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number 97-448, and sections 101 and 102 of Public Law Number 97-473 shall be effective at the same time that they become effective for federal income tax purposes. The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4, shall be effective at the same time that it becomes effective for federal income tax purposes.

((V)) (iii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982.

((VI)) (iv) The Internal Revenue Code of 1954, as amended through December 31, (1983) 1984, (SHALL BE) is in effect for taxable years beginning after December 31, (1983) 1984.

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, (20C,) 20e, and 20f (SHALL) mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 9. Minnesota Statutes 1984, section 290.01, subdivision 20a, is amended to read:

Subd. 20a. [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 other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) 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;

(3) (THE AMOUNT OF ANY INCREASE IN THE TAX-PAYER'S FEDERAL TAX LIABILITY UNDER SECTION 47 OF THE INTERNAL REVENUE CODE OF 1954 TO THE EXTENT OF THE CREDIT UNDER SECTION 38 OF THE INTERNAL REVENUE CODE OF 1954 THAT WAS PREVIOUSLY ALLOWED AS A DEDUCTION UNDER MINNESOTA STATUTES 1982, SECTION 290.01, SUBDIVISION 20B, CLAUSE (7);)

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

((5) EXPENSES AND DEPRECIATION ATTRIBUTABLE TO SUBSTANDARD BUILDINGS DISALLOWED BY SECTION 290.101;)

((6) 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;)

((7)) TO THE EXTENT DEDUCTED IN COMPUTING THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR, LOSSES RECOGNIZED UPON A TRANSFER OF PROPERTY TO THE SPOUSE OR FORMER SPOUSE OF THE TAXPAYER IN EXCHANGE FOR THE RELEASE OF THE SPOUSE'S MARITAL RIGHTS;)

((8)) (4) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, if the nonprofit corporation is domiciled outside of Minnesota;

((9)) (5) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, except for that portion of 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;

((10)) THE AMOUNT OF ANY EXCLUDED GAIN 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;)

((11)) TO THE EXTENT NOT INCLUDED IN THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME, THE AMOUNT OF ANY GAIN, FROM THE SALE OR OTHER DISPOSITION OF PROPERTY HAVING A LOWER ADJUSTED BASIS FOR MINNESOTA INCOME TAX PURPOSES THAN FOR FEDERAL INCOME TAX PURPOSES. THIS MODIFICATION SHALL NOT EXCEED THE DIFFERENCE IN BASIS. IF THE GAIN IS CONSIDERED A LONG TERM CAPITAL GAIN FOR FEDERAL INCOME TAX PURPOSES, THE MODIFICATION SHALL BE LIMITED TO 40 PERCENT OF THE PORTION OF THE GAIN. THIS MODIFICATION IS LIMITED TO PROPERTY THAT QUALIFIED FOR THE EQUITY INVESTMENT CREDIT CONTAINED IN SECTION 290.069, SUBDIVISION 4, AND TO PROPERTY ACQUIRED IN EXCHANGE FOR THE RELEASE OF THE TAXPAYER'S MARITAL RIGHTS CONTAINED IN SECTION 290.14, CLAUSE (7);)

((12)) (6) For an estate or trust, the amount of any loss from a source outside of Minnesota which is not allowed under section 290.17 including any capital loss or net operating loss carryforwards or carrybacks resulting from the loss;

((13)) (7) To the extent deducted in computing the estate or trust's federal taxable income, interest, taxes and other ex-

penses which are not allowed under section 290.10, clause (9) or (10); and

((14) THE DEDUCTION FOR TWO-EARNER MARRIED COUPLES PROVIDED IN SECTION 221 OF THE INTERNAL REVENUE CODE OF 1954;)

((15)) (8) Losses from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax (;)

((16) EXPENSES AND DEPRECIATION ATTRIBUTABLE TO PROPERTY SUBJECT TO LAWS 1982, CHAPTER 523, ARTICLE 7, SECTION 3 WHICH HAS NOT BEEN REGISTERED;)

((17) THE AMOUNT OF CONTRIBUTIONS TO AN INDIVIDUAL RETIREMENT ACCOUNT, INCLUDING A QUALIFIED VOLUNTARY EMPLOYEE CONTRIBUTION, SIMPLIFIED EMPLOYEE PENSION PLAN, OR SELF-EMPLOYED RETIREMENT PLAN WHICH IS ALLOWED UNDER SECTIONS 311 AND 312 OF PUBLIC LAW NUMBER 97-34, SECTION 238 OF PUBLIC LAW NUMBER 97-248, AND SECTION 103(D)(1)(B) OF PUBLIC LAW NUMBER 97-448 TO THE EXTENT THOSE CONTRIBUTIONS WERE NOT AN ALLOWABLE DEDUCTION PRIOR TO THE ENACTMENT OF THAT LAW; PROVIDED THAT AN INDIVIDUAL ON WHOSE BEHALF STOCK WORTH LESS THAN \$300 IS CONTRIBUTED DURING THE TAXABLE YEAR TO A TAX CREDIT EMPLOYEE STOCK OWNERSHIP PLAN THAT SATISFIES THE REQUIREMENTS OF SECTIONS 44G AND 409A OF THE INTERNAL REVENUE CODE OF 1954 SHALL NOT BE REQUIRED, AS A CONSEQUENCE OF THAT CONTRIBUTION, TO INCLUDE CONTRIBUTIONS TO ANOTHER PLAN OR ACCOUNT IN GROSS INCOME UNDER THIS CLAUSE TO THE EXTENT THE CONTRIBUTIONS DO NOT EXCEED THE DIFFERENCE BETWEEN THE VALUE OF THE STOCK CONTRIBUTED DURING THE TAXABLE YEAR AND \$1,500; AND)

((18) TO THE EXTENT NOT INCLUDED IN THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME, THE AMOUNT OF ANY CONTRIBUTIONS TO A QUALIFIED PENSION PLAN, DESIGNATED AS EMPLOYEE CONTRIBUTIONS BUT WHICH THE EMPLOYING UNIT PICKS UP AND WHICH ARE TREATED AS EMPLOYER CONTRIBUTIONS PURSUANT TO SECTION 414(H)(2) OF THE INTERNAL REVENUE CODE OF 1954, PROVIDED THAT EMPLOYEE CONTRIBUTIONS TO POLICE AND FIRE RELIEF ASSOCIATIONS THAT PREVIOUSLY WERE NOT INCLUDED WITHIN GROSS INCOME AS CONTRIBUTIONS TO ORGANIZATIONS QUALIFIED UNDER SECTION 501(C)(4)

OF THE INTERNAL REVENUE CODE OF 1954 SHALL NOT BE INCLUDED IN GROSS INCOME UNDER THIS CLAUSE.)

Sec. 10. Minnesota Statutes 1984, section 290.01, subdivision 20b, is amended to read:

Subd. 20b. [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 40 per centum of the 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) (INCOME FROM THE PERFORMANCE OF PERSONAL OR PROFESSIONAL SERVICES WHICH IS SUBJECT TO THE RECIPROCITY EXCLUSION CONTAINED IN SECTION 290.081, CLAUSE (A));

((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 or out of state loss carryforwards resulting from the losses, and including any farm loss carryforwards or carrybacks;

((5)) (4) 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 the 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, OR THE AMOUNT REFLECTED AS THE ORDINARY INCOME PORTION OF A LUMP SUM DISTRIBUTION UNDER SECTION 402(E) OF THE INTER-

NAL REVENUE CODE OF 1954, 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, (II) AS A RETIREMENT OR SURVIVOR'S BENEFIT MADE FROM A PLAN QUALIFYING UNDER SECTION 401, 403, 404, 405, 408, 409 OR 409A OF THE INTERNAL REVENUE CODE OF 1954, OR (III) SEVERANCE PAY DISTRIBUTED TO AN INDIVIDUAL UPON DISCONTINUANCE OF THE INDIVIDUAL'S EMPLOYMENT DUE TO TERMINATION OF BUSINESS OPERATIONS BY THE INDIVIDUAL'S EMPLOYER, PROVIDED THAT THE TERMINATION IS REASONABLY LIKELY TO BE PERMANENT, INVOLVES THE DISCHARGE OF AT LEAST 75 PERCENT OF THE EMPLOYEES AT THAT SITE WITHIN A ONE-YEAR PERIOD, AND THE BUSINESS IS NOT ACQUIRED BY ANOTHER PERSON WHO CONTINUES OPERATIONS AT THAT SITE. THE MAXIMUM AMOUNT OF THIS SUBTRACTION SHALL BE \$11,000 LESS THE AMOUNT BY WHICH THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME, PLUS THE ORDINARY INCOME PORTION OF A LUMP SUM DISTRIBUTION AS DEFINED IN SECTION 402(E) OF THE INTERNAL REVENUE CODE OF 1954, EXCEEDS \$17,000. FOR PURPOSES OF THE PRECEDING SENTENCE, "FEDERAL ADJUSTED GROSS INCOME" SHALL NOT INCLUDE RAILROAD RETIREMENT OR SOCIAL SECURITY BENEFIT AMOUNTS PROVIDED IN SECTIONS 86 AND 72(R) OF THE INTERNAL REVENUE CODE OF 1954. FOR PURPOSES OF THIS CLAUSE, "SEVERANCE PAY" MEANS AN AMOUNT RECEIVED FOR CANCELLATION OF AN EMPLOYMENT CONTRACT OR A COLLECTIVELY BARGAINED TERMINATION PAYMENT MADE AS A SUBSTITUTE FOR INCOME WHICH WOULD HAVE BEEN EARNED FOR PERSONAL SERVICES TO BE RENDERED IN THE FUTURE. 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 \$11,000; THIS SUBTRACTION SHALL NOT BE REDUCED BY THE AMOUNT OF THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME IN EXCESS OF \$17,000;

((7) TO THE EXTENT INCLUDED IN THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR, GAIN RECOGNIZED UPON A TRANSFER OF PROPERTY TO THE SPOUSE OR FORMER SPOUSE OF

THE TAXPAYER IN EXCHANGE FOR THE RELEASE OF THE SPOUSE'S MARITAL RIGHTS;)

((8)) (5) *Pension income as provided by section 290.08, subdivision 26;*

(6) 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;

((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 BEFORE JANUARY 1, 1986 THAT IS GUARANTEED BY THE COMMISSIONER OF AGRICULTURE AS PROVIDED IN SECTIONS 41.51 TO 41.60;

((10)) (7) The first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, and the next \$2,000 of compensation for personal services in the armed forces of the United States or the United Nations wholly performed outside the state of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause **((6)) (5)**;

((11) IN THE CASE OF WAGES OR SALARIES PAID OR INCURRED ON OR AFTER JANUARY 1, 1977, THE AMOUNT OF ANY CREDIT FOR EMPLOYMENT OF CERTAIN NEW EMPLOYEES UNDER SECTIONS 44B AND 51 TO 53 OF THE INTERNAL REVENUE CODE OF 1954 WHICH IS CLAIMED AS A CREDIT AGAINST THE TAXPAYER'S FEDERAL TAX LIABILITY, 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;

((12)) (8) Unemployment compensation to the extent includible in gross income for federal income tax purposes under section 85 of the Internal Revenue Code of 1954;

((13)) (9) For an estate or trust, the amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

((14) INTEREST EARNED ON A CONTRACT FOR DEED ENTERED INTO FOR THE SALE OF PROPERTY FOR AGRICULTURAL USE IF THE RATE OF INTEREST

SET IN THE CONTRACT IS NO MORE THAN NINE PERCENT PER YEAR FOR THE DURATION OF THE TERM OF THE CONTRACT. THIS EXCLUSION SHALL BE AVAILABLE ONLY IF (1) THE PURCHASER IS AN INDIVIDUAL WHO, TOGETHER WITH HIS SPOUSE AND DEPENDENTS, HAS A TOTAL NET WORTH VALUED AT LESS THAN \$150,000 AND (2) THE PROPERTY SOLD UNDER THE CONTRACT IS FARM LAND AS DEFINED IN SECTION 41.52, SUBDIVISION 6 OF NO MORE THAN 1,000 ACRES THAT THE PURCHASER INTENDS TO USE FOR AGRICULTURAL PURPOSES. COMPLIANCE WITH THESE REQUIREMENTS SHALL BE STATED IN AN AFFIDAVIT TO BE FILED WITH THE FIRST INCOME TAX RETURN ON WHICH THE TAXPAYER CLAIMS THE EXCLUSION PROVIDED IN THIS CLAUSE. UPON REQUEST ACCOMPANIED BY THE INFORMATION NECESSARY TO MAKE THE DETERMINATION, THE COMMISSIONER SHALL DETERMINE WHETHER INTEREST TO BE PAID ON A PROPOSED TRANSACTION WILL QUALIFY FOR THIS EXCLUSION; THE DETERMINATION SHALL BE PROVIDED WITHIN 30 DAYS OF RECEIPT OF THE REQUEST, UNLESS THE COMMISSIONER FINDS IT NECESSARY TO OBTAIN ADDITIONAL INFORMATION, OR VERIFICATION OF THE INFORMATION PROVIDED, IN WHICH CASE THE DETERMINATION SHALL BE PROVIDED WITHIN 30 DAYS OF RECEIPT OF THE FINAL ITEM OF INFORMATION OR VERIFICATION. THE EXCLUSION PROVIDED IN THIS CLAUSE SHALL APPLY TO INTEREST EARNED ON CONTRACTS FOR DEED ENTERED INTO AFTER DECEMBER 31, 1981 AND BEFORE JULY 1, 1983;)

((15)) (10) Income from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

((16)) (11) To the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represents a return of designated employee contributions to the plan and which contributions were included in gross income pursuant to *Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (18)*. The provisions of this clause shall apply before the provisions of clause ((6)) (5) apply and an amount subtracted under this clause may not be subtracted under clause ((6)) (5);

((17)) (12) To the extent included in federal adjusted gross income, distributions from an individual retirement account which represent a return of contributions if the contributions were included in gross income pursuant to *Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (17)*. The distribution shall be allocated first to return of contributions included in

gross income until the amount of the contributions has been exhausted; and

((18)) (13) To the extent included in federal adjusted gross income, social security benefits as defined and as provided in section 86 of the Internal Revenue Code of 1954, railroad retirement benefits as provided in section 72(r) of the Internal Revenue Code of 1954, and sick pay paid under the Railroad Unemployment Insurance Act as provided in section 105(i) of the Internal Revenue Code of 1954, provided that any amount subtracted under this clause may not be subtracted under clause ((6)) (5);

(14) *The amount paid to others not to exceed \$650 for each dependent in grades K to 6 and \$1,000 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs; and*

(15) *For the taxpayer, each dependent of the taxpayer, and, in the case of a joint return, the taxpayer's spouse, \$1,000 for each of the following that is satisfied: (a) the individual is deaf, (b) the individual is a quadriplegic, or (c) in the case of a dependent only, the individual is blind. For purposes of this clause, 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 field of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees. 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. Quadriplegic means an individual who has a congenital or traumatic partial or total loss of all four limbs or who has a disability that substantially impairs the functioning of all four limbs.*

Sec. 11. Minnesota Statutes 1984, section 290.01, subdivision 20d, is amended to read:

Subd. 20d. [MODIFICATION FOR AMOUNTS TRANSFERRED TO SURPLUS.] Amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, *for corporate taxpayers*, to the extent that the 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 the amounts resulted in a reduction of the tax imposed by this chapter and 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 chapter.

Sec. 12. Minnesota Statutes 1984, section 290.032, subdivision 2, is amended to read:

Subd. 2. The amount of tax imposed by subdivision 1 shall be computed in the same way as the tax imposed under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, except that the initial separate tax shall be an amount equal to ten times the tax which would be imposed by section (290.03) 290.06, *subdivision 2c*, if the recipient was an *unmarried* individual (REFERRED TO IN SUCH SECTION) and the taxable net income, excluding the credits allowed in section 290.06, subdivision 3f, was an amount equal to one-tenth of the excess of

(i) the total taxable amount of the lump sum distribution for the year, over

(ii) the minimum distribution allowance, and except that references in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, to paragraph (1)(A) thereof shall instead be references to subdivision 1 of this section.

The amount of any distribution from a qualified pension or profit sharing plan which is received as a lump sum distribution shall be reduced to the extent of any contribution:

(1) not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota for a taxable year beginning in 1974 or thereafter; or

(2) designated as an employee contribution but which the employing unit picks up and which is treated as an employer contribution and which was taxed on the Minnesota return but not the federal return in the year the contribution was made.

Sec. 13. Minnesota Statutes 1984, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [(SCHEDULE) *SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.*] (a) The income taxes imposed by this chapter upon *married* individuals (, ESTATES AND TRUSTS, OTHER THAN THOSE TAXABLE AS CORPORATIONS, SHALL) *filing joint returns must* be computed by applying to their taxable net income the following schedule of rates:

(1) On the first (\$500, ONE AND SIX-TENTHS) \$2,700, *two percent*;

(2) On (THE SECOND \$500, TWO AND TWO-TENTHS) *all over \$2,700, but not over \$5,700, 3.5 percent*;

(3) On (THE NEXT \$1,000, THREE AND FIVE-TENTHS) *all over \$5,700, but not over \$9,600, 5.3 percent*;

(4) On (THE NEXT \$1,000, FIVE AND EIGHT-TENTHS) *all over \$9,600, but not over \$13,800, 6.9 percent*;

(5) On (THE NEXT \$1,000, SEVEN AND THREE-TENTHS) *all over \$13,800, 9.3 percent* (;

((6) ON THE NEXT \$1,000, EIGHT AND EIGHT-TENTHS PERCENT;)

((7) ON THE NEXT \$2,000, TEN AND TWO-TENTHS PERCENT;)

((8) ON THE NEXT \$2,000, ELEVEN AND FIVE-TENTHS PERCENT;)

((9) ON THE NEXT \$3,500, TWELVE AND EIGHT-TENTHS PERCENT;)

((10) ON ALL OVER \$12,500, AND NOT OVER \$20,000, FOURTEEN PERCENT;)

((11) ON ALL OVER \$20,000 AND NOT OVER \$27,500, FIFTEEN PERCENT;)

((12) ON ALL OVER \$27,500, SIXTEEN PERCENT).

(b) *The income taxes imposed by this chapter upon unmarried individuals, married individuals filing separate returns, estates, and trusts must be computed by applying to taxable net income the following schedule of rates:*

(1) *On the first \$3,000, 2.4 percent*;

(2) *On all over \$3,000, but not over \$6,800, 5.4 percent*;

(3) *On all over \$6,800, but not over \$12,000, 8.3 percent;*

(4) *On all over \$12,000, 9.0 percent.*

(c) In lieu of a tax computed according to the rates set forth in (CLAUSE) *paragraph (a) or (b)* of this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than (\$40,000 SHALL) *an amount determined by the commissioner must* be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

((C)) (d) An individual who is not a Minnesota resident for the entire year must compute his Minnesota income tax as provided in (CLAUSE) *paragraph (a) or (b)*. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota gross income, computed as if the provisions of section 290.17, subdivision 2, or 290.171 applied; and

(2) the denominator is the individual's federal adjusted gross income.

