

STATE OF MINNESOTA

SEVENTY-FIFTH SESSION — 1988

SEVENTY-SEVENTH DAY

SAINT PAUL, MINNESOTA, MONDAY, MARCH 28, 1988

The House of Representatives convened at 11:00 a.m. and was called to order by Robert E. Vanasek, Speaker of the House.

Prayer was offered by the Reverend Robert Lang, Shakopee Baptist Church, Shakopee, Minnesota.

The roll was called and the following members were present:

Anderson, G.	Frerichs	Larsen	Onnen	Segal
Anderson, R.	Greenfield	Lasley	Orenstein	Shaver
Battaglia	Gruenes	Lieder	Osthoff	Simoneau
Bauerly	Gutknecht	Long	Otis	Skoglund
Beard	Hartle	Marsh	Ozment	Solberg
Begich	Haukoos	McDonald	Pappas	Sparby
Bennett	Heap	McEachern	Pauly	Stanis
Bertram	Himle	McKasy	Pelowski	Steensma
Blatz	Hugoson	McLaughlin	Peterson	Sviggum
Boo	Jacobs	McPherson	Poppenhagen	Swenson
Brown	Jaros	Milbert	Price	Thiede
Burger	Jefferson	Miller	Quinn	Tjornhom
Carlson, L.	Jennings	Minne	Quist	Tompkins
Carruthers	Jensen	Morrison	Redalen	Trimble
Clark	Johnson, A.	Munger	Reding	Tunheim
Clausnitzer	Johnson, R.	Murphy	Rest	Uphus
Cooper	Johnson, V.	Nelson, C.	Rice	Valento
Dauner	Kalis	Nelson, D.	Richter	Vellenga
Dawkins	Kelly	Nelson, K.	Riveness	Voss
DeBlieck	Kelso	Neuenschwander	Rodosovich	Wagenius
Dempsey	Kinkel	O'Connor	Rose	Waltman
DeRaad	Kludt	Ogren	Rukavina	Welle
Dille	Knickerbocker	Olsen, S.	Sarna	Wenzel
Dorn	Knuth	Olson, E.	Schafer	Winter
Forsythe	Kostohryz	Olson, K.	Scheid	Wynia
Frederick	Krueger	Omann	Schreiber	Spk. Vanasek

A quorum was present.

Carlson, D., was excused until 1:50 p.m. Seaberg was excused until 2:00 p.m. Bishop was excused until 2:50 p.m.

The Chief Clerk proceeded to read the Journals of the preceding days. Larsen moved that further reading of the Journals be dis-

pensed with and that the Journals 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. 2788, 2010, 445, 125, 1874, 2201, 2126, 1526, 2086, 2088, 2341, 2477 and 704 and S. F. Nos. 2214, 2102, 1652, 1744, 1700, 974, 2206, 2150, 2203, 2235, 2452, 2217, 2090, 1328, 1689, 1674, 1388, 1761, 1835, 994, 1304, 2376, 1795, 1661, 1932, 2243, 1955, 2292, 2289, 2456, 1632, 2355, 2097, 2191, 2323, 1851, 308, 1553, 1871, 2119, 1879, 2017, 2245, 335, 1830, 1735, 30, 2255, 1821, 2009, 2226, 2384, 2096, 1769, 2395, 2266, 1800, 1882, 1681, 1695 and 1861 have been placed in the members' files.

S. F. No. 2150 and H. F. No. 2429, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Peterson moved that the rules be so far suspended that S. F. No. 2150 be substituted for H. F. No. 2429 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1695 and H. F. No. 2078, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Otis moved that the rules be so far suspended that S. F. No. 1695 be substituted for H. F. No. 2078 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2096 and H. F. No. 2309, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Sparby moved that the rules be so far suspended that S. F. No. 2096 be substituted for H. F. No. 2309 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1744 and H. F. No. 2430, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Scheid moved that the rules be so far suspended that S. F. No. 1744 be substituted for H. F. No. 2430 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1761 and H. F. No. 2241, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Pappas moved that the rules be so far suspended that S. F. No. 1761 be substituted for H. F. No. 2241 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1304 and H. F. No. 1403, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Scheid moved that the rules be so far suspended that S. F. No. 1304 be substituted for H. F. No. 1403 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1674 and H. F. No. 2101, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Nelson, D., moved that S. F. No. 1674 be substituted for H. F. No. 2101 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2090 and H. F. No. 2585, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Neuenschwander moved that S. F. No. 2090 be substituted for H. F. No. 2585 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1632 and H. F. No. 1953, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Bennett moved that S. F. No. 1632 be substituted for H. F. No. 1953 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 994 and H. F. No. 1164, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Trimble moved that the rules be so far suspended that S. F. No. 994 be substituted for H. F. No. 1164 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1661 and H. F. No. 1921, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Reding moved that the rules be so far suspended that S. F. No. 1661 be substituted for H. F. No. 1921 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 974 and H. F. No. 681, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Skoglund moved that S. F. No. 974 be substituted for H. F. No. 681 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2452 and H. F. No. 2478, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Kelly moved that S. F. No. 2452 be substituted for H. F. No. 2478 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2214 and H. F. No. 2349, which had been referred to the

Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Jennings moved that the rules be so far suspended that S. F. No. 2214 be substituted for H. F. No. 2349 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1835 and H. F. No. 2289, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Carruthers moved that the rules be so far suspended that S. F. No. 1835 be substituted for H. F. No. 2289 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1830 and H. F. No. 2167, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Seaberg moved that the rules be so far suspended that S. F. No. 1830 be substituted for H. F. No. 2167 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2384 and H. F. No. 2567, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Sparby moved that the rules be so far suspended that S. F. No. 2384 be substituted for H. F. No. 2567 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2191 and H. F. No. 2187, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

O'Connor moved that S. F. No. 2191 be substituted for H. F. No.

2187 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2097 and H. F. No. 2186, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Rice moved that S. F. No. 2097 be substituted for H. F. No. 2186 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 335 and H. F. No. 926, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Clark moved that the rules be so far suspended that S. F. No. 335 be substituted for H. F. No. 926 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1769 and H. F. No. 2054, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Solberg moved that the rules be so far suspended that S. F. No. 1