Sec. 14. Minnesota Statutes 1984, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] For taxable years beginning after December 31, (1980) 1985, the taxable net income brackets in subdivision 2c shall be adjusted for inflation. For the purpose of making the adjustment as provided in this subdivision all of the *rate* brackets provided in subdivision 2c shall be the (ADJUSTED) *rate* brackets as they existed for taxable years beginning after December 31, (1979) 1984 and before January 1, (1981) 1986. The commissioner shall determine (: (A)) the percentage increase in the revised consumer price index for all urban consumers (FOR THE MINNEAPOLIS-ST. PAUL METROPOLITAN AREA) prepared by the United States department of labor. He shall then determine the percent change from August, (1980) 1985, to, in (1981) 1986, August, (1981) 1986, and in each subsequent year, from August of the preceding year to August of the current year (; AND (B) THE PERCENTAGE INCREASE IN AVERAGE MINNESOTA GROSS INCOME FROM TAX YEAR 1980 TO, IN 1981, TAX YEAR 1981, AND IN EACH SUBSEQUENT TAX YEAR BETWEEN THE PREVIOUS TAX YEAR AND

THE CURRENT TAX YEAR. THE PERCENT INCREASES IN MINNESOTA GROSS INCOME SHALL BE ESTIMATED USING THE BEST AVAILABLE DATA SOURCES AND REASONABLE FORECASTING PROCEDURES). The determination of the commissioner pursuant to this (SECTION) *subdivision* shall not be considered a "rule" and shall not be subject to the administrative procedures act contained in chapter 14.

The dollar amount in each taxable net income bracket for the prior year in subdivision 2c shall be multiplied by a figure calculated as one plus 100 percent of the consumer price index increase (OR 100 PERCENT OF THE MINNESOTA GROSS INCOME INCREASE, WHICHEVER IS SMALLER). The product of the calculation shall yield the inflation adjusted tax brackets for each succeeding year. If the product exceeds a whole dollar amount, it shall be rounded to the nearest whole dollar.

No later than October 1 of each year, the commissioner shall announce (BOTH PERCENTAGE INCREASES AND) the (SPECIFIC) percentage that will be used to adjust the tax rate brackets the maximum standard deduction amount, and the personal credit amounts.

Sec. 15. Minnesota Statutes 1984, section 290.06, subdivision 3f, is amended to read:

Subd. 3f. [CREDITS AGAINST TAX.] Subject to the provisions of subdivision 3g the taxes due under the computation in accordance with this section shall be credited with the following amounts:

(1) In the case of an unmarried individual (\$68) *or a married individual filing separately, \$72;*

(2) In the case of (A) married (INDIVIDUAL, \$136. IF THE SPOUSES FILE SEPARATE, COMBINED OR JOINT RETURNS THE PERSONAL CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM) *individuals filing a joint return, \$144;*

(3) In the case of an individual, (\$68) *\$72* for each person ((OTHER THAN A SPOUSE) DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAYER. ONE TAXPAYER ONLY SHALL BE ALLOWED THIS CREDIT WITH RESPECT TO ANY GIVEN DEPENDENT. A PAYMENT TO A DIVORCED OR SEPARATED SPOUSE, OTHER THAN A PAYMENT FOR SUPPORT OF MINOR CHILDREN UNDER A TEMPORARY ORDER OR FINAL DECREE OF DISSOLUTION OR LEGAL SEPARATION, SHALL NOT BE CONSIDERED A PAYMENT BY THE OTHER SPOUSE FOR

THE SUPPORT OF ANY DEPENDENT) *who was claimed by the individual as a dependent on the individual's federal income tax return as provided in sections 151(e) and 152 of the Internal Revenue Code of 1954, as amended through December 31, 1984.*

(4)(a) In the case of an unmarried individual *or a married individual filing separately* who has attained the age of 65 before the close of his taxable year, an additional (\$68) \$72;

(b) In the case of an unmarried individual *or a married individual filing separately* who is blind at the close of the taxable year, an additional (\$68) \$72;

(c) In the case of (A) married (INDIVIDUAL) *individuals filing a joint return*, an additional (\$68) \$72 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional (\$68) \$72 for each spouse who is blind at the close of the individual's taxable year. (IF THE SPOUSES FILE SEPARATE, COMBINED OR JOINT RETURNS, THESE CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM);

((D) IN THE CASE OF AN INDIVIDUAL, ANOTHER \$68 FOR EACH PERSON, OTHER THAN A SPOUSE, WHO IS BLIND AND DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAYER;)

((E) FOR THE PURPOSES OF SUBPARAGRAPHS (B), (C) AND (D) 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.)

((F) IN THE CASE OF AN UNMARRIED INDIVIDUAL WHO IS DEAF AT THE CLOSE OF THE TAXABLE YEAR, AN ADDITIONAL \$68.)

((G) IN THE CASE OF A MARRIED INDIVIDUAL, AN ADDITIONAL \$68 \$70 FOR EACH SPOUSE WHO IS DEAF AT THE CLOSE OF THE TAXABLE YEAR. IF THE SPOUSES FILE SEPARATE, COMBINED OR JOINT RETURNS, THESE CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM.)

((H) IN THE CASE OF AN INDIVIDUAL, AN ADDITIONAL \$68 FOR EACH PERSON (OTHER THAN A

SPOUSE) WHO IS DEAF AND DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAYER.)

((I) FOR THE PURPOSES OF SUBPARAGRAPHS (F), (G) AND (H) 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) IN THE CASE OF AN UNMARRIED INDIVIDUAL WHO IS A QUADRIPLÉGIC AT THE CLOSE OF THE TAXABLE YEAR, AN ADDITIONAL \$68;)

((B) IN THE CASE OF A MARRIED INDIVIDUAL, AN ADDITIONAL \$68 FOR EACH SPOUSE WHO IS A QUADRIPLÉGIC AT THE CLOSE OF THE TAXABLE YEAR. IF THE SPOUSES FILE SEPARATE, COMBINED OR JOINT RETURNS, THESE CREDITS MAY BE TAKEN BY EITHER OR DIVIDED BETWEEN THEM;)

((C) IN THE CASE OF AN INDIVIDUAL, ANOTHER \$68 FOR EACH PERSON, OTHER THAN A SPOUSE, WHO IS QUADRIPLÉGIC AND DEPENDENT UPON AND RECEIVING HIS CHIEF SUPPORT FROM THE TAXPAYER; AND)

((D) FOR THE PURPOSES OF SUBPARAGRAPHS (A), (B) AND (C) OF PARAGRAPH 5, "QUADRIPLÉGIC" MEANS AN INDIVIDUAL WHO HAS A CONGENITAL OR TRAUMATIC PARTIAL OR TOTAL LOSS OF ALL FOUR LIMBS OR WHO HAS A DISABILITY THAT SUBSTANTIALLY IMPAIRS THE FUNCTIONING OF ALL FOUR LIMBS.)

((6)) 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 this chapter is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by sections 69.54 to 69.56.

Sec. 16. Minnesota Statutes 1984, section 290.06, subdivision 3g, is amended to read:

Subd. 3g. [INFLATION ADJUSTMENT OF CREDITS.] For taxable years beginning after December 31, (1980) 1985, the credits provided for individuals in subdivision 3f shall be adjusted for inflation. The dollar amount of each credit for the prior year in subdivision 3f shall be increased in the same manner as provided in subdivision 2d for the expansion of the taxable net income brackets.

Sec. 17. Minnesota Statutes 1984, section 290.068, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] In addition to the deduction provided in section 290.09, a (CREDIT) *corporation* shall be allowed a *credit* against the tax imposed by this chapter for the taxable year equal to

(a) 12.5 percent of the first \$2 million of the excess (if any) of

(1) the qualified research expenses for the taxable year, over

(2) the base period research expenses; and

(b) 6.25 percent on all of such excess expenses over \$2 million.

Sec. 18. Minnesota Statutes 1984, section 290.068, subdivision 3, is amended to read:

Subd. 3. [LIMITATION; CARRYBACK AND CARRY-OVER.] (a) ((1)) The credit for the taxable year shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

((2) IN THE CASE OF AN INDIVIDUAL WHO)

((A) OWNS AN INTEREST IN AN UNINCORPORATED BUSINESS,)

((B) IS A PARTNER IN A PARTNERSHIP,)

((C) IS A BENEFICIARY OF AN ESTATE OR TRUST, OR)

((D) IS A SHAREHOLDER IN AN S CORPORATION,)

(THE CREDIT ALLOWED FOR THE TAXABLE YEAR SHALL NOT EXCEED THE LESSER OF THE AMOUNT DETERMINED UNDER CLAUSE (1) FOR THE TAXABLE YEAR OR AN AMOUNT (SEPARATELY COMPUTED WITH RESPECT TO SUCH PERSON'S INTEREST IN THE TRADE OR BUSINESS OR ENTITY) EQUAL TO THE AMOUNT OF TAX ATTRIBUTABLE TO THAT PORTION OF A PERSON'S TAXABLE INCOME WHICH IS ALLOCABLE OR APPORTIONABLE TO THE PERSON'S INTEREST IN THE TRADE OR BUSINESS OR ENTITY.)

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a), the

excess shall be a research credit carryback to each of the three preceding taxable years and a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a research and experimental expenditure credit carryback under this subdivision, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period of limitation shall be that period which ends with the expiration of the 15th day of the (46TH MONTH, OR THE) 45th month (, IN THE CASE OF A CORPORATION,) following the end of the taxable year in which the research and experimental expenditure credit arises which results in the carryback. With respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, the period of limitations shall be that period which ends with the expiration of the 15th day of (THE 46TH MONTH, OR, IN THE CASE OF A CORPORATION,) the 45th month following the end of the subsequent taxable year. In any case in which a taxpayer is entitled to a refund in a carryback year due to the carryback of a research and experimental expenditure credit, interest shall be computed only from the end of the taxable year in which the credit arises. With respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, interest shall be computed from the end of the subsequent taxable year.

Sec. 19. Minnesota Statutes 1984, section 290.068, subdivision 4, is amended to read:

Subd. 4. [(ESTATES AND TRUSTS;) PARTNERSHIPS.] In the case of (ESTATES AND TRUSTS, AND) partnerships, the credit shall be allocated to *corporate partners* in the same manner provided by section (44F) 30(f)(2) of the Internal Revenue Code.

Sec. 20. Minnesota Statutes 1984, section 290.069, subdivision 5, is amended to read:

Subd. 5. [CARRYOVER; OTHER CONDITIONS.] If the amount of the allowable credit pursuant to subdivision 2 or 3 for the taxable year exceeds the taxpayer's tax liability or if the limitation contained in subdivision 4, clause (a)(3) applies, the unused credit for the taxable year is a carryover to each of the succeeding five taxable years. The entire amount of the unused

credit must be carried to the earliest of the taxable years to which it may be carried. "Tax liability" means the tax imposed by this chapter reduced by the sum of the nonrefundable credits allowed under this chapter except the credit allowed by section 290.068. The credits allowed by (SUBDIVISIONS 2 AND 3) *this section shall only be available to corporations and banks whose tax is computed pursuant to section 290.06, subdivision 1.*

The maximum limitations on the amount of credits pursuant to subdivisions 2, 3, and 4 shall be determined by aggregating together the credits of all the corporations in the controlled group of corporations with the taxpayer. In order to facilitate compliance with and enforcement of this provision the commissioner may require the taxpayer to claim the credit on a combined report of the unitary business or to file a copy of the consolidated federal return with the state return or both.

Sec. 21. Minnesota Statutes 1984, section 290.069, subdivision 6, is amended to read:

Subd. 6. [REPEALER.] This section is repealed effective for contributions made to a small business office or to an innovation center public corporation as provided in subdivision 3, for technology transferred as described in subdivision 2 *in taxable years beginning after December 31, 1985*, and for investments made as described in subdivision 4 in taxable years beginning after December 31, (1985) 1984.

Sec. 22. Minnesota Statutes 1984, section 290.08, subdivision 26, is amended to read:

Subd. 26. [PENSION INCOME EXCLUSION.] (a) ([EXCLUSION.]) Gross income shall not include the (TAXPAYER'S) *individual's* pension income. The maximum amount of this exclusion is the greater of the following two amounts:

(1) \$11,000 reduced by the amount of the (TAXPAYER'S) *individual's* federal adjusted gross income in excess of \$17,000 excluding social security benefits and railroad retirement benefits to the extent included in federal adjusted gross income; or

(2) \$11,000 reduced by the sum of *the individual's*

(A) social security benefits,

(B) railroad retirement benefits, and

(C) the excess over \$23,000 of federal adjusted gross income, but excluding social security benefits and railroad retirement benefits to the extent included in federal adjusted gross income.

(3) Notwithstanding clauses (1) and (2), in the case of an involuntary lump sum distribution of pension or retirement benefits to volunteer firefighters, the maximum amount of the exclusion is \$11,000. This amount is not subject to reduction for other income of the taxpayer.

(4) Pension income consisting of severance pay qualifies only for the exclusion computed according to paragraph (a), clause (1).

(b) ([DEFINITIONS.]) *In the case of a married couple filing a joint return, the exclusion applies to the pension income, social security and railroad retirement benefits, and federal adjusted gross income of each spouse and must be computed separately for each spouse.*

(c) For purposes of this subdivision the following terms have the meanings given:

(1) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1983.

(2) "Federal adjusted gross income" is the federal adjusted gross income referred to in section 290.01, subdivision 20, for the current taxable year, and includes the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code.

(3) "Pension income" means to the extent included in the taxpayer's federal adjusted gross income the amount received by the taxpayer

(A) 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,

(B) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409, or 409A of the Internal Revenue Code, or

(C) severance pay distributed to an individual upon discontinuance of the individual's employment due to termination of business operations by the individual's employer, if the termination is reasonably likely to be permanent, involves the discharge of at least 75 percent of the employees at that site within a one-year period, and the business is not acquired by another person who continues operations at that site.

(4) "Severance pay" means an amount received for cancellation of an employment contract or a collectively bargained termination payment made as a substitute for income which would have been earned for personal services to be rendered in the future.

Sec. 23. Minnesota Statutes 1984, section 290.089, subdivision 2, is amended to read:

Subd. 2. [ITEMIZED DEDUCTIONS.] An amount equal to the amount determined pursuant to section 63(f) of the Internal Revenue Code is allowed with the following adjustments:

(a) (ADD THE AMOUNT PAID TO OTHERS NOT TO EXCEED \$650 FOR EACH DEPENDENT IN GRADES K TO 6 AND \$1,000 FOR EACH DEPENDENT IN GRADES 7 TO 12, FOR TUITION, TEXTBOOKS, AND TRANSPORTATION OF EACH DEPENDENT IN ATTENDING AN ELEMENTARY OR SECONDARY SCHOOL SITUATED IN MINNESOTA, NORTH DAKOTA, SOUTH DAKOTA, IOWA, OR WISCONSIN, WHEREIN A RESIDENT OF THIS STATE MAY LEGALLY FULFILL THE STATE'S COMPULSORY ATTENDANCE LAWS, WHICH IS NOT OPERATED FOR PROFIT, AND WHICH ADHERES TO THE PROVISIONS OF THE CIVIL RIGHTS ACT OF 1964 AND CHAPTER 363. AS USED IN THIS CLAUSE, "TEXTBOOKS" INCLUDES BOOKS AND OTHER INSTRUCTIONAL MATERIALS AND EQUIPMENT USED IN ELEMENTARY AND SECONDARY SCHOOLS IN TEACHING ONLY THOSE SUBJECTS LEGALLY AND COMMONLY TAUGHT IN PUBLIC ELEMENTARY AND SECONDARY SCHOOLS IN THIS STATE. "TEXTBOOKS" DOES NOT INCLUDE INSTRUCTIONAL BOOKS AND MATERIALS USED IN THE TEACHING OF RELIGIOUS TENETS, DOCTRINES, OR WORSHIP, THE PURPOSE OF WHICH IS TO INSTILL SUCH TENETS, DOCTRINES, OR WORSHIP, NOR DOES IT INCLUDE BOOKS OR MATERIALS FOR, OR TRANSPORTATION TO, EXTRACURRICULAR ACTIVITIES INCLUDING SPORTING EVENTS, MUSICAL OR DRAMATIC EVENTS, SPEECH ACTIVITIES, DRIVER'S EDUCATION, OR SIMILAR PROGRAMS;)

((B)) ADD THE AMOUNT OF MINNESOTA AND OTHER STATES' ESTATE OR INHERITANCE TAXES WHICH WERE ALLOWED AS A DEDUCTION UNDER SECTION 290.077, SUBDIVISION 4, ON INCOME IN RESPECT OF A DECEDENT;)

((C)) Add the amount by which the deduction for the taxable year allowed pursuant to subdivision 4 exceeds the amount determined pursuant to section 222 of the Internal Revenue Code;

((D)) (b) Subtract income taxes paid or accrued within the taxable year under this chapter;

((E)) (c) Subtract income taxes paid to any other state or to any province or territory of Canada (;

((F) IF THE DEDUCTION COMPUTED UNDER SECTION 164 OF THE INTERNAL REVENUE CODE IS NOT REDUCED BY THE AMOUNT OF THE CREDIT OR REFUND ALLOWED UNDER CHAPTER 290A, SUBTRACT THAT AMOUNT;)

((G) SUBTRACT THE AMOUNT OF INTEREST ON INVESTMENT INDEBTEDNESS PAID OR ACCRUED IN A TAXABLE YEAR BEGINNING BEFORE JANUARY 1, 1981, WHICH HAS BEEN CARRIED FORWARD AND IS ALLOWED AS A DEDUCTION IN THE TAXABLE YEAR UNDER SECTION 163(D) OF THE INTERNAL REVENUE CODE;)

((H) SUBTRACT THE AMOUNT OF CHARITABLE CONTRIBUTIONS DEDUCTED UNDER SECTION 170 OF THE INTERNAL REVENUE CODE THAT (I) EXCEEDS THE FOLLOWING LIMITATIONS: (A) AN OVERALL LIMIT OF 30 PERCENT OF THE TAXPAYER'S MINNESOTA GROSS INCOME WHICH, FOR PURPOSES OF THIS PARAGRAPH, SHALL INCLUDE THE ORDINARY INCOME PORTION OF A LUMP SUM DISTRIBUTION AS DEFINED IN SECTION 402(E) OF THE INTERNAL REVENUE CODE; AND (B) THE AGGREGATE OF CONTRIBUTIONS TO ORGANIZATIONS DESCRIBED IN SECTION 290.21, SUBDIVISION 3, CLAUSE (C) SHALL NOT EXCEED 20 PERCENT OF THE TAXPAYER'S MINNESOTA GROSS INCOME; OR (II) WAS DEDUCTED AS A CARRY-OVER UNDER SECTION 170(D) OF THE INTERNAL REVENUE CODE).

Sec. 24. Minnesota Statutes 1984, section 290.089, subdivision 3, is amended to read:

Subd. 3. [STANDARD DEDUCTION.] In lieu of the deductions provided in subdivision 2, an individual may claim or be allowed a standard deduction as follows:

(a) Subject to modification pursuant to clause (b), the standard deduction shall be an amount equal to ten percent of the (ADJUSTED) gross income of the taxpayer *or the aggregate gross in the case of a husband and wife filing a joint return*, up to a maximum deduction of (\$2,268) *\$2,400*.

In the case of a (HUSBAND AND WIFE) married individual filing a separate return, the standard deduction is ten percent

of the gross income of the taxpayer, up to a maximum of \$1,200, except that the standard deduction shall not be allowed (TO EITHER) if the net income of (ONE OF) the (SPOUSES) spouse is determined without regard to the standard deduction.

(b) The maximum amount of the standard deduction shall be adjusted for inflation in the same manner as provided in section 290.06, subdivision 2d, for the expansion of the taxable net income brackets. The commissioner shall then round the maximum amount of the standard deduction to the nearest hundred dollar amount. When adjusting the maximum amount of standard deduction for inflation, the commissioner shall use the actual dollar amount of the maximum amount of the standard deduction prior to rounding the dollar amounts.

(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 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. 25. Minnesota Statutes 1984, section 290.09, subdivision 29, is amended to read:

Subd. 29. [DEDUCTIONS ATTRIBUTABLE TO FARMING.] (a) [DEFINITIONS.] For purposes of this subdivision, income and gains and expenses and losses shall be considered as "arising from a farm" if such items are received or incurred in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, including horses, bees, poultry, and fur-bearing animals and wildlife, and all operations incident thereto, including but not limited to the common use of "hedging."

(b) [DEDUCTIONS LIMITED.] Except as provided in this subdivision, expenses and losses, except for interest and taxes, arising from a farm shall not be allowed as deductions in excess of income and gains arising from a farm.

(c) [DEDUCTIONS ALLOWED; CARRYOVER DEDUCTIONS.] Expenses and losses arising from a farm or farms shall be allowed as deductions up to the amount of the income and gains arising from a farm or farms in any taxable year, plus the first (\$30,000) \$35,000 of nonfarm gross income, or nonfarm taxable net income in the case of a corporation, provided however that in any case where nonfarm income exceeds (\$30,000) \$35,000, the maximum allowable amount of (\$30,000) \$35,000

shall be reduced by an amount equal to the nonfarm income in excess of (\$30,000) \$35,000 multiplied by (THREE) 3.5. For this purpose and for the purpose of applying the limitation in the following paragraph regarding the application of any carryback or carryforward, the term gross income shall include the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, and no deduction shall be allowed for two-earner married couples as provided in section 221 of the Internal Revenue Code of 1954, as amended through December 31, 1983. Any remaining balance of the deductions shall be carried back three years and carried forward five years, in chronological order, provided, however, that in any case in which any individual, estate or trust which elects a net operating loss carryforward under section 172(b)(3)(C) of the Internal Revenue Code of 1954, as amended through December 31, 1983, such losses shall not be carried back but shall only be carried forward.

Current expenses and losses shall be utilized as deductions in any taxable year, to the extent herein allowable, prior to the application of any carryback or carryover deductions. In any event, the combined amounts of such current expenses and losses and carryback or carryover deductions shall be allowed as deductions up to the amount of the income and gains arising from a farm or farms in any taxable year, plus the first (\$30,000) \$35,000 of nonfarm gross income, or nonfarm taxable net income in the case of a corporation, provided however that in any case where nonfarm income exceeds (\$30,000) \$35,000, the maximum allowable amount of (\$30,000) \$35,000 shall be reduced by an amount equal to the nonfarm income in excess of (\$30,000) \$35,000 multiplied by (THREE) 3.5. For taxable years beginning after December 31, (1984) 1985, the (\$30,000) \$35,000 amount in this subdivision shall be adjusted for inflation in the manner provided in section 290.06, subdivision 2d. The commissioner shall round that amount to the nearest hundred dollar amount. When adjusting the amount for inflation, the commissioner shall use the actual dollar amount of the maximum allowable amount of nonfarm income prior to rounding. Carryback or carryover deductions will be subject to the maximum amount in effect for the year to which the deduction is carried.

(d) [SHAREHOLDERS SEPARATE ENTITIES.] For purposes of this subdivision, individual shareholders of an S corporation shall be considered separate entities.

(e) [SPECIAL PERIOD OF LIMITATION WITH RESPECT TO FARM LOSS LIMITATION CARRYBACKS.] For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a farm loss limitation carryback under this subdivision, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period of limitation shall be that period which ends with the expiration of

the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year of the farm loss which results in the carryback. During this extended period, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

(f) [INTEREST ON CLAIMS.] In any case in which a taxpayer is entitled to a refund in a carryback year due to the carryback of a farm loss, interest shall be computed only from the end of the taxable year in which the loss occurs.

Sec. 26. Minnesota Statutes 1984, section 290.095, subdivision 9, is amended to read:

Subd. 9. [SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NET OPERATING LOSS CARRYBACKS.] For the purposes of sections 290.46 and 290.50 if the claim for refund relates to an overpayment attributable to a net operating loss carryback under this section or as the result in the case of an individual of an adjustment of "federal adjusted gross income" because of the carryback under section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1983 in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period shall be that period which ends with the expiration of the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year of the net operating loss which results in such carryback or adjustment of "federal adjusted gross income." During this extended period, *for taxable years beginning before January 1, 1985*, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

Sec. 27. Minnesota Statutes 1984, section 290.095, subdivision 11, is amended to read:

Subd. 11. [CARRYBACK OR CARRYOVER ADJUSTMENTS.] (a) For individuals the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal adjusted gross income. For estates and trusts the amount of a net operating loss that may be carried back or carried over shall be the same dollar amount allowable in the determination of federal taxable income.

(b) The following adjustments to the amount of the net operating loss that may be carried back or carried over must be made for:

(1) Nonassignable income or losses as required by section 290.17, subdivision 2.

(2) Modifications required because of the restrictions on farm losses as provided in section 290.09, subdivision 29.

(3) Adjustments to the determination of federal adjusted gross income that must be made because of changes in the Internal Revenue Code that have not yet been adopted by the legislature by updating the reference to the Internal Revenue Code contained in section 290.01, subdivision 20.

(4) (MODIFICATIONS TO INCOME CONTAINED IN FEDERAL ADJUSTED GROSS INCOME ACCORDING TO THE PROVISIONS OF SECTION 290.01, SUBDIVISION 20C.)

((5)) Gains or losses which result from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes subject to the limitations contained in section 290.01, subdivision 20b, clauses (2) and ((4)) (3).

((6)) (5) Interest, taxes, and other expenses not allowed under section 290.10, clause ((9) OR SECTION 290.101) (8).

((7)) (6) The modification for accelerated cost recovery system depreciation as provided in section 290.01, subdivision 20f.

(c)(1) The net operating loss carryback or carryover applied as a deduction in the taxable year to which the net operating loss is carried back or carried over shall be equal to the net operating loss carryback or carryover applied in the taxable year in arriving at federal adjusted gross income (or federal taxable income for trusts and estates) subject to the modifications contained in clause (b) and to the following modifications:

(A) Increase the amount of carryback or carryover applied in the taxable year by the amount of losses and interest, taxes and other expenses not assignable or allowable to Minnesota incurred in the taxable year.

(B) Decrease the amount of carryback or carryover applied in the taxable year by the amount of income not assignable to Minnesota earned in the taxable year (AND THE AMOUNT OF FEDERAL JOBS CREDIT EARNED IN THE TAXABLE YEAR).

(C) A taxpayer who is not a resident of Minnesota during any part of the taxable year and who has no income assignable to Minnesota during the taxable year shall apply no net operating loss carryback or carryover in the taxable year.

(2) The provisions of section 172(b) of the Internal Revenue Code of 1954 as amended through December 31, 1983 (relating

to carrybacks and carryovers) shall apply. The net operating loss carryback or carryover to the next consecutive taxable year shall be the net operating loss carryback or carryover as calculated in clause (c)(1) less the amount applied in the earlier taxable year(s). No additional net operating loss carryback or carryover shall be allowed if the entire amount has been used to offset Minnesota income in a year earlier than was possible on the federal return. A net operating loss carryback or carryover that was allowed to offset federal income in a year earlier than was possible on the Minnesota return shall still be allowed to offset Minnesota income but only if the loss was assignable to Minnesota in the year the loss occurred.

(d) A net operating loss shall be allowed to be carried back or carried forward only to the extent that loss was assignable to Minnesota in the year the loss occurred or in the year to which the loss was carried over, whichever would allow more of the loss to be allowed for Minnesota purposes.

(e) If a taxpayer has a net operating loss for federal purposes and the provisions of the farm loss limitation as provided in section 290.09, subdivision 29 apply, the limitations applying to the farm losses that are carried back or carried over are applied first and the net operating loss that is carried back or carried over is limited to the excess, if any, that the net operating loss exceeds the farm loss limitation.

Sec. 28. Minnesota Statutes 1984, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

In computing the net income no deduction shall in any case be allowed for:

- (1) Personal, living or family expenses;
- (2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;
- (3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;
- (4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;
- (5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;

(6) Losses from sales or exchanges of property, directly or indirectly, between related taxpayers as defined and as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1983;

(7) In computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1983;

(8) ((A) CONTRIBUTIONS BY EMPLOYEES UNDER THE FEDERAL RAILROAD RETIREMENT ACT AND THE FEDERAL SOCIAL SECURITY ACT; (B) PAYMENTS TO MINNESOTA OR FEDERAL PUBLIC EMPLOYEE RETIREMENT FUNDS; (C) THREE-FOURTHS (75 PERCENT) OF THE AMOUNT OF TAXES IMPOSED ON SELF EMPLOYMENT INCOME UNDER SECTION 1401 OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983, PROVIDED THAT EFFECTIVE FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1989, NO DEDUCTION IS ALLOWED FOR SELF EMPLOYMENT TAXES WHERE THE TAXPAYER CLAIMED A DEDUCTION FOR THOSE TAXES UNDER SECTION 164 (F) OF THE INTERNAL REVENUE CODE OF 1954, AS AMENDED THROUGH DECEMBER 31, 1983;)

((9)) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter;

((10)) IN SITUATIONS WHERE THIS CHAPTER PROVIDES FOR A SUBTRACTION FROM GROSS INCOME OF A SPECIFIC DOLLAR AMOUNT OF AN ITEM OF INCOME ASSIGNABLE TO THIS STATE, AND WITHIN THE MEASURE OF THE TAX IMPOSED BY THIS CHAPTER, THAT PORTION OF THE FEDERAL INCOME TAX LIABILITY ASSESSED UPON SUCH INCOME SUBTRACTED, AND ANY EXPENSES ATTRIBUTABLE TO EARNING SUCH INCOME, SHALL NOT BE DEDUCTIBLE IN COMPUTING NET INCOME;)

((11)) (9) Amounts paid or accrued for such taxes and carrying charges as, under rules prescribed by the commissioner, are chargeable to capital account with respect to property, if the taxpayer elects, in accordance with such rules, to treat such taxes or charges as so chargeable;

((12)) (10) No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if the trade or business (or the activities which comprise the trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II

of the federal Controlled Substances Act) which is prohibited by federal law or the law of Minnesota.

Sec. 29. Minnesota Statutes 1984, section 290.12, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENTS.] In computing the amount of gain or loss under subdivision 1 proper adjustment shall be made for any expenditure, receipt, loss, or other item properly chargeable to capital account by the taxpayer during his ownership thereof. The basis shall be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization, depletion, and the allowance for amortization of bond premium if an election to amortize was made in accordance with section 290.09, subdivision 13, which could, during the period of his ownership thereof, have been deducted by the taxpayer under this chapter in respect of such property. (THE BASIS SHALL ALSO BE DIMINISHED BY THE AMOUNT OF DEPRECIATION RELATING TO A SUBSTANDARD BUILDING DISALLOWED BY SECTION 290.101.) In addition, if the property was acquired before January 1, 1933, the basis, if other than the fair market value as of such date, shall be diminished by the amount of exhaustion, wear and tear, obsolescence, amortization, or depletion actually sustained before such date. In respect of any period since December 31, 1932, during which property was held by a person or an organization not subject to income taxation under this chapter, proper adjustment shall be made for exhaustion, wear and tear, obsolescence, amortization, and depletion of such property to the extent sustained. For the purpose of determining the amount of these adjustments the taxpayer who sells or otherwise disposes of property acquired by gift shall be treated as the owner thereof from the time it was acquired by the last preceding owner who did not acquire it by gift, and the taxpayer who sells or otherwise disposes of property acquired by gift through an inter vivos transfer in trust shall be treated as the owner from the time it was acquired by the grantor.

No adjustment shall be made:

(1) for taxes or other carrying charges described in section 290.10, clause ((11)) (9), or

(2) for expenditures described in section 290.09, subdivision 16 (relating to circulation expenditures), for which deductions have been taken by the taxpayer in determining taxable income for the taxable year or prior years.

Sec. 30. Minnesota Statutes 1984, section 290.14, is amended to read:

290.14 [GAIN OR LOSS ON DISPOSITION OF PROPERTY, BASIS.]

Except as otherwise provided in this chapter, 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 the 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, 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 the person, be the fair market value of the property at the date of decedent's death or, in the case of an election under section 2032 (relating to alternate valuation) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its valuation at the applicable valuation date prescribed by that section, or in the case of an election under section 2032A (relating to valuation of farm real property) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its value determined by that section.

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 or estate tax purposes. In this 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 the property before the death of the decedent. The basis shall be applicable to the property commencing on the death of the decedent. This paragraph shall not apply to annuities and property described in paragraphs (a), (b), (c) and (d) of this clause.

This clause shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 290.077.

(5) 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 290.089 or section 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as that provided in section 1091 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

(6) Neither the basis nor the adjusted basis of any portion of real property shall, in the case of a lessor of the property, be increased or diminished on account of income derived by the lessor in respect of the 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 the property was included in gross income of the lessor for any taxable year beginning before January 1, 1943, the basis of each portion of the property shall be properly adjusted for the amount included in gross income.

(7) (IF THE PROPERTY WAS ACQUIRED BY THE TAXPAYER AS A TRANSFER OF PROPERTY IN EXCHANGE FOR THE RELEASE OF THE TAXPAYER'S MARITAL RIGHTS, THE BASIS OF THE PROPERTY SHALL BE THE SAME AS IT WOULD BE IF IT WERE

BEING SOLD OR OTHERWISE DISPOSED OF BY THE PERSON WHO TRANSFERRED THE PROPERTY TO THE TAXPAYER.)

((8)) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1983 (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. 31. Minnesota Statutes 1984, section 290.23, subdivision 5, is amended to read:

Subd. 5. [DISTRIBUTABLE NET INCOME, INCOME, BENEFICIARY; DEFINED.] (1) For purposes of sections 290.22 through 290.25, the term "distributable net income" means the same as that term is defined in section 643(a) of the Internal Revenue Code of 1954, as amended through December 31, 1983 with the following modification:

There shall be included any tax-exempt interest to which section 290.01, subdivision 20b, clause (1) applies, reduced by any amounts which would be deductible in respect of disbursements allocable to such interest but for the provisions of section (290.-10(9)) 290.10(8) (relating to disallowance of certain deductions).

If the estate or trust is allowed a deduction under section 642(c) of the Internal Revenue Code of 1954, as amended through December 31, 1983, the amount of the modification shall be reduced to the extent that the amount of income which is paid, permanently set aside, or to be used for the purposes specified in that section of the Internal Revenue Code is deemed to consist of items specified in the modification. For this purpose, such amount shall (in the absence of specific provisions in the governing instrument) be deemed to consist of the same proportion of each class of items of income of the estate or trust as the total of each class bears to the total of all classes.

(2) The term "income," and the term "beneficiary" have the same meaning as those terms are defined in section 643(b) and (c) of the Internal Revenue Code of 1954, as amended through December 31, 1983.

Sec. 32. Minnesota Statutes 1984, section 290.37, subdivision 1, is amended to read:

Subdivision 1. [PERSONS MAKING RETURNS.] (a) The commissioner of revenue shall annually determine the gross in-

come levels at which individuals, trusts, and estates shall be required to file a return for each taxable year. An individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's Minnesota gross income computed under section 290.06, subdivision 2c, clause ((C)(1)) (d)(1) is less than the filing requirements for an individual who is a full year resident of Minnesota with the same marital status and number of personal credits.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by his or her personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

The trustees or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount determined by the commissioner if such trust belongs to the class of taxable persons.

Every corporation shall file a return. The return in this case shall be signed by an officer of the corporation.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed.

(b) Such return shall (1) (BE VERIFIED OR) contain a written declaration that it is (MADE UNDER THE PENALTIES OF CRIMINAL LIABILITY FOR WILLFULLY MAKING A FALSE RETURN) *correct and complete*, and (2) shall contain *language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid*.

(c) For purposes of this subdivision the term "gross income" shall mean gross income as defined in section 61 of the Internal Revenue Code of 1954, as amended through December 31, 1983, modified and adjusted in accordance with the provisions of sections 290.01, subdivision 20b, clauses (1) ((6)), (6) and ((10)) (7), 290.08, and 290.17.

Sec. 33. Minnesota Statutes 1984, section 290.38, is amended to read:

290.38 [(JOINT) RETURNS OF (HUSBAND AND WIFE) MARRIED PERSONS.]

A husband and wife (MAY MAKE A SINGLE RETURN JOINTLY EVEN THOUGH ONE OF THE SPOUSES HAS NEITHER GROSS INCOME NOR DEDUCTIONS) *must file a joint Minnesota income tax return if they filed a joint federal income tax return.* If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several. If (BOTH) *the husband and wife have (GROSS INCOME) elected to file separate federal income tax returns they (MAY ELECT TO EITHER FILE A SINGLE RETURN JOINTLY OR MAY) must file Minnesota separate income tax returns (PURSUANT TO THIS SECTION OR AS PROVIDED IN SECTION 290.39, SUBDIVISION 2).* This election to file a joint or separate returns (MAY) *must be changed (WITHIN THE PERIOD PROVIDED FOR THE ASSESSMENT OF ADDITIONAL TAXES ON SAID RETURN OR RETURNS) if they change their election for federal purposes.* In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by (REGULATION) rule.

(NO JOINT RETURN SHALL BE MADE IF THE HUSBAND AND WIFE HAVE DIFFERENT TAXABLE YEARS; EXCEPT THAT IF SUCH TAXABLE YEARS BEGIN ON THE SAME DAY AND END ON DIFFERENT DAYS BECAUSE OF THE DEATH OF EITHER OR OF BOTH, THEN THE JOINT RETURN MAY BE MADE WITH RESPECT TO THE TAXABLE YEAR OF EACH. THE ABOVE EXCEPTION SHALL NOT APPLY IF THE SURVIVING SPOUSE REMARIES BEFORE THE CLOSE OF HIS TAXABLE YEAR OR IF THE TAXABLE YEAR OF EITHER SPOUSE IS A FRACTIONAL PART OF A YEAR UNDER SECTION 290.32) *For purposes of this section, marital status shall be determined under section 143(a) of the Internal Revenue Code of 1954, as amended through December 31, 1984.*

In the case of the death of one spouse or both spouses the joint return with respect to the decedent may be made only by the personal representative of his estate; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if (a) no return for the taxable year has been made by the decedent, (b) no personal representative has been appointed, and (c) no personal representative is appointed before the last day prescribed by law for filing the return of the surviving spouse. If a personal representative of the estate of the decedent is appointed after the joint return has been filed by the surviving spouse, the personal representative may disaffirm such joint return by filing, within one year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return *provided that the election has been also disaffirmed for federal purposes.*

(IF HUSBAND AND WIFE DETERMINE THEIR FEDERAL INCOME TAX ON A JOINT RETURN BUT DETERMINE THEIR MINNESOTA INCOME TAXES SEPARATELY, THEY SHALL DETERMINE THEIR MINNESOTA GROSS INCOME SEPARATELY AS IF THEIR FEDERAL ADJUSTED GROSS INCOMES HAD BEEN DETERMINED SEPARATELY.)

Sec. 34. Minnesota Statutes 1984, section 290.41, subdivision 2, is amended to read:

Subd. 2. [BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.] Every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 290.92, subdivision 7, or on account of earnings of \$10 or more distributed to its members by savings, building and loan associations or credit unions chartered under the laws of this state or the United States, (a) shall make a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of 1954 as amended through December 31, 1983) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment or interest or dividends to a person who was a nonresident of Minnesota for the entire year.

A person, corporation, or cooperative required to file returns under this subdivision on interest, dividends, or patronage dividend payments with respect to more than 50 payees for any calendar year must file all of these returns on magnetic media unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

(UPON REQUEST FROM THE COMMISSIONER, ANY PUBLIC PENSION PLAN AS DEFINED IN SECTION 356.61

IN WHICH THE EMPLOYER PICKS UP THE EMPLOYEE CONTRIBUTIONS UNDER SECTION 356.62 SHALL FURNISH THE COMMISSIONER, ON MAGNETIC MEDIA TO THE EXTENT POSSIBLE, WITH THE NAME, ADDRESS, AND SOCIAL SECURITY NUMBER OF EACH EMPLOYEE WHO PARTICIPATED IN THE PLAN DURING THAT CALENDAR YEAR FOR WHICH PICKED UP CONTRIBUTIONS WERE MADE.)

Sec. 35. Minnesota Statutes 1984, section 290.50, subdivision 5, is amended to read:

Subd. 5. [OVERPAYMENTS; CREDITS AND REFUNDS.] (a) If the amount allowable as a credit under section 290.92, subdivision 12 (relating to credit for tax withheld at source) or an amount determined to be an overpayment under section 290.93, subdivision 9, or 290.936 exceeds the taxes imposed by this chapter against which such credit is allowable the amount of such excess shall be considered an overpayment. An amount paid as tax shall constitute an overpayment even if in fact there was no tax liability with respect to which such amount was paid.

(b) Notwithstanding any other provision of law to the contrary, in the case of any overpayment the commissioner, within the applicable period of limitations, may credit the amount of such overpayment against any liability in respect of Minnesota income tax on the part of the person who made the overpayment or against any liability in respect to Minnesota income tax on the part of either spouse who shall have filed a joint (OR COMBINED) return for the taxable year in which the overpayment was made and shall refund any balance of more than one dollar to such person if the taxpayer shall so request.

The commissioner is authorized to prescribe rules providing for the crediting against the estimated income tax for any taxable year of the amount determined by the commissioner to be an overpayment of the income tax for a preceding taxable year.

Sec. 36. Minnesota Statutes 1984, section 290.50, subdivision 6, is amended to read:

Subd. 6. [WITHHOLDING OF REFUNDS FROM CHILD SUPPORT DEBTORS.] Upon a finding by a court of this state that a person obligated to pay child support is delinquent in making payments, the amount of child support unpaid and owing including attorneys fees and costs incurred in ascertaining or collecting child support shall be withheld from a refund due the person under this section. The public agency responsible for child support enforcement or the parent or guardian of a child for whom the support, attorneys fees and costs are owed may petition the district or county court for an order providing for the withholding of the amount of child support, attorneys fees

and costs unpaid and owing as determined by court order. The person from whom the refund may be withheld shall be notified of the petition pursuant to the rules of civil procedure prior to the issuance of an order pursuant to this subdivision. The order may be granted on a showing to the court that required support payments, attorneys fees and costs have not been made when they were due.

On order of the court, the money shall be withheld by the commissioner from the refund due to the person obligated to pay and the amount withheld shall be remitted to the public agency responsible for child support enforcement or to the parent or guardian petitioning on behalf of the child, provided that any delinquent tax obligations of the taxpayer owed to the revenue department shall be satisfied first. Any amount received by the responsible public agency or the petitioning parent or guardian in excess of the amount of public assistance expended for the benefit of the child to be supported, or the amount of any support, attorneys fees and costs that had been the subject of the claim pursuant to this subdivision which has been paid by the taxpayer prior to the diversion of the refund, shall be remitted to the person entitled to the money. (IF THE REFUND IS BASED ON A JOINT OR COMBINED RETURN, THE PORTION OF THE REFUND THAT SHALL BE REMITTED TO THE PETITIONER SHALL BE THE PROPORTION OF THE TOTAL REFUND THAT EQUALS THE PROPORTION OF THE TOTAL FEDERAL ADJUSTED GROSS INCOME OF THE SPOUSES THAT IS THE FEDERAL ADJUSTED GROSS INCOME OF THE SPOUSE WHO IS DELINQUENT IN MAKING THE CHILD SUPPORT PAYMENTS.) A petition filed pursuant to this subdivision shall be in effect with respect to any refunds due under this section until the support money, attorneys fees and costs have been paid in full or the court orders the commissioner to discontinue withholding the money from the refund due the person obligated to pay the support, attorneys fees and costs. If a petition is filed pursuant to this subdivision and a claim is made pursuant to chapter 270A with respect to the same individual's refund and notices of both are received prior to the time when payment of the refund is made on either claim, the claim relating to the liability that accrued first in time shall be paid first; any amount of the refund remaining shall then be applied to the other claim. The provisions of section 290.61 shall not prohibit the exchange of information among the department, the petitioner, and the court to the extent necessary to accomplish the intent of this subdivision.

Sec. 37. Minnesota Statutes 1984, section 290.92, subdivision 2a, is amended to read:

Subd. 2a. [COLLECTION AT SOURCE.] (1) [DEDUCTIONS.] Every employer making payment of wages shall deduct and withhold upon such wages a tax as provided in this section.

(2) [WITHHOLDING ON PAYROLL PERIOD.] The employer shall withhold the tax on the basis of each payroll period or as otherwise provided in this section.

(3) [WITHHOLDING TABLES.] Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of exemptions allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during his taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon his salary, wages, or compensation for personal services of any kind for the employer, and shall take into consideration (THE ALLOWABLE DEDUCTION FOR FEDERAL INCOME TAX AND) the deduction allowable under section 290.089, subdivision 3, and the personal credits allowed against the tax.

(4) [MISCELLANEOUS PAYROLL PERIOD.] If wages are paid with respect to a period which is not a payroll period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which such wages are paid.

(5) [MISCELLANEOUS PAYROLL PERIOD.] (a) In any case in which wages are paid by an employer without regard to any payroll period or other period, the amount to be deducted and withheld shall be that applicable in the case of a miscellaneous payroll period containing a number of days equal to the number of days, including Sundays and holidays, which have elapsed since the date of the last payment of such wages by such employer during the calendar year, or the date of commencement of employment with such employer during such year, or January 1 of such year, whichever is the later.

(b) In any case in which the period, or the time described in clause (a), in respect of any wages is less than one week, the commissioner, under regulations prescribed by him, may authorize an employer to determine the amount to be deducted and withheld under the tables applicable in the case of a weekly payroll period, in which case the aggregate of the wages paid to the employee during the calendar week shall be considered the weekly wages.

(6) [WAGES COMPUTED TO NEAREST DOLLAR.] If the wages exceed the highest bracket, in determining the amount to be deducted and withheld under this subdivision, the wages may, at the election of the employer, be computed to the nearest dollar.

(7) [(REGULATIONS ON WITHHOLDING) *ADMINISTRATIVE RULES.*] The commissioner may, by (REGULATIONS) *rule*, authorize employers:

(a) To estimate the wages which will be paid to any employee in any quarter of the calendar year;

(b) To determine the amount to be deducted and withheld upon each payment of wages to such employee during such quarter as if the appropriate average of the wages so estimated constituted the actual wages paid; and

(c) To deduct and withhold upon any payment of wages to such employee during such quarter such amount as may be necessary to adjust the amount actually deducted and withheld upon wages of such employee during such quarter to the amount required to be deducted and withheld during such quarter without regard to this paragraph (7).

(8) [ADDITIONAL WITHHOLDING.] The commissioner is authorized to provide by rule for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

(9) [TIPS.] In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053 of the Internal Revenue Code of 1954, as amended through December 31, 1983, and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished, from such wages of the employee (excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code of 1954 as amended through December 31, 1983 to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

Sec. 38. Minnesota Statutes 1984, section 290.92, subdivision 18, is amended to read:

Subd. 18. [RETURNS; CONFESSION OF JUDGMENT.] Any return that is required to be filed with the commissioner of revenue under this section shall (a) contain a written declaration that it is (MADE UNDER THE PENALTIES OF CRIMINAL LIABILITY FOR WILFULLY MAKING A FALSE RETURN) *correct and complete*, and (b) shall contain *language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid*.

Sec. 39. Minnesota Statutes 1984, section 290.92, subdivision 21, is amended to read:

Subd. 21. [EXTENSION OF WITHHOLDING TO UNEMPLOYMENT COMPENSATION BENEFITS.] For purposes of this section, any supplemental unemployment compensation benefit paid to an individual to the extent includable in such individual's Minnesota (ADJUSTED) gross income, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

Sec. 40. Minnesota Statutes 1984, section 290.93, subdivision 10, is amended to read:

Subd. 10. [UNDERPAYMENT OF ESTIMATED TAX.] (1) In the case of any underpayment of estimated tax by an individual, except as provided in paragraph (4) or (5), there may be added to and become a part of the taxes imposed by this chapter, for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment for the period of the underpayment.

(2) For purposes of the preceding paragraph, the amount of underpayment shall be the excess of

(a) The amount of the installment which would be required to be paid if the estimated tax were equal to 80 percent (66 2/3 percent in the case of farmers referred to in subdivision 5(2) of this section) of the taxes shown on the return for the taxable year or the taxes for such year if no return was filed, over

(b) The amount, if any, of the installment paid on or before the last day prescribed for such payment.

(3) The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier

(a) The 15th day of the fourth month following the close of the taxable year.

(b) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this subparagraph, a payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under paragraph (2) (a) for such installment date.

(4) The addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the lesser

(a) The total tax liability shown on the return of the individual for the preceding taxable year (if a return showing a liability for such taxes was filed by the individual for the preceding taxable year of 12 months), or

(b) An amount equal to the tax computed, at the rates applicable to the taxable year, on the basis of the taxpayer's *marital* status and with respect to the personal credits for the taxable year, but otherwise on the basis of the facts shown on his return for, and the law applicable to the preceding taxable year, or

(c) An amount equal to 80 percent (66 $\frac{2}{3}$ percent in the case of farmers referred to in subdivision 5(2) of this section) of the tax for the taxable year (after deducting personal credits) computed by placing on an annualized basis the taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. For purposes of this subparagraph, the taxable income shall be placed on an annualized basis by

(i) Multiplying by 12 (or in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income computed for the months in the taxable year ending before the month in which the installment is required to be paid.

(ii) Dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls, or

(d) An amount equal to 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid.

(5) No addition to the tax shall be imposed under this subdivision for any taxable year if:

(a) the individual did not have any liability for tax for the preceding taxable year,

(b) the preceding taxable year was a taxable year of 12 months, and

(c) the individual was a resident of Minnesota throughout the preceding taxable year.

(6) For the purposes of applying this subdivision, the estimated tax shall be computed without any reduction for the amount which the individual estimates as his credit under section 290.92, subdivision 12 (relating to tax withheld at source on wages), and the refundable credits contained in sections 290.06, subdivision 13, 290.067, and any other refundable credits which are allowed against income tax liability, and the amount of such credits for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amounts shall be deemed paid on each installment date (determined under subdivisions 6 and 7 of this section) for such taxable year, unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld.

Sec. 41. Minnesota Statutes 1984, section 290A.03, subdivision 3, is amended to read:

Subd. 3. [INCOME.] (1) "Income" means the sum of the following:

(a) Federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through December 31, 1983; 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 20a, clauses (1), (2), (4) (, (9), (10),) and ((14)) (5);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends (AND INTEREST) excluded from federal adjusted gross income under (SECTIONS) section 116 (OR 128) 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 benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;
 - (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. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carry-back.
- (2) "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) surplus food or other relief in kind supplied by a governmental agency;
 - (d) relief granted under this chapter; or
 - (e) child support payments received under a temporary or final decree of dissolution or legal separation; or
 - (f) federal adjusted gross income shall be reduced by wage or salary expense which is not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954.

Sec. 42. [REPEALER.]

Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 290.01, subdivisions 20c and 26; 290.06, subdivisions 3e, 11, 16, 17, 18, and 19; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.088; 290.089, subdivision 6; 290.101; 290.18, subdivisions 2 and 4; 290.39, subdivision 2; 290.41, subdivision 5; 290.431; 290.9726, subdivision 5; and Laws 1982, chapter 523, article 7, section 3, are repealed.

Sec. 43. [APPROPRIATION.]

\$700,000 is appropriated from the general fund for fiscal year 1987 to the nongame wildlife management account.

Sec. 44. [EFFECTIVE DATE.]

Sections 1 to 40 and 42 are effective for taxable years beginning after December 31, 1984, except as otherwise provided in those sections. Section 41 is effective for claims based on rent paid in 1985 and for property taxes payable in 1986. For any carryback to a taxable year beginning before January 1, 1985, "\$35,000" shall be substituted for "\$30,000" each place it appears in the second paragraph of Minnesota Statutes, section 290.09, subdivision 29, clause (c).

Further delete the title and insert:

"A bill for an act relating to taxation; income; reducing tax rates; eliminating the federal tax deduction; and simplifying income tax computations; appropriating money; amending Minnesota Statutes 1984, sections 10A.31, subdivisions 1 and 3; 13.04, subdivision 2; 41.55; 117.55; 270.68, subdivision 4; 290.01, subdivisions 19, 20, 20a, 20b, and 20d; 290.032, subdivision 2; 290.06, subdivisions 2c, 2d, 3f, and 3g; 290.068, subdivisions 1, 3, and 4; 290.069, subdivisions 5 and 6; 290.08, subdivision 26; 290.089, subdivisions 2 and 3; 290.09, subdivision 29; 290.095, subdivisions 9, and 11; 290.10; 290.12, subdivision 2; 290.14; 290.23, subdivision 5; 290.37, subdivision 1; 290.38; 290.41, subdivision 2; 290.50, subdivisions 5 and 6; 290.92, subdivisions 2a, 18, and 21; 290.93, subdivision 10; 290A.03, subdivision 3; repealing Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 290.01, subdivisions 20c and 26; 290.06, subdivisions 3e, 11, 16, 17, 18, and 19; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.088; 290.089, subdivision 6; 290.101; 290.18, subdivisions 2 and 4; 290.39, subdivision 2; 290.41, subdivision 5; 290.431; 290.9726, subdivision 5; and Laws 1982, chapter 523, article 7, section 3."

JOHN TOMLINSON, JOHN BRANDL, FRED C. NORTON, JOE BEGICH, B. J. BRINKMAN, WES SKOGLUND, GORDON O. VOSS, ROBERT VANASEK, PAUL A. OGREN and BOB NEUENSCHWANDER.

Tomlinson moved that the Minority Report on H. F. No. 756 be substituted for the Majority Report and that the Minority Report be now adopted.

A roll call was requested and properly seconded.

CALL OF THE HOUSE

On the motion of Levi and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Anderson, G.	Fjoslien	Kvam	Ozment	Simoneau
Backlund	Forsythe	Levi	Pappas	Skoglund
Battaglia	Frederick	Lieder	Pauly	Solberg
Beard	Frederickson	Marsh	Piepho	Stanius
Begich	Frerichs	McDonald	Piper	Staten
Bennett	Greenfield	McEachern	Poppenhagen	Sviggum
Bishop	Gruenes	McKasy	Price	Thiede
Blatz	Gutknecht	McLaughlin	Quinn	Thorson
Boerboom	Halberg	McPherson	Quist	Tjornhom
Boo	Hartinger	Metzen	Redalen	Tomlinson
Brandl	Hartle	Miller	Rees	Tompkins
Brinkman	Haukoos	Minne	Rest	Tunheim
Brown	Heap	Munger	Rice	Uphus
Burger	Himle	Murphy	Richter	Valan
Carlson, J.	Jacobs	Nelson, D.	Riveness	Valento
Carlson, L.	Jaros	Nelson, K.	Rodosovich	Vanasek
Clark	Jennings, L.	Neuenschwander	Rose	Vellenga
Clausnitzer	Johnson	Norton	Sarna	Voss
Cohen	Kahn	O'Connor	Scheid	Waltman
Dempsey	Kalis	Ogren	Schoenfeld	Welle
DenOuden	Kiffmeyer	Olsen, S.	Schreiber	Wenzel
Dimler	Knickerbocker	Olson, E.	Seaberg	Wynia
Dyke	Knuth	Omamn	Segal	Zaffke
Ellingson	Kostohryz	Osthoff	Shaver	Spk. Jennings, D.
Erickson	Krueger	Otis	Sherman	

Levi moved that further proceedings of the roll call be discontinued 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 Minority Report on H. F. No. 756 and the roll was called. There were 62 yeas and 69 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Ellingson	Krueger	Neuenschwander	Quinn
Battaglia	Greenfield	Lieder	Norton	Rest
Beard	Jacobs	McEachern	O'Connor	Rice
Begich	Jaros	McLaughlin	Ogren	Riveness
Brandl	Jennings, L.	Metzen	Olson, E.	Rodosovich
Brinkman	Kahn	Minne	Osthoff	Sarna
Brown	Kalis	Munger	Otis	Scheid
Carlson, L.	Kelly	Murphy	Pappas	Schoenfeld
Clark	Knuth	Nelson, D.	Piper	Segal
Cohen	Kostohryz	Nelson, K.	Price	Simoneau

Skoglund
Solberg
Sparby

Staten
Tomlinson
Tunheim

Vanasek
Vellenga

Voss
Welle

Wenzel
Wynia

Those who voted in the negative were:

Anderson, R.	Dimler	Heap	Onnen	Sherman
Backlund	Dyke	Himle	Ozment	Stanius
Becklin	Erickson	Johnson	Pauly	Sviggum
Bennett	Fjoslien	Kiffmeyer	Piepho	Thiede
Bishop	Forsythe	Knickerbocker	Poppenhagen	Thorson
Blatz	Frederick	Kvam	Quist	Tjornhom
Boerboom	Frederickson	Levi	Redalen	Tompkins
Boo	Frerichs	Marsh	Rees	Uphus
Burger	Gruenes	McDonald	Richter	Valan
Carlson, D.	Gutknecht	McKasy	Rose	Valento
Carlson, J.	Halberg	McPherson	Schafer	Waltman
Clausnitz	Hartinger	Miller	Schreiber	Zaffke
Dempsey	Hartle	Olsen, S.	Seaberg	Spk. Jennings, D.
DenOuden	Haukoos	Omann	Shaver	

The Minority Report on H. F. No. 756 was not adopted.

The question recurred on the adoption of the Majority Report from the Committee on Taxes relating to H. F. No. 756. The Majority Report on H. F. No. 756 was adopted.

SECOND READING OF HOUSE BILLS

H. F. No. 756 was read for the second time.

SECOND READING OF SENATE BILLS

S. F. Nos. 1099, 664, 1119, 364, 743, 880, 994 and 1029 were read for the second time.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Rose introduced:

H. F. No. 1619, A bill for an act relating to natural resources; maintaining the purity of state waters by restricting the location of hazardous waste disposal sites; amending Minnesota Statutes 1984, sections 115A.03, subdivision 13; 115A.075; 115A.18; 115A.20; and 115A.291.

The bill was read for the first time and referred to the Committee on Environment and Natural Resources.

McLaughlin, Wynia and Solberg introduced:

H. F. No. 1620, A bill for an act relating to employment; requiring employers to grant unpaid leaves of absence to certain parents; proposing coding for new law in Minnesota Statutes, chapter 181.

The bill was read for the first time and referred to the Committee on Labor-Management Relations.

McLaughlin, Krueger, Schoenfeld, Murphy and Clausnitzer introduced:

H. F. No. 1621, A bill for an act relating to health; requiring a study and a plan to provide comprehensive prenatal care.

The bill was read for the first time and referred to the Committee on Health and Human Services.

Gutknecht, Simoneau, Thorson, Clausnitzer and Frederick introduced:

H. F. No. 1622, A resolution memorializing the President and Congress of the United States to set up a joint congressional commission to draft a law preventing states from selectively granting benefits to businesses moving into the state that are not offered to businesses already in the state.

The bill was read for the first time and referred to the Committee on Rules and Legislative Administration.

Redalen and Jacobs introduced:

H. F. No. 1623, A bill for an act relating to taxation; limiting tax on certain sales of horses; amending Minnesota Statutes 1984, section 297A.01, subdivision 3.

The bill was read for the first time and referred to the Committee on Taxes.

Jacobs, Metzen, O'Connor and Redalen introduced:

H. F. No. 1624, A bill for an act relating to taxation; limiting payment of sales tax on transactions involving horses; amending Minnesota Statutes 1984, section 297A.01, subdivision 3.

The bill was read for the first time and referred to the Committee on Taxes.

Kvam, Valan, Erickson, Kalis and Dyke introduced:

H. F. No. 1625, A bill for an act establishing the legislative commission on the agricultural economy; providing for its duties and powers; appropriating money.

The bill was read for the first time and referred to the Committee on Appropriations.

Schafer, Rodosovich, Sherman, McEachern and Anderson, R., introduced:

H. F. No. 1626, A bill for an act relating to health; requiring insurance coverage for special dietary treatment for phenylketonuria; providing an educational testing program; allowing a deduction for the costs of the special dietary treatment; amending Minnesota Statutes 1984, sections 62E.06, subdivision 1; and 290.089, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 62A and 144.

The bill was read for the first time and referred to the Committee on Health and Human Services.

Kvam, Redalen and Brinkman introduced:

H. F. No. 1627, A bill for an act relating to taxation; property; allowing certain property owners to appeal assessments directly to the tax or district court; amending Minnesota Statutes 1984, sections 271.01, subdivision 5; and 278.01, subdivision 1.

The bill was read for the first time and referred to the Committee on Taxes.

HOUSE ADVISORIES

The following House Advisories were introduced:

Bennett; Valento; Tjornhom; Carlson, L., and McLaughlin introduced:

H. A. No. 23, A proposal to study metropolitan taxicab regulation and licensing.

The advisory was referred to the Committee on Commerce and Economic Development.

Levi and Valento introduced:

H. A. No. 24, A proposal to study participation of youth in sports and athletic programs.

The advisory was referred to the Committee on General Legislation and Veterans Affairs.

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 File, herewith returned:

H. F. No. 1198, A bill for an act relating to local government; authorizing the creation of a youth coordinating board in the city of Minneapolis.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 951, A bill for an act relating to the Minnesota historical society; authorizing local heritage preservation commissions; amending Minnesota Statutes 1984, section 471.193.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 825, A bill for an act relating to occupations and professions; regulating electricians; amending Minnesota Statutes 1984, sections 326.01, subdivisions 2, 5, 6b, and by adding a subdivision; 326.242, subdivisions 1, 2, 3, 6, and 9; 326.243; 326.244, subdivisions 1, 2, and 5; and 326.246.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House Files, herewith returned:

H. F. No. 886, A resolution memorializing the governments of the United States and Sweden that the State of Minnesota adopts the County of Kronoberg as a sister state.

H. F. No. 1199, A bill for an act relating to the City of New Brighton; providing an exception from the New Brighton police civil service system for the chief and deputy chief of police.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House Files, herewith returned:

H. F. No. 656, A bill for an act relating to local government; allowing for an increase in the appropriation a county may make for a county humane society in any year; authorizing the Otter Tail county board to adopt an ordinance for the control of dogs and cats; amending Minnesota Statutes 1984, section 343.11.

H. F. No. 1254, A bill for an act relating to local government; permitting insurance and indemnification of certain municipal electric power personnel; correcting a statutory cross reference; amending Minnesota Statutes 1984, section 453.55, subdivision 11.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House Files, herewith returned:

H. F. No. 507, A bill for an act relating to Hennepin county; setting the form in which county board members' salaries must be stated; amending Laws 1982, chapter 577, section 14.

H. F. No. 863, A bill for an act relating to transportation; specifying the method of payment for landscape contractors providing goods or services to the department of transportation; amending Minnesota Statutes 1984, section 161.32, by adding a subdivision.

H. F. No. 1570, A bill for an act relating to agriculture; creating an exception to the corporate farming law; amending Minnesota Statutes 1984, section 500.24, subdivision 3.

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. 94, A bill for an act relating to agriculture; changing certain soil and water conservation priorities; amending Minnesota Statutes 1984, sections 40.036, subdivisions 1 and 3; repealing Minnesota Statutes 1984, sections 40.036, subdivisions 4, 5, and 6; and 40.038, subdivision 1.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Redalen moved that the House concur in the Senate amendments to H. F. No. 94 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 94, A bill for an act relating to agriculture; changing certain soil and water conservation priorities; amending Minnesota Statutes 1984, section 40.036, subdivisions 1 and 3; repealing Minnesota Statutes 1984, sections 40.036, subdivisions 4, 5, and 6; and 40.038, subdivision 1.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 125 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Begich	Brinkman	Clark	Dyke
Anderson, R.	Bennett	Brown	Clausnitzer	Ellingson
Backlund	Bishop	Burger	Cohen	Erickson
Battaglia	Blatz	Carlson, D.	Dempsey	Fjoslien
Beard	Boerboom	Carlson, J.	DenOuden	Forsythe
Becklin	Boo	Carlson, L.	Dimler	Frederick

Frederickson	Kostohryz	Ogren	Richter	Sviggum
Frerichs	Krueger	Olsen, S.	Riveness	Thiede
Greenfield	Kvam	Olson, E.	Rodosovich	Thorson
Gruenes	Levi	Omann	Rose	Tjornhom
Gutknecht	Lieder	Onnen	Sarna	Tomlinson
Halberg	Marsh	Osthoff	Schafer	Tompkins
Hartle	McDonald	Otis	Scheid	Tunheim
Haukoos	McEachern	Ozment	Schoenfeld	Uphus
Heap	McLaughlin	Pappas	Schreiber	Valan
Jacobs	McPherson	Pauly	Seaberg	Valento
Jaros	Metzen	Piper	Segal	Vanasek
Jennings, L.	Miller	Poppenhagen	Shaver	Vellenga
Johnson	Munger	Price	Sherman	Voss
Kahn	Murphy	Quinn	Simoneau	Waltman
Kalis	Nelson, D.	Quist	Skoglund	Welle
Kelly	Nelson, K.	Redalen	Solberg	Wenzel
Kiffmeyer	Neuenschwander	Rees	Sparby	Wynia
Knickerbocker	Norton	Rest	Stanisus	Zaffke
Knuth	O'Connor	Rice	Staten	Spk. Jennings, D.

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested :

H. F. No. 247, A bill for an act relating to local government; providing conditions for the adoption or amendment of comprehensive municipal plans; amending Minnesota Statutes 1984, section 462.355, subdivisions 2 and 3.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Olsen, S., moved that the House concur in the Senate amendments to H. F. No. 247 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 247, A bill for an act relating to local government; providing conditions for the adoption or amendment of comprehensive municipal plans; providing for resolution of conflicts between a zoning ordinance and the comprehensive municipal plan; amending Minnesota Statutes 1984, sections 462.355, subdivisions 2 and 3; 462.357, subdivision 2; and 473.858, subdivision 1.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 123 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Erickson	Levi	Pappas	Skoglund
Anderson, R.	Fjoslien	Lieder	Pauly	Solberg
Backlund	Forsythe	Marsh	Piper	Sparby
Battaglia	Frederick	McDonald	Poppenhagen	Stanius
Beard	Frederickson	McEachern	Price	Staten
Becklin	Frerichs	McLaughlin	Quinn	Sviggum
Begich	Greenfield	McPherson	Quist	Thiede
Bennett	Gutknecht	Metzen	Redalen	Thorson
Blatz	Halberg	Miller	Rees	Tjornhom
Boerboom	Hartinger	Minne	Rest	Tomlinson
Boo	Hartle	Munger	Rice	Tompkins
Brinkman	Haukoos	Murphy	Richter	Tunheim
Brown	Heap	Nelson, D.	Riveness	Uphus
Burger	Jacobs	Nelson, K.	Rodosovich	Vaian
Carlson, D.	Jaros	Neuenschwander	Rose	Valento
Carlson, J.	Jennings, L.	Norton	Sarna	Vellenga
Carlson, L.	Johnson	O'Connor	Schafer	Voss
Clark	Kahn	Ogren	Scheid	Waltman
Clausnitzer	Kalis	Olson, S.	Schoenfeld	Welle
Cohen	Kelly	Olson, E.	Schreiber	Wenzel
Dempsey	Kiffmeyer	Omann	Seaberg	Wynia
DenOuden	Knickerbocker	Onnen	Segal	Zaffke
Dimler	Knuth	Osthoff	Shaver	Spk. Jennings, D.
Dyke	Kostohryz	Otis	Sherman	
Ellingson	Kvam	Ozment	Simoneau	

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 267, A bill for an act relating to local government; authorizing certain political subdivisions to enter into certain joint insurance agreements.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Solberg moved that the House concur in the Senate amendments to H. F. No. 267 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 267, A bill for an act relating to local government; authorizing certain political subdivisions to enter into certain joint insurance agreements.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 124 yeas and 0 nays as follows :

Those who voted in the affirmative were :

Anderson, G.	Erickson	Kvam	Ozment	Simoneau
Anderson, R.	Fjoslien	Levi	Pappas	Skoglund
Backlund	Forsythe	Lieder	Pauly	Solberg
Battaglia	Frederick	Marsh	Piepho	Sparby
Beard	Frederickson	McDonald	Piper	Stanis
Becklin	Frerichs	McEachern	Poppenhagen	Staten
Begich	Greenfield	McLaughlin	Price	Sviggum
Bennett	Gruenes	McPherson	Quinn	Thiede
Blatz	Cutknecht	Metzen	Quist	Thorson
Boerboom	Halberg	Miller	Redalen	Tjornhom
Boo	Hartinger	Minne	Rees	Tomlinson
Brinkman	Hartle	Munger	Rest	Tompkins
Brown	Haukoos	Murphy	Rice	Tunheim
Burger	Jacobs	Nelson, D.	Richter	Uphus
Carlson, D.	Jaros	Nelson, K.	Riveness	Valan
Carlson, J.	Jennings, L.	Neuenschwander	Rodosovich	Valento
Carlson, L.	Johnson	Norton	Sarna	Vellenga
Clark	Kahn	O'Connor	Schafer	Voss
Clausnitzer	Kalis	Ogren	Scheid	Waltman
Cohen	Kelly	Olsen, S.	Schoenfeld	Welle
Dempsey	Kiffmeyer	Olson, E.	Schreiber	Wenzel
DenOuden	Knickerbocker	Omann	Seaberg	Wynia
Dimler	Knuth	Onnen	Segal	Zaffke
Dyke	Kostohryz	Osthoff	Shaver	Spk. Jennings, D.
Ellingson	Krueger	Otis	Sherman	

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 266, A bill for an act relating to arrest; providing indemnification for off-duty peace officers who make arrests outside their jurisdiction; specifying the circumstances under which peace officers, constables, and part-time peace officers may make

on or off-duty arrests outside their jurisdictions; amending Minnesota Statutes 1984, sections 3.736, subdivision 1, and by adding a subdivision; 629.34, subdivision 1; and 629.40.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Marsh moved that the House concur in the Senate amendments to H. F. No. 266 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 266, A bill for an act relating to arrest; providing indemnification for off-duty peace officers who make arrests outside their jurisdiction; specifying the circumstances under which peace officers, constables, and part-time peace officers may make on- or off-duty arrests outside their jurisdictions; amending Minnesota Statutes 1984, sections 3.736, subdivision 1, and by adding a subdivision; 97.50, subdivision 1; 629.34, subdivision 1; and 629.40.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 126 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Ellingson	Kelly	Neuenschwander	Rice
Anderson, R.	Erickson	Kiffmeyer	Norton	Richter
Backlund	Fjoslien	Knickerbocker	O'Connor	Riveness
Battaglia	Forsythe	Knuth	Ogren	Rodosovich
Beard	Frederick	Kostohryz	Olsen, S.	Rose
Becklin	Frederickson	Krueger	Olson, E.	Sarna
Begich	Frerichs	Kvam	Omann	Schafer
Blatz	Greenfield	Levi	Onnen	Scheid
Boerboom	Gruenes	Lieder	Osthoff	Schoenfeld
Boo	Gutknecht	Marsh	Otis	Schreiber
Brinkman	Halberg	McDonald	Ozment	Seaberg
Brown	Hartinger	McEachern	Pappas	Segal
Burger	Hartle	McKasy	Pauly	Shaver
Carlson, D.	Haukoos	McLaughlin	Piepho	Sherman
Carlson, L.	Heap	McPherson	Piper	Simoneau
Clark	Himle	Metzen	Poppenhagen	Skoglund
Clausnitzer	Jacobs	Miller	Price	Solberg
Cohen	Jaros	Minne	Quinn	Sparby
Dempsey	Jennings, L.	Munger	Quist	Stanius
DerOuden	Johnson	Murphy	Redalen	Staten
Dimler	Kahn	Nelson, D.	Rees	Sviggum
Dyke	Kalis	Nelson, K.	Rest	Thiede

Thorson
Tjornhom
Tomlinson
Tompkins

Tunheim
Uphus
Valan

Valento
Vellenga
Voss

Waltman
Welle
Wenzel

Wynia
Zaffke
Spk. Jennings, D.

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 230, A bill for an act relating to state lands; authorizing the sale of certain surplus state land in Dakota county to the city of Hastings.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Ozment moved that the House concur in the Senate amendments to H. F. No. 230 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 230, A bill for an act relating to state lands; authorizing the sale of certain surplus state land in Dakota county to the city of Hastings.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 128 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.
Anderson, R.
Backlund
Battaglia
Beard
Becklin
Begich
Bennett

Blatz
Boerboom
Boo
Brinkman
Brown
Burger
Carlson, D.
Carlson, J.

Carlson, L.
Clark
Clausnitzer
Cohen
Dempsey
DenOuden
Dimler
Dyke

Ellingson
Erickson
Fjoslien
Forsythe
Frederick
Frederickson
Frerichs
Greenfield

Gruenes
Gutknecht
Halberg
Hartinger
Hartle
Haukoos
Heap
Himle

Jacobs	McEachern	Onnen	Rodosovich	Thorson
Jaros	McKasy	Osthoff	Sarna	Tjornhom
Jennings, L.	McLaughlin	Otis	Schafer	Tomlinson
Johnson	McPherson	Ozment	Scheid	Tompkins
Kahn	Metzen	Pappas	Schoenfeld	Tunheim
Kalis	Miller	Pauly	Schreiber	Valan
Kelly	Minne	Piepho	Seaberg	Valento
Kiffmeyer	Munger	Piper	Segal	Vanasek
Knickerbocker	Murphy	Poppenhagen	Shaver	Vellenga
Knuth	Nelson, D.	Price	Sherman	Voss
Kostohryz	Nelson, K.	Quinn	Simoneau	Waltman
Krueger	Neuenschwander	Quist	Skoglund	Welle
Kvam	Norton	Redalen	Solberg	Wenzel
Levi	O'Connor	Rees	Sparby	Wynia
Lieder	Ogren	Rest	Stanisus	Zaffke
Long	Olsen, S.	Rice	Staten	Spk. Jennings, D.
Marsh	Olson, E.	Richter	Sviggunn	
McDonald	Omamn	Riveness	Thiede	

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 831, A bill for an act relating to crimes; prescribing the powers of the governor and the commissioner of corrections with respect to extradition under treaty; amending Minnesota Statutes 1984, section 243.515.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Ozment moved that the House concur in the Senate amendments to H. F. No. 831 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 831, A bill for an act relating to crimes; prescribing the powers of the governor and the commissioner of corrections with respect to extradition under treaty; amending Minnesota Statutes 1984, section 243.515.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 130 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Fjoslien	Kvam	Otis	Sherman
Anderson, R.	Forsythe	Levi	Ozment	Simoneau
Backlund	Frederick	Lieder	Pappas	Skoglund
Battaglia	Frederickson	Long	Pauly	Solberg
Beard	Frerichs	Marsh	Piepho	Sparby
Becklin	Greenfield	McDonald	Piper	Stanius
Begich	Gruenes	McEachern	Poppenhagen	Staten
Bennett	Gutknecht	McKasy	Price	Sviggum
Blatz	Halberg	McLaughlin	Quinn	Thiede
Boerboom	Hartinger	McPherson	Quist	Thorson
Boo	Hartle	Metzen	Redalen	Tjornhom
Brinkman	Haukoos	Miller	Rees	Tomlinson
Brown	Heap	Minne	Rest	Tompkins
Burger	Himle	Munger	Rice	Tunheim
Carlson, D.	Jacobs	Murphy	Richter	Uphus
Carlson, J.	Jaros	Nelson, D.	Riveness	Valan
Carlson, L.	Jennings, L.	Nelson, K.	Rodosovich	Valento
Clark	Johnson	Neuenschwander	Rose	Vanasek
Clausnitzer	Kahn	Norton	Sarna	Vellenga
Cohen	Kalis	O'Connor	Schafer	Voss
Dempsey	Kelly	Ogren	Scheid	Waltman
DenOuden	Kiffmeyer	Olsen, S.	Schoenfeld	Welle
Dimler	Knickerbocker	Olson, E.	Schreiber	Wenzel
Dyke	Knuth	Omman	Seaberg	Wynia
Ellingson	Kostohryz	Onnen	Segal	Zaffke
Erickson	Krueger	Osthoff	Shaver	Spk. Jennings, D.

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 982, A bill for an act relating to veterans; providing space in the veterans service building for certain veterans organizations; amending Minnesota Statutes 1984, section 197.58.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Metzen moved that the House concur in the Senate amendments to H. F. No. 982 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 982, A bill for an act relating to veterans; providing space in the veterans service building for certain veterans organizations; amending Minnesota Statutes 1984, section 197.58.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 126 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frederick	Lieder	Pauly	Sparby
Anderson, R.	Frederickson	Long	Piepho	Stanius
Backlund	Frerichs	Marsh	Piper	Staten
Battaglia	Greenfield	McDonald	Poppenhagen	Sviggum
Beard	Gruenes	McEachern	Price	Thiede
Becklin	Gutknecht	McLaughlin	Quinn	Thorson
Begich	Halberg	McPherson	Quist	Tjornhom
Bennett	Hartinger	Metzen	Rees	Tomlinson
Blatz	Hartle	Miller	Rest	Tompkins
Boerboom	Haukoos	Minne	Rice	Tunheim
Brinkman	Heap	Munger	Richter	Uphus
Brown	Himle	Murphy	Riveness	Valan
Carlson, D.	Jacobs	Nelson, D.	Rodosovich	Valento
Carlson, J.	Jaros	Nelson, K.	Rose	Vanasek
Carlson, L.	Jennings, L.	Neuenschwander	Sarna	Vellenga
Clark	Johnson	Norton	Schafer	Voss
Clausnitzer	Kahn	O'Connor	Scheid	Waltman
Cohen	Kalis	Ogren	Schoenfeld	Welle
Dempsey	Kelly	Olsen, S.	Schreiber	Wenzel
DenOuden	Kiffmeyer	Olson, E.	Seaberg	Wynia
Dimler	Knickerbocker	Omann	Segal	Zaffke
Dyke	Knuth	Onnen	Shaver	Spk. Jennings, D.
Ellingson	Kostohryz	Osthoff	Sherman	
Erickson	Krueger	Otis	Simoneau	
Fjoslien	Kvam	Ozment	Skoglund	
Forsythe	Levi	Pappas	Solberg	

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 1093, A resolution memorializing the President and Secretary of Agriculture of the United States to insist to the government of Canada on fair trade regulations on hogs, or impose quotas and strict tariffs on Canadian hog imports.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Wenzel moved that the House concur in the Senate amendments to H. F. No. 1093 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1093, A resolution memorializing the President and Secretary of Agriculture of the United States to require the government of Canada to comply with the fair trade regulations on hogs, or impose quotas and strict tariffs on Canadian hog imports.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 125 yeas and 0 nays as follows :

Those who voted in the affirmative were :

Anderson, G.	Fjoslien	Levi	Otis	Shaver
Anderson, R.	Forsythe	Lieder	Ozment	Sherman
Backlund	Frederick	Long	Pappas	Simoneau
Battaglia	Frederickson	Marsh	Pauly	Skoglund
Beard	Frerichs	McDonald	Piepho	Solberg
Becklin	Greenfield	McEachern	Piper	Sparby
Begich	Gruenes	McKasy	Poppenhagen	Stanius
Bennett	Gutknecht	McLaughlin	Price	Staten
Bishop	Halberg	McPherson	Quinn	Sviggunn
Blatz	Hartinger	Metzen	Quist	Thiede
Boerboom	Hartle	Miller	Redalen	Thorson
Boo	Haukoos	Minne	Rees	Tjornhom
Brinkman	Heap	Munger	Rest	Tomlinson
Brown	Himle	Murphy	Rice	Tompkins
Carlson, D.	Jacobs	Nelson, D.	Richter	Tunheim
Carlson, L.	Jaros	Nelson, K.	Riveness	Uphus
Clark	Johnson	Neuenschwander	Rodosovich	Valento
Clausnitzer	Kalis	Norton	Rose	Vellenga
Cohen	Kelly	O'Connor	Sarna	Voss
Dempsey	Kiffmeyer	Ogren	Schafer	Waltman
DenOuden	Knickerbocker	Olsen, S.	Scheid	Welle
Dimler	Knuth	Olson, E.	Schoenfeld	Wenzel
Dyke	Kostohryz	Omann	Schreiber	Wynia
Ellingson	Krueger	Onnen	Seaberg	Zaffke
Erickson	Kvam	Osthoff	Segal	Spk. Jennings, D.

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 House File, herewith returned, as amended by the Senate, in

which amendment the concurrence of the House is respectfully requested:

H. F. No. 645, A bill for an act relating to crimes; specifying the effect of and the procedure for issuing an order of restitution; amending Minnesota Statutes 1984, section 611A.04, subdivision 3; proposing coding for new law in chapter 611A.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Bishop moved that the House concur in the Senate amendments to H. F. No. 645 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 645, A bill for an act relating to crimes; specifying the effect of and the procedure for issuing an order of restitution; amending Minnesota Statutes 1984, section 611A.04, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 611A.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 125 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Cohen	Heap	McLaughlin	Pappas
Anderson, R.	Dempsey	Himle	McPherson	Pauly
Backlund	DenOuden	Jacobs	Metzen	Piepho
Battaglia	Dimler	Jaros	Miller	Piper
Beard	Dyke	Jennings, L.	Minne	Poppenhagen
Becklin	Ellingson	Johnson	Munger	Price
Begich	Erickson	Kahn	Murphy	Quinn
Bennett	Fjoslien	Kalis	Nelson, D.	Quist
Bishop	Forsythe	Kelly	Nelson, K.	Redalen
Blatz	Frederick	Kiffmeyer	Neuenschwander	Rees
Boerboom	Frederickson	Knickerbocker	Norton	Rest
Brandl	Frerichs	Knuth	Ogren	Rice
Brinkman	Greenfield	Kostohryz	Olsen, S.	Richter
Brown	Gruenes	Kvam	Olson, E.	Riveness
Carlson, D.	Gutknecht	Levi	Omann	Rodosovich
Carlson, J.	Halberg	Lieder	Onnen	Rose
Carlson, L.	Hartinger	Long	Osthoff	Schafer
Clark	Hartle	Marsh	Otis	Scheid
Clausnitzer	Haukoos	McDonald	Ozment	Schoenfeld

Schreiber	Skoglund	Thiede	Uphus	Waltman
Seaberg	Solberg	Thorson	Valan	Welle
Segal	Sparby	Tjornhom	Valento	Wenzel
Shaver	Stanius	Tomlinson	Vanasek	Wynia
Sherman	Staten	Tompkins	Vellenga	Zaffke
Simoneau	Sviggum	Tunheim	Voss	Spk. Jennings, D.

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 1197, A bill for an act relating to cities of Circle Pines and Lino Lakes; permitting cities to determine the size of Circle Pines utilities commission.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Voss moved that the House concur in the Senate amendments to H. F. No. 1197 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1197, A bill for an act relating to cities of Circle Pines and Lino Lakes; permitting cities to determine the size of Circle Pines utilities commission.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 124 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Begich	Brinkman	Clausnitzer	Ellingson
Anderson, R.	Bennett	Brown	Cohen	Erickson
Backlund	Bishop	Carlson, D.	Dempsey	Fjoslien
Battaglia	Blatz	Carlson, J.	DenOuden	Forsythe
Beard	Boerboom	Carlson, L.	Dimler	Frederick
Becklin	Brandl	Clark	Dyke	Frederickson

Frerichs	Knuth	Norton	Rice	Sviggum
Greenfield	Kostohryz	Ogren	Richter	Thorson
Gruenes	Krueger	Olsen, S.	Riveness	Tjornhom
Gutknecht	Kvam	Olson, E.	Rodosovich	Tomlinson
Halberg	Levi	Omann	Rose	Tompkins
Hartinger	Lieder	Onnen	Schafer	Tunheim
Hartle	Long	Osthoff	Scheid	Uphus
Haukoos	Marsh	Otis	Schoenfeld	Valan
Heap	McDonald	Ozment	Schreiber	Valento
Himle	McLaughlin	Pappas	Seaberg	Vanasek
Jacobs	McPherson	Pauly	Segal	Vellenga
Jaros	Metzen	Piepho	Shaver	Voss
Jennings, L.	Miller	Piper	Sherman	Waltman
Johnson	Minne	Poppenhagen	Simoneau	Welle
Kahn	Munger	Price	Skoglund	Wenzel
Kallis	Murphy	Quinn	Solberg	Wynia
Kelly	Nelson, D.	Redalen	Sparby	Zaffke
Kiffmeyer	Nelson, K.	Rees	Stanis	Spk. Jennings, D.
Knickerbocker	Neuenschwander	Rest	Staten	

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 759, A bill for an act relating to elections; changing certain procedures and deadlines related to absentee ballots; changing the municipal election filing deadline; amending Minnesota Statutes 1984, sections 203B.17, subdivision 2; 203B.21, subdivision 3; 204B.35, subdivision 4; and 205.13, subdivision 1.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Backlund moved that the House concur in the Senate amendments to H. F. No. 759 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 759, A bill for an act relating to elections; changing certain procedures and deadlines related to absentee ballots; changing the municipal election filing deadline; amending Minnesota Statutes 1984, sections 203B.17, subdivision 2; 203B.21, subdivision 3; 204B.35, subdivision 4; and 205.13, subdivision 1.

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.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Fjoslien	Kvam	Ozment	Simoneau
Anderson, R.	Forsythe	Levi	Pappas	Skoglund
Backlund	Frederick	Lieder	Pauly	Solberg
Battaglia	Frederickson	Long	Piepho	Sparby
Beard	Frerichs	Marsh	Piper	Stanius
Becklin	Greenfield	McDonald	Poppenhagen	Staten
Begich	Gruenes	McEachern	Price	Sviggum
Bennett	Gutknecht	McLaughlin	Quinn	Thiede
Bishop	Halberg	McPherson	Quist	Thorson
Blatz	Hartinger	Metzen	Redalen	Tjornhom
Boerboom	Hartle	Miller	Rees	Tomlinson
Brandl	Haukoos	Minne	Rest	Tompkins
Brinkman	Heap	Munger	Rice	Tunheim
Brown	Himle	Murphy	Richter	Uphus
Carlson, D.	Jacobs	Nelson, D.	Riveness	Valan
Carlson, J.	Jaros	Nelson, K.	Rodosovich	Valento
Carlson, L.	Jennings, L.	Neuenschwander	Rose	Vanasek
Clark	Johnson	Norton	Sarna	Vellenga
Clausnitzer	Kahn	O'Connor	Schafer	Voss
Cohen	Kalis	Ogren	Scheid	Waltman
Dempsey	Kelly	Olsen, S.	Schoenfeld	Welle
DenOuden	Kiffmeyer	Olson, E.	Schreiber	Wenzel
Dimler	Knickerbocker	Omann	Seaberg	Wynia
Dyke	Knuth	Onnen	Segal	Zaffke
Ellingson	Kostohryz	Osthoff	Shaver	Spk. Jennings, D.
Erickson	Krueger	Otis	Sherman	

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 House File, herewith returned, as amended by the Senate, in which amendment the concurrence of the House is respectfully requested:

H. F. No. 186, A bill for an act relating to mental health services; authorizing interstate contracts for mental health services; proposing coding for new law in Minnesota Statutes, chapter 245.

PATRICK E. FLAHAVEN, Secretary of the Senate

Sherman moved that the House refuse to concur in the Senate amendments to H. F. No. 186, that the Speaker appoint a Conference Committee of 3 members of the House, and that the

House requests that a like committee be appointed by the Senate to confer on the disagreeing votes of the two houses. The motion prevailed.

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. 535, A bill for an act relating to health; restricting the use of lead in pipes, solders, and flux; requiring schools to flush certain pipes; amending Minnesota Statutes 1984, section 123.36, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 326.

PATRICK E. FLAHAVEN, Secretary of the Senate

Sherman moved that the House refuse to concur in the Senate amendments to H. F. No. 535, that the Speaker appoint a Conference Committee of 3 members of the House, and that the House requests that a like committee be appointed by the Senate to confer on the disagreeing votes of the two houses. The motion prevailed.

Mr. Speaker :

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 335, 1244, 1278 and 1347.

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. 901 and 1203.

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. 1193, 1353 and 1357.

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. 896.

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. 661 and 1329.

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. 781, 954, 986, 1140, 1148 and 1254.

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. 274, 453, 814, 1356 and 1388.

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. 83, 1077 and 1374.

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. 115, 927, 1071, 1214 and 1238.

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. 459.

PATRICK E. FLAHAVEN, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 335, A bill for an act relating to animals; changing certain duties and powers of the board of animal health; amending Minnesota Statutes 1984, sections 35.03; 35.05; and 35.069.

The bill was read for the first time.

McDonald moved that S. F. No. 335 and H. F. No. 708, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1244, A bill for an act relating to the city of Burnsville; increasing the total number of on-sale liquor licenses.

The bill was read for the first time.

Seaberg moved that S. F. No. 1244 and H. F. No. 1307, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1278, A bill for an act relating to financial institutions; providing for the extension of certain loan assumptions; amending Minnesota Statutes 1984, section 47.20, by adding a subdivision.

The bill was read for the first time.

Knickerbocker moved that S. F. No. 1278 and H. F. No. 1558, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1347, A bill for an act relating to natural resources; authorizing the commissioner of natural resources to sell certain lands in Koochiching county.

The bill was read for the first time.

Neuenschwander moved that S. F. No. 1347 and H. F. No. 1498, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 901, A bill for an act relating to human services; increasing incentives for enforcing and collecting child support; requiring child support or maintenance obligors to file address or residence changes; amending Minnesota Statutes 1984, sections 256.74, subdivisions 1 and 5; 256.87, subdivisions 1a and 3; 257.58, subdivision 1; 518.55, by adding a subdivision; 518.-551, subdivision 7; 518.611, subdivisions 2, 3, 4, and 6, and by adding a subdivision; 518.645; 543.20; repealing Minnesota Statutes 1984, section 257.62, subdivision 4.

The bill was read for the first time.

Clausnitzer moved that S. F. No. 901 and H. F. No. 912, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1203, A bill for an act relating to state departments and agencies; requiring agencies to provide services and materials in languages other than English; proposing coding for new law as Minnesota Statutes, chapter 15B.

The bill was read for the first time.

Pappas moved that S. F. No. 1203 and H. F. No. 492, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1193, A bill for an act relating to taxation; aggregate removal production; eliminating time requirement for notifying operator of unpaid tax; imposing a penalty; amending Minnesota Statutes 1984, section 298.75, subdivisions 4 and 6.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 1353, A bill for an act relating to natural resources; authorizing the commissioner of natural resources to sell certain lands in St. Louis county.

The bill was read for the first time.

Battaglia moved that S. F. No. 1353 and H. F. No. 1497, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1357, A bill for an act relating to contempt of court; providing penalties for failure to file a complete income tax return pursuant to court order; proposing coding for new law in Minnesota Statutes, chapter 588.

The bill was read for the first time.

Halberg moved that S. F. No. 1357 and H. F. No. 1405, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 896, A bill for an act relating to energy; providing for the method of calculating the payback of certain energy conservation investments; amending Minnesota Statutes 1984, section 116J.37, subdivision 1.

The bill was read for the first time.

Zaffke moved that S. F. No. 896 and H. F. No. 921, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 661, A bill for an act relating to commerce; regulating membership camping; prescribing the powers and duties of the commissioner; proposing coding for new law as Minnesota Statutes, chapter 82A.

The bill was read for the first time.

Zaffke moved that S. F. No. 661 and H. F. No. 947, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1329, A bill for an act relating to taxation; clarifying definitions for sales and use tax; clarifying exemptions; providing an exemption for certain mailing materials used for advertising purposes; imposing civil and criminal penalties for underreporting or failing to report motor vehicle excise tax; repealing certain refund procedures; amending Minnesota Statutes 1984, sections 297A.01, subdivision 11; 297A.041; 297A.25, subdivision 1; 297B.10; and 297B.11; repealing Minnesota Statutes 1984, section 297A.35, subdivision 3.

The bill was read for the first time.

Tjornhom moved that S. F. No. 1329 and H. F. No. 1000, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 781, A bill for an act relating to juvenile court; clarifying the authority to release juvenile court records; amending Minnesota Statutes 1984, section 260.161, subdivision 2.

The bill was read for the first time.

Kelly moved that S. F. No. 781 and H. F. No. 806, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 954, A bill for an act relating to veterans; reestablishing the board of governors of the Big Island Veterans Camp; providing for its appointment and duties; transferring certain state land to the board; providing for the possible disposition of the land by the board; proposing coding for new law in Minnesota Statutes, chapter 197; repealing Minnesota Statutes 1984, sections 197.13; 197.15; 197.16; 197.17; 197.18; and 197.19.

The bill was read for the first time.

Kostohryz moved that S. F. No. 954 and H. F. No. 1033, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 986, A bill for an act relating to workers' compensation; providing for miscellaneous changes; amending Minnesota Statutes 1984, sections 176.021, subdivision 3b; 176.101, subdivision 3e; 176.102, subdivisions 3 and 8; 176.103, subdivision 3; 176.136, by adding a subdivision; 176.138; 176.191, subdivision 3; 176.511, subdivisions 1 and 2; and 176.66, subdivision 10; proposing coding for new law in Minnesota Statutes, chapter 176; repealing Minnesota Statutes 1984, sections 176.081, subdivision 4; and 176.134.

The bill was read for the first time.

Sviggum moved that S. F. No. 986 and H. F. No. 1130, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1140, A bill for an act relating to agriculture; requiring swine herd identification for disease control and meat inspection; proposing coding for new law in Minnesota Statutes, chapter 35.

The bill was read for the first time.

McDonald moved that S. F. No. 1140 and H. F. No. 1513, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1148, A bill for an act relating to commerce; defining "trade secret"; amending Minnesota Statutes 1984, section 325C.01, subdivision 5.

The bill was read for the first time.

McKasy moved that S. F. No. 1148 and H. F. No. 1421, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1254, A bill for an act relating to occupational safety and health; prescribing duties of employers and of employees; providing for standards; providing for the use of investigative information; providing for enforcement mechanisms; amending Minnesota Statutes 1984, sections 182.651, subdivision 14; 182.653, subdivisions 4a, 4b, 4c, 4e, and 4f; 182.654, subdivision 11; 182.655, subdivisions 10 and 10a; 182.659, by adding a subdivision; 182.661, subdivision 1, and by adding a subdivision; 182.668, subdivision 1; and 182.669, subdivision 1.

The bill was read for the first time.

Himle moved that S. F. No. 1254 and H. F. No. 1262, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 274, A bill for an act relating to civil commitment; requiring a hearing for the continued commitment of mentally retarded persons; amending Minnesota Statutes 1984, section 253B.13, subdivision 2.

The bill was read for the first time.

Long moved that S. F. No. 274 and H. F. No. 934, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 453, A bill for an act relating to natural resources; reducing fees for camping spaces within a state park and state park motor vehicle permits for physically handicapped persons; amending Minnesota Statutes 1984, section 85.05.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 814, A bill for an act relating to education; establishing the state council on vocational technical education; proposing coding for new law in Minnesota Statutes, chapter 136C.

The bill was read for the first time.

Gruenes moved that S. F. No. 814 and H. F. No. 897, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1356, A bill for an act relating to statutes; conforming various laws to judicial decisions of unconstitutionality and suggestions for clarity; amending Minnesota Statutes 1984, sections 3.736, subdivision 3; 65B.44, subdivision 6; 181.13; 429.061, subdivision 1; and 631.09.

The bill was read for the first time.

Bishop moved that S. F. No. 1356 and H. F. No. 1431, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1388, A bill for an act relating to courts; clarifying the jurisdiction of the court of appeals to issue writs; amending Minnesota Statutes 1984, section 480A.06, subdivision 3.

The bill was read for the first time.

Bishop moved that S. F. No. 1388 and H. F. No. 1578, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 83, A bill for an act relating to taxation; providing an exemption from sales tax for the gross receipts from sales of tangible personal property, admission charges, and sales of food, meals, or drinks at certain events sponsored by certain nonprofit organizations; amending Minnesota Statutes 1984, section 297A.25, subdivision 1.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 1077, A bill for an act relating to courts; providing for reimbursement of residents required to testify in another state in criminal cases; amending Minnesota Statutes 1984, section 634.06.

The bill was read for the first time.

Backlund moved that S. F. No. 1077 and H. F. No. 1001, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1374, A bill for an act relating to state parks; establishing lease rate for a certain part of Fort Snelling state park.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 115, A bill for an act relating to motor vehicles; providing for free license plates for former prisoners of war; amending Minnesota Statutes 1984, section 168.125.

The bill was read for the first time and referred to the Committee on Taxes.

S. F. No. 927, A bill for an act relating to watercraft; exempting certain boats from watercraft licensing requirements; amending Minnesota Statutes 1984, section 361.03, subdivision 12.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 1071, A bill for an act relating to corporations; providing for access by shareholders to certain corporate records; protecting the privacy of individuals; amending Minnesota Statutes 1984, sections 302A.011, by adding a subdivision; and 302A.461, subdivisions 4 and 5, and by adding a subdivision.

The bill was read for the first time.

McKasy moved that S. F. No. 1071 and H. F. No. 1161, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1214, A bill for an act relating to negligence; clarifying immunity from liability for volunteer firefighters who render assistance at scenes of emergency; amending Minnesota Statutes 1984, section 604.05, subdivision 2.

The bill was read for the first time.

Marsh moved that S. F. No. 1214 and H. F. No. 959, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1238, A bill for an act relating to intoxicating liquor; authorizing the issuance of temporary on-sale intoxicating liquor licenses; amending Minnesota Statutes 1984, section 340.11, by adding a subdivision.

The bill was read for the first time.

Pauly moved that S. F. No. 1238 and H. F. No. 785, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 459, A bill for an act relating to probate; adopting provisions of the uniform probate code and clarifying laws relating to intestate succession, spouse's elective share, and omitted spouses and children; clarifying provisions relating to the award of costs in guardianship and conservatorship proceedings; providing for the payment of reasonable fees and expenses for certain guardians and conservators; amending Minnesota Statutes 1984, sections 257.34, subdivision 1; 525.13; 525.145; and

525.703; proposing coding for new law in Minnesota Statutes, chapter 524; repealing Minnesota Statutes 1984, sections 525.16; 525.17; 525.171; 525.172; 525.173; 525.20; 525.201; 525.202; 525.212 to 525.216.

The bill was read for the first time.

Vanasek moved that S. F. No. 459 and H. F. No. 1023, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

SPECIAL ORDERS

H. F. No. 889 was reported to the House.

PENDING POINT OF ORDER

The pending point of order relating to H. F. No. 889, as amended, and raised by DenOuden on Wednesday, April 24th, 1985, pursuant to rule 5.7 and deferred by the Speaker was reported to the House.

DenOuden withdrew his point of order.

Voss moved to amend H. F. No. 889, the second engrossment, as follows:

Page 3, lines 1 to 8, delete section 5 from the bill

Amend the title as follows:

Page 1, line 8, delete "164.06;"

A roll call was requested and properly seconded.

The question was taken on the Voss amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 33 yeas and 81 nays as follows:

Those who voted in the affirmative were:

Brandl	Jennings, L.	Norton	Rest	Tomlinson
Carlson, L.	Kahn	Omann	Rice	Tunheim
Clark	Knuth	Otis	Riveness	Vellenga
Cohen	Kostohryz	Pappas	Scheid	Voss
Ellingson	McLaughlin	Piper	Schoenfeld	Welle
Greenfield	Murphy	Price	Segal	
Jaros	Nelson, K.	Quinn	Skoglund	

Those who voted in the negative were:

Anderson, G.	Fjoslien	Kvam	Piepho	Thiede
Backlund	Forsythe	Levi	Poppenhagen	Thorson
Beard	Frederick	Lieder	Quist	Tjornhom
Becklin	Frederickson	Long	Redalen	Tompkins
Bennett	Frerichs	Marsh	Rees	Uphus
Bishop	Gruenes	McDonald	Richter	Valan
Blatz	Gutknecht	McEachern	Rodosovich	Valento
Boerboom	Hartle	McKasy	Rose	Vanasek
Brown	Haukoos	McPherson	Sarna	Waltman
Burger	Heap	Miller	Schreiber	Wenzel
Carlson, J.	Himle	Nelson, D.	Seaberg	Wynia
Clausnitzer	Jacobs	O'Connor	Shaver	Zaffke
Dempsey	Johnson	Ogren	Sherman	Spk. Jennings, D.
DenOuden	Kalis	Olson, E.	Solberg	
Dimler	Kiffmeyer	Onnen	Sparby	
Dyke	Knickerbocker	Ozment	Stanius	
Erickson	Krueger	Pauly	Sviggum	

The motion did not prevail and the amendment was not adopted.

Schreiber moved to amend H. F. No. 889, the second engrossment, as follows:

Page 14, lines 31 to 36 and Page 15, lines 1 to 11, delete section 17 from the bill

Renumber the remaining sections.

The motion prevailed and the amendment was adopted.

H. F. No. 889, A bill for an act relating to local government; providing for the conduct of the business of towns; providing for certain town debt; authorizing certain towns to provide certain services; revising various other town laws; amending Minnesota Statutes 1984, sections 160.17, subdivision 1; 160.25, subdivision 3; 163.11, subdivision 5a, and by adding a subdivision; 164.06; 365.10; 365.37; 365.44; 366.095; 367.03, subdivision 2; 367.10; 367.23; 444.075; and 471.56, subdivisions 1 and 3; proposing coding for new law in Minnesota Statutes, chapter 379; repealing Minnesota Statutes 1984, section 375.18, subdivisions 4, 5, and 6.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Carlson, J., moved that those not voting be excused from voting. The motion prevailed.

There were 112 yeas and 14 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Erickson	Lieder	Piepho	Sparby
Backlund	Fjoslien	Long	Piper	Stanis
Battaglia	Forsythe	Marsh	Poppenhagen	Sviggtun
Beard	Frederick	McDonald	Price	Thiede
Becklin	Frederickson	McEachern	Quinn	Thorson
Begich	Gruenes	McKasy	Quist	Tjornhom
Bennett	Gutknecht	McPherson	Redalen	Tomlinson
Bishop	Hartinger	Metzen	Rees	Tompkins
Boerboom	Hartle	Miller	Rest	Tunheim
Boo	Haukoos	Minne	Richter	Uphus
Brinkman	Heap	Murphy	Riveness	Valan
Brown	Himle	Nelson, D.	Rodosovich	Valento
Burger	Jacobs	Nelson, K.	Rose	Vanasek
Carlson, J.	Jennings, L.	Neuenschwander	Sarna	Vellenga
Carlson, L.	Johnson	O'Connor	Schafer	Waltman
Clark	Kalis	Ogren	Schoenfeld	Welle
Clausnitzer	Kelly	Olsen, S.	Schreiber	Wenzel
Cohen	Kiffmeyer	Olson, E.	Seaberg	Wynia
Dempsey	Knickerbocker	Onnen	Segal	Zaffke
DenOuden	Knuth	Otis	Shaver	Spk. Jennings, D.
Dimler	Kostohryz	Ozment	Sherman	
Dyke	Krueger	Pappas	Simoneau	
Ellingson	Kvam	Pauly	Solberg	

Those who voted in the negative were:

Brandl	Kahn	Norton	Rice	Staten
Greenfield	McLaughlin	Omann	Scheid	Voss
Jaros	Munger	Osthoff	Skoglund	

The bill was passed, as amended, and its title agreed to.

H. F. No. 264 was reported to the House.

Heap moved to amend H. F. No. 264, the second engrossment, as follows:

Page 1, line 23, delete "or" and insert a comma and after "abdomen" insert ", or ear"

Page 1, line 26, delete "or" and before the semicolon insert ", or driver's license records"

Page 2, line 6, delete everything after "bites"

Page 2, line 7, delete "exposes" and "to rabies virus"

Page 3, line 6, reinstate "(ANIMAL)"

Page 3, line 7, delete "dog"

Page 3, line 8, strike "go at large" and insert "run uncontrolled off the owner's premises"

Page 3, line 13, delete "*go at large*" and insert "*run uncontrolled off the owner's premises*"

Page 3, delete lines 18 to 21

Page 3, line 22, delete "AN ANIMAL" and insert "A DOG"

Page 3, line 24, delete "*go at large*" and insert "*run uncontrolled off the owner's premises*"

Page 3, line 26, delete "*gross*"

Page 3, delete lines 27 and 28

Page 3, lines 32, 34, and 35, delete "*dog*" and insert "*animal*"

Amend the title as follows:

Page 1, line 5, delete "animals" and insert "dogs"

The motion prevailed and the amendment was adopted.

Fjoslien moved to amend H. F. No. 264, the second engrossment, as amended, as follows:

Page 2, line 25, delete "*, conservation enforcement officers,*"

The motion prevailed and the amendment was adopted.

H. F. No. 264, A bill for an act relating to animals; providing for a rabies control program; imposing criminal liability on persons who cause the death or substantial bodily harm of another by permitting certain dogs to be unconfined or improperly confined; providing for the destruction of dangerous animals; imposing penalties; amending Minnesota Statutes 1984, section 609.25; proposing coding for new law in Minnesota Statutes, chapters 346 and 609.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 80 yeas and 35 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Ellingson	Kostohryz	Osthoff	Segal
Anderson, R.	Forsythe	Krueger	Otis	Shaver
Backlund	Frederick	Levi	Ozment	Sherman
Battaglia	Frederickson	Long	Pappas	Simoneau
Begich	Greenfield	Marsh	Pauly	Skoglund
Bennett	Gutknecht	McDonald	Piper	Stanis
Blatz	Hartinger	McKasy	Poppenhagen	Staten
Boo	Hartle	McLaughlin	Price	Thorson
Brandl	Heap	Minne	Rees	Tomlinson
Brown	Jaros	Murphy	Rest	Tunheim
Burger	Johnson	Nelson, D.	Rice	Valento
Carlson, L.	Kahn	Nelson, K.	Riveness	Vellenga
Clark	Kelly	Norton	Scheid	Voss
Clausnitzer	Kiffmeyer	O'Connor	Schoenfeld	Welle
Cohen	Knickerbocker	Olsen, S.	Schreiber	Wenzel
Dimler	Knuth	Omann	Seaberg	Wynia

Those who voted in the negative were:

Becklin	Fjoslien	McPherson	Quist	Tjornhom
Boerboom	Frerichs	Miller	Redalen	Tompkins
Brinkman	Gruenes	Neuenschwander	Richter	Uphus
Carlson, D.	Jacobs	Olson, E.	Rose	Valan
Carlson, J.	Kalis	Onnen	Sparby	Waltman
DenOuden	Kvam	Piepho	Sviggunn	Zaffke
Erickson	Lieder	Quinn	Thiede	Spk. Jennings, D.

The bill was passed, as amended, and its title agreed to.

H. F. No. 634 was reported to the House.

Shaver moved to amend H. F. No. 634, the first engrossment, as follows:

Page 1, line 24, delete "two" and insert "three"

The motion prevailed and the amendment was adopted.

Greenfield moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 25, after "day" insert ", except that this limit on the number of voters a voter may vouch for does not apply to vouching for residents of a nursing home"

A roll call was requested and properly seconded.

The question was taken on the Greenfield amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 62 yeas and 64 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Jaros	Minne	Piper	Solberg
Battaglia	Jennings, L.	Murphy	Price	Sparby
Beard	Kahn	Nelson, D.	Quinn	Staten
Begich	Kalis	Nelson, K.	Rest	Tomlinson
Brandl	Kelly	Neuenschwander	Rice	Tunheim
Brown	Knuth	Norton	Riveness	Vanasek
Carlson, D.	Kostohryz	O'Connor	Rodosovich	Vellenga
Carlson, L.	Krueger	Ogren	Sarna	Voss
Clark	Lieder	Olson, E.	Scheid	Wenzel
Cohen	Long	Omann	Schoenfeld	Wynia
Ellingson	McEachern	Osthoff	Segal	
Greenfield	McLaughlin	Otis	Simoneau	
Jacobs	Metzen	Pappas	Skoglund	

Those who voted in the negative were:

Anderson, R.	Erickson	Himle	Pauly	Stanius
Backlund	Fjoslien	Johnson	Piepho	Sviggum
Becklin	Forsythe	Kiffmeyer	Popenhagen	Thiede
Bennett	Frederick	Knickerbocker	Quist	Thorson
Blatz	Frederickson	Kvam	Redalen	Tjornhom
Boerboom	Frerichs	Levi	Rees	Tompkins
Boo	Gruenes	Marsh	Richter	Uphus
Carlson, J.	Gutknecht	McDonald	Rose	Valan
Clausnitzer	Halberg	McPherson	Schafer	Valento
Dempsey	Hartinger	Miller	Schreiber	Waltman
DenOuden	Hartle	Olsen, S.	Seaberg	Zaffke
Dimler	Haukoos	Onnen	Shaver	Spk. Jennings, D.
Dyke	Heap	Ozment	Sherman	

The motion did not prevail and the amendment was not adopted.

Kostohryz was excused between the hours of 4:40 p.m. and 6:00 p.m.

Segal and Staten moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 25, after "day" insert " , except that this limit on the number of voters a voter may vouch for does not apply to vouching for residents of a residential facility for adults who are mentally ill, mentally retarded, chemically dependent, or physically disabled"

A roll call was requested and properly seconded.

The question was taken on the Segal and Staten amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 65 yeas and 65 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Greenfield	Metzen	Otis	Simoneau
Battaglia	Jacobs	Minne	Pappas	Skoglund
Beard	Jaros	Munger	Piper	Solberg
Begich	Jennings, L.	Murphy	Price	Sparby
Bishop	Kahn	Nelson, D.	Quinn	Staten
Brandl	Kalis	Nelson, K.	Rest	Tomlinson
Brinkman	Kelly	Neuenschwander	Rice	Tunheim
Brown	Knuth	Norton	Riveness	Vanasek
Carlson, D.	Krueger	O'Connor	Rodosovich	Vellenga
Carlson, L.	Lieder	Ogren	Rose	Voss
Clark	Long	Olson, E.	Scheid	Welle
Cohen	McEachern	Omann	Schoenfeld	Wenzel
Ellingson	McLaughlin	Osthoff	Segal	Wynia

Those who voted in the negative were:

Anderson, R.	Dyke	Heap	Onnen	Sherman
Backlund	Erickson	Himle	Ozment	Stanius
Becklin	Fjoslien	Johnson	Pauly	Sviggun
Bennett	Forsythe	Kiffmeyer	Piepho	Thiede
Blatz	Frederick	Knickerbocker	Poppenhagen	Thorson
Boerboom	Frederickson	Kvam	Quist	Tjornhom
Boo	Frerichs	Levi	Redalen	Tompkins
Burger	Gruenes	Marsh	Rees	Uphus
Carlson, J.	Gutknecht	McDonald	Richter	Valan
Clausnitzer	Halberg	McKasy	Schafer	Valento
Dempsey	Hartinger	McPherson	Schreiber	Waltman
DenOuden	Hartle	Miller	Seaberg	Zaffke
Dimler	Haukoos	Olsen, S.	Shaver	Spk. Jennings, D.

The motion did not prevail and the amendment was not adopted.

Otis moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 25, after "day" insert "*except that this limit on the number of voters a voter may vouch for does not apply to vouching for residents of a residence for senior citizens*"

A roll call was requested and properly seconded.

The question was taken on the Otis amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion did not prevail.

There were 65 yeas and 66 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Begich	Brinkman	Carlson, L.	Ellingson
Battaglia	Blatz	Brown	Clark	Greenfield
Beard	Brandl	Carlson, D.	Cohen	Jacobs

Jaros	McLaughlin	Ogren	Rice	Sparby
Jennings, L.	Metzen	Olson, E.	Riveness	Staten
Kahn	Minne	Omamn	Rodosovich	Tomlinson
Kalis	Munger	Osthoff	Sarna	Tunheim
Kelly	Murphy	Otis	Scheid	Vanasek
Knuth	Nelson, D.	Pappas	Schoenfeld	Vellenga
Krueger	Nelson, K.	Piper	Segal	Voss
Lieder	Neuenschwander	Price	Simoneau	Welle
Long	Norton	Quinn	Skoglund	Wenzel
McEachern	O'Connor	Rest	Solberg	Wynia

Those who voted in the negative were:

Anderson, R.	Erickson	Johnson	Piepho	Thiede
Backlund	Fjoslien	Kiffmeyer	Poppenhagen	Thorson
Becklin	Forsythe	Knickerbocker	Quist	Tjornhom
Bennett	Frederick	Kvam	Redalen	Tompkins
Bishop	Frederickson	Levi	Rees	Uphus
Boerboom	Frerichs	Marsh	Richter	Valan
Boo	Gruenes	McDonald	Rose	Valento
Burger	Gutknecht	McKasy	Schafer	Waltman
Carlson, J.	Halberg	McPherson	Schreiber	Zaffke
Clausnitzer	Hartinger	Miller	Seaberg	Spk. Jennings, D.
Dempsey	Hartle	Olsen, S.	Shaver	
DenOuden	Haukoos	Onnen	Sherman	
Dimler	Heap	Ozment	Stanius	
Dyke	Himle	Pauly	Sviggum	

The motion did not prevail and the amendment was not adopted.

Jacobs was excused for the remainder of today's session.

Pappas moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 25, after "day" insert "*except that this limit on the number of voters a voter may vouch for does not apply to vouching for residents of a shelter for battered women*"

The motion prevailed and the amendment was adopted.

McLaughlin moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 20, strike "or"

Page 1, after line 20, insert

"(3) showing a current rent receipt that is made out to the individual and that indicates an address within the precinct. This receipt must comply with any form and currentness standards that may be adopted by the secretary of state; or"

Renumber the subsequent clause

A roll call was requested and properly seconded.

The question was taken on the McLaughlin amendment and the roll was called. There were 62 yeas and 67 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Jennings, L.	Murphy	Quinn	Sparby
Battaglia	Kahn	Nelson, D.	Rest	Staten
Beard	Kalis	Nelson, K.	Rice	Tomlinson
Begich	Kelly	Neuenschwander	Riveness	Tunheim
Brandl	Knuth	Norton	Rodosovich	Vanasek
Brinkman	Krueger	O'Connor	Sarna	Vellenga
Brown	Lieder	Ogren	Scheid	Voss
Carlson, L.	Long	Olson, E.	Schoenfeld	Welle
Clark	McEachern	Osthoff	Segal	Wenzel
Cohen	McLaughlin	Otis	Sherman	Wynia
Ellingson	Metzen	Pappas	Simoneau	
Greenfield	Minne	Piper	Skoglund	
Jaros	Munger	Price	Solberg	

Those who voted in the negative were:

Anderson, R.	Dimler	Heap	Onnen	Sviggum
Backlund	Dyke	Himle	Ozment	Thiede
Becklin	Erickson	Johnson	Pauly	Thorson
Bennett	Fjoslien	Kiffmeyer	Piepho	Tjornhom
Bishop	Forsythe	Knickerbocker	Poppenhagen	Tompkins
Blatz	Frederick	Kvam	Quist	Uphus
Boerboom	Frederickson	Levi	Redalen	Valan
Boo	Frerichs	Marsh	Rees	Valento
Burger	Gruenes	McDonald	Richter	Waltman
Carlson, D.	Gutknecht	McKasy	Schafer	Zaffke
Carlson, J.	Halberg	McPherson	Schreiber	Spk. Jennings, D.
Clausnitzer	Hartinger	Miller	Seaberg	
Dempsey	Hartle	Olsen, S.	Shaver	
DenOuden	Haukoos	Omann	Stanius	

The motion did not prevail and the amendment was not adopted.

Krueger and Vanasek offered an amendment to H. F. No. 634, the first engrossment, as amended.

POINT OF ORDER

Shaver raised a point of order pursuant to rule 3.9 that the amendment was not in order. The Speaker ruled the point of order well taken and the amendment out of order.

Skoglund moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 25, after "day" insert "*except that this limit on the number of voters a voter may vouch for does not apply to vouching for residents of the Minnesota Veterans Home or United States Veterans Administration Hospitals.*"

A roll call was requested and properly seconded.

The question was taken on the Skoglund amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 63 yeas and 66 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Jaros	Munger	Piper	Solberg
Battaglia	Jennings, L.	Murphy	Price	Sparby
Beard	Kahn	Nelson, D.	Quinn	Staten
Begich	Kalis	Nelson, K.	Rest	Tomlinson
Brandl	Kelly	Neuenschwander	Rice	Tunheim
Brinkman	Knuth	Norton	Riveness	Vanasek
Brown	Krueger	O'Connor	Rodosovich	Vellenga
Carlson, D.	Lieder	Ogren	Sarna	Voss
Carlson, L.	Long	Olson, E.	Scheid	Welle
Clark	McEachern	Omann	Schoenfeld	Wenzel
Cohen	McLaughlin	Osthoff	Segal	Wynia
Ellingson	Metzen	Otis	Simoneau	
Greenfield	Minne	Pappas	Skoglund	

Those who voted in the negative were:

Anderson, R.	Erickson	Johnson	Piepho	Thiede
Backlund	Fjoslien	Kiffmeyer	Poppenhagen	Thorson
Becklin	Forsythe	Knickerbocker	Quist	Tjornhom
Bennett	Frederick	Kvam	Redalen	Tompkins
Blatz	Frederickson	Levi	Rees	Uphus
Boerboom	Frerichs	Marsh	Richter	Valan
Boo	Gruenes	McDonald	Rose	Valento
Burger	Gutknecht	McKasy	Schafer	Waltman
Carlson, J.	Halberg	McPherson	Schreiber	Zaifke
Clausnitzer	Hartinger	Miller	Seaberg	Spk. Jennings, D.
Dempsey	Hartle	Olsen, S.	Shaver	
DenOuden	Haukoos	Onnen	Sherman	
Dimler	Heap	Ozment	Stanis	
Dyke	Himle	Pauly	Sviggum	

The motion did not prevail and the amendment was not adopted.

Tunheim was excused for the remainder of today's session.

Scheid moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 22, strike "an" and insert "*the following*"

Page 1, lines 23 and 24, strike all the language before the period and insert "*I swear or affirm that*

(a) *I personally know the individual for whom I am vouching; and*

(b) *I personally know that the individual for whom I am vouching lives at the address on the registration card the individual has completed; or*

(c) *I personally know that the individual for whom I am vouching is a resident of the precinct in which the individual is seeking to vote; and*

(d) *I understand that falsely vouching for a voter is a felony"*

Page 1, lines 24 and 25, delete the new language

A roll call was requested and properly seconded.

Clausnitzer moved to amend the Scheid amendment to H. F. No. 634, the first engrossment, as amended, as follows:

In the Scheid amendment, delete the last line.

A roll call was requested and properly seconded.

The question was taken on the Clausnitzer amendment to the Scheid amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 67 yeas and 61 nays as follows:

Those who voted in the affirmative were:

Backlund	Erickson	Jennings, L.	Pauly	Svigum
Becklin	Fjoslien	Johnson	Piepho	Thiede
Bennett	Forsythe	Kiffmeyer	Poppenhagen	Thorson
Bishop	Frederick	Knickerbocker	Quist	Tjornhom
Blatz	Frederickson	Kvam	Redalen	Tompkins
Boerboom	Frerichs	Levi	Rees	Uphus
Boo	Gruenes	Marsh	Richter	Valan
Burger	Gutknecht	McDonald	Rose	Valento
Carlson, J.	Halberg	McKasy	Schafer	Waltman
Clausnitzer	Hartinger	McPherson	Schreiber	Zaffke
Dempsey	Hartle	Miller	Seaberg	Spk. Jennings, D.
DenOuden	Haukoos	Olsen, S.	Shaver	
Dimler	Heap	Onnen	Sherman	
Dyke	Himle	Ozment	Stanius	

Those who voted in the negative were:

Anderson, G.	Brinkman	Cohen	Kalis	Lieder
Battaglia	Brown	Ellingson	Kelly	Long
Beard	Carlson, D.	Greenfield	Knuth	McEachern
Begich	Carlson, L.	Jaros	Kostohryz	McLaughlin
Brandl	Clark	Kahn	Krueger	Metzen

Minne	Ogren	Price	Scheid	Tomlinson
Munger	Olson, E.	Quinn	Segal	Vanasek
Murphy	Omann	Rest	Simoneau	Vellenga
Nelson, D.	Osthoff	Rice	Skoglund	Voss
Nelson, K.	Otis	Riveness	Solberg	Welle
Neuenschwander	Pappas	Rodosovich	Sparby	Wenzel
Norton	Piper	Sarna	Staten	Wynia
O'Connor				

The motion prevailed and the amendment to the amendment was adopted.

Scheid withdrew her amendment, as amended by the Clausnitzer amendment, to H. F. No. 634, the first engrossment, as amended.

Sherman moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 24, delete "*three*" and insert "*five*"

A roll call was requested and properly seconded.

The question was taken on the Sherman amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 61 yeas and 66 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Greenfield	Munger	Price	Stanisus
Battaglia	Jaros	Murphy	Rice	Staten
Beard	Kahn	Nelson, D.	Riveness	Tomlinson
Becklin	Kalis	Nelson, K.	Rodosovich	Vanasek
Begich	Kelly	Neuenschwander	Sarna	Vellenga
Bennett	Knuth	Norton	Scheid	Voss
Brandl	Kostohryz	Ogren	Schoenfeld	Welle
Brinkman	Krueger	Olson, E.	Segal	Wenzel
Carlson, D.	Lieder	Omann	Sherman	Wynia
Carlson, L.	Long	Osthoff	Simoneau	
Clark	McLaughlin	Otis	Skoglund	
Cohen	Metzen	Pappas	Solberg	
Ellingson	Minne	Piper	Sparby	

Those who voted in the negative were:

Anderson, R.	Carlson, J.	Frederick	Haukoos	Marsh
Backlund	Clausnitzer	Frederickson	Heap	McDonald
Bishop	Dempsey	Frerichs	Himle	McKasy
Blatz	DenOuden	Gruenes	Johnson	McPherson
Boerboom	Dyke	Gutknecht	Kiffmeyer	Miller
Boo	Erickson	Halberg	Knickerbocker	O'Connor
Brown	Fjoslien	Hartinger	Kvam	Olsen, S.
Burger	Forsythe	Hartle	Levi	Onnen

Ozment	Redalen	Schafer	Thiede	Valan
Pauly	Rees	Schreiber	Thorson	Valento
Piepho	Rest	Seaberg	Tjornhom	Waltman
Poppenhagen	Richter	Shaver	Tompkins	Zaffke
Quinn	Rose	Sviggum	Uphus	Spk. Jennings, D.
Quist				

The motion did not prevail and the amendment was not adopted.

Jaros was excused for the remainder of today's session.

Schoenfeld moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 25, before the period insert "*except that a person may vouch for more than three student voters who are enrolled in a post-secondary public or private institution*"

A roll call was requested and properly seconded.

The question was taken on the Schoenfeld amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 62 yeas and 65 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Jennings, L.	Murphy	Quinn	Sparby
Battaglia	Kahn	Nelson, D.	Rest	Stanis
Beard	Kalis	Nelson, K.	Rice	Staten
Begich	Kelly	Neuenschwander	Riveness	Tomlinson
Bishop	Knuth	Norton	Rodosovich	Vanasek
Brandl	Krueger	O'Connor	Rose	Vellenga
Brinkman	Lieder	Ogren	Sarna	Voss
Brown	Long	Olson, E.	Scheid	Welle
Carlson, L.	McEachern	Osthoff	Schoenfeld	Wenzel
Clark	McLaughlin	Otis	Segal	Wynia
Cohen	Metzen	Pappas	Simoneau	
Ellingson	Minne	Piper	Skoglund	
Greenfield	Munger	Price	Solberg	

Those who voted in the negative were:

Anderson, R.	Dempsey	Gruenes	Knickerbocker	Onnen
Backlund	DenOuden	Gutknecht	Kvam	Ozment
Becklin	Dimler	Halberg	Levi	Pauly
Blatz	Dyke	Hartinger	Marsh	Piepho
Boerboom	Erickson	Hartle	McDonald	Poppenhagen
Boo	Fjoslien	Haukoos	McKasy	Quist
Burger	Forsythe	Heap	McPherson	Redalen
Carlson, D.	Frederick	Himle	Miller	Rees
Carlson, J.	Frederickson	Johnson	Olson, S.	Richter
Clausnitzer	Frerichs	Kiffmeyer	Omamn	Schafer

Schreiber
Seaberg
Shaver

Sherman
Sviggum
Thiede

Thorson
Tjornhom
Tompkins

Uphus
Valan
Valento

Waltman
Zaffke
Spk. Jennings, D.

The motion did not prevail and the amendment was not adopted.

Osthoff moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 25, after "day" insert "*and except that a voter may vouch for any number of voters on an election day if they are all members of the same family and they all live in a single dwelling unit*"

The motion prevailed and the amendment was adopted.

Rodosovich and Tomlinson were excused for the remainder of today's session.

Miller moved to amend H. F. No. 634, the first engrossment, as amended, as follows:

Page 1, line 22, strike "an" and insert "*the following*"

Page 1, lines 23 and 24, strike all the language before the period and insert "*I swear or affirm that*

(a) *I am a resident of the precinct in which I am vouching; and*

(b) *I personally know the individual for whom I am vouching; and*

(c) *I personally know that the individual for whom I am vouching lives at the address on the registration card the individual has completed; or*

(d) *I personally know that the individual for whom I am vouching is a resident of the precinct in which the individual is seeking to vote; and*

(e) *I understand no voter may vouch for more than 3 voters on any election day unless they all live in the same family dwelling and are members of the same family or are residents of a shelter for battered women and that falsely vouching for a voter is a felony"*

A roll call was requested and properly seconded.

POINT OF ORDER

Osthoff raised a point of order pursuant to section 398, paragraph 1, of "Mason's Manual of Legislative Procedure" relating to decisions on amendments as final. The Speaker ruled the point of order not well taken.

Anderson, G., moved to amend the Miller amendment to H. F. No. 634, the first engrossment, as amended, as follows:

In the first line of clause (e) delete "3" and insert "10"

A roll call was requested and properly seconded.

The question was taken on the Anderson, G., amendment to the Miller amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 58 yeas and 66 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Greenfield	Minne	Pappas	Skoglund
Battaglia	Jennings, L.	Munger	Piper	Solberg
Beard	Kahn	Murphy	Price	Sparby
Begich	Kalis	Nelson, D.	Quinn	Staten
Brandl	Kelly	Nelson, K.	Rest	Vanasek
Brinkman	Kostohryz	Neuenschwander	Rice	Vellenga
Brown	Krueger	Norton	Riveness	Voss
Carlson, D.	Lieder	Ogren	Scheid	Welle
Carlson, L.	Long	Olson, E.	Schoenfeld	Wenzel
Clark	McEachern	Omann	Segal	Wynia
Cohen	McLaughlin	Osthoff	Sherman	
Ellingson	Metzen	Otis	Simoneau	

Those who voted in the negative were:

Anderson, R.	Dyke	Himle	Pauly	Thiede
Backlund	Erickson	Johnson	Piepho	Thorson
Becklin	Fjosien	Kiffmeyer	Poppenhagen	Tjornhom
Bennett	Forsythe	Knickerbocker	Quist	Tompkins
Bishop	Frederick	Kvam	Redalen	Uphus
Blatz	Frederickson	Levi	Rees	Valan
Boerboom	Frerichs	Marsh	Richter	Valento
Boo	Gruenes	McDonald	Rose	Waltman
Burger	Guknecht	McKasy	Schafer	Zaffke
Carlson, J.	Halberg	McPherson	Schreiber	Spk. Jennings, D.
Clausnitzer	Hartinger	Miller	Seaberg	
Dempsey	Hartle	Olsen, S.	Shaver	
DenOuden	Haukoos	Onnen	Stanius	
Dimler	Heap	Ozment	Svigum	

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

The question recurred on the Miller amendment and the roll was called.

Levi moved that those not voting be excused from voting. The motion prevailed.

There were 72 yeas and 52 nays as follows :

Those who voted in the affirmative were :

Anderson, R.	Dyke	Johnson	Pauly	Stanius
Backlund	Erickson	Kiffmeyer	Piepho	Sviggum
Bennett	Fjoslien	Knickerbocker	Poppenhagen	Thiede
Bishop	Forsythe	Kvam	Quist	Thorson
Blatz	Frederick	Levi	Redalen	Tjornhom
Boerboom	Frederickson	Marsh	Rees	Tompkins
Boo	Frerichs	McDonald	Richter	Uphus
Brinkman	Gruenes	McKasy	Rose	Valan
Burger	Gutknecht	McPherson	Schafer	Valento
Carlson, J.	Halberg	Miller	Scheid	Waltman
Carlson, L.	Hartinger	Nelson, D.	Schreiber	Zaffke
Clausnitzer	Hartle	Olsen, S.	Seaberg	Spk. Jennings, D.
Dempsey	Haukoos	Onnen	Shaver	
DenOuden	Heap	Otis	Sherman	
Dimler	Himle	Ozment	Sparby	

Those who voted in the negative were :

Anderson, G.	Greenfield	McLaughlin	Pappas	Solberg
Battaglia	Jennings, L.	Metzen	Piper	Staten
Beard	Kahn	Minne	Price	Vanasek
Becklin	Kalis	Munger	Quinn	Vellenga
Begich	Kelly	Murphy	Rest	Voss
Brandl	Knuth	Nelson, K.	Rice	Welle
Brown	Kostohryz	Neuenschwander	Riveness	Wenzel
Carlson, D.	Krueger	Norton	Schoenfeld	Wynia
Clark	Lieder	O'Connor	Segal	
Cohen	Long	Ogren	Simoneau	
Ellington	McEachern	Omann	Skoglund	

The motion prevailed and the amendment was adopted.

McEachern and Vellenga were excused for the remainder of today's session.

H. F. No. 634, A bill for an act relating to elections; limiting the number of registration applicants for whom a person may vouch; amending Minnesota Statutes 1984, section 201.061, sub-division 3.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Voss moved that those not voting be excused from voting. The motion did not prevail.

Norton moved that those not voting be excused from voting. The motion did not prevail.

There were 68 yeas and 57 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Dimler	Heap	Onnen	Stanisus
Backlund	Dyke	Himle	Ozment	Sviggum
Becklin	Erickson	Jennings, L.	Pauly	Thiede
Bennett	Fjoslien	Johnson	Piepho	Thorson
Bishop	Forsythe	Kiffmeyer	Poppenhagen	Tjornhom
Blatz	Frederick	Knickerbocker	Quist	Tompkins
Boerboom	Frederickson	Kvam	Redalen	Uphus
Boo	Frerichs	Levi	Rees	Valan
Burger	Gruenes	Marsh	Richter	Valento
Carlson, D.	Gutknecht	McDonald	Rose	Waltman
Carlson, J.	Halberg	McKasy	Schafer	Zaffke
Clausnitzer	Hartinger	McPherson	Schreiber	Spk. Jennings, D.
Dempsey	Hartle	Miller	Seaberg	
DenOuden	Haukoos	Olsen, S.	Shaver	

Those who voted in the negative were:

Anderson, G.	Kahn	Murphy	Piper	Skoglund
Battaglia	Kalis	Nelson, D.	Price	Solberg
Beard	Kelly	Nelson, K.	Quinn	Sparby
Begich	Knuth	Neuenschwander	Rest	Staten
Brandl	Kostohryz	Norton	Rice	Vanasek
Brinkman	Krueger	O'Connor	Riveness	Voss
Brown	Lieder	Ogren	Sarna	Welle
Carlson, L.	Long	Olsen, E.	Scheid	Wenzel
Clark	McLaughlin	Omann	Schoenfeld	Wynia
Cohen	Metzen	Osthoft	Segal	
Ellingson	Minne	Otis	Sherman	
Greenfield	Munger	Pappas	Simoneau	

The bill was passed, as amended, and its title agreed to.

Levi moved that the remaining bills on Special Orders for to-day be continued one day. The motion prevailed.

CONSENT CALENDAR

Levi moved that the bills on the Consent Calendar for today be continued one day. The motion prevailed.

GENERAL ORDERS

Levi moved that the bills on General Orders for today be continued one day. The motion prevailed.

MOTIONS AND RESOLUTIONS

Heap moved that the name of Skoglund be added as an author on H. F. No. 264. The motion prevailed.

Schreiber moved that the name of Redalen be added as second author on H. F. No. 756. The motion prevailed.

Vanasek moved that the name of Clark be added as an author on H. F. No. 1615. The motion prevailed.

Carlson, D., moved that S. F. No. 69 be recalled from the Committee on Transportation and be re-referred to the Committee on Appropriations. The motion prevailed.

Carlson, D., moved that H. F. No. 1128, now on General Orders, be re-referred to the Committee on Appropriations. The motion prevailed.

Carlson, D., moved that S. F. No. 930 be recalled from the Committee on Governmental Operations and be re-referred to the Committee on Appropriations. The motion prevailed.

Valan moved that H. F. No. 1261 be recalled from the Committee on Rules and Legislative Administration and be re-referred to the Committee on Budget. The motion prevailed.

Erickson moved that House Resolution No. 28 be recalled from the Committee on Education and be re-referred to the Committee on Rules and Legislative Administration. The motion prevailed.

Cohen moved that H. F. No. 1310 be returned to its author. The motion prevailed.

Minne moved that H. F. No. 1013 be returned to its author. The motion prevailed.

ADJOURNMENT

Levi moved that when the House adjourns today it adjourn until 2:00 p.m., Monday, April 29, 1985. The motion prevailed.

Levi moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 2:00 p.m., Monday, April 29, 1985.

EDWARD A. BURDICK, Chief Clerk, House of Representatives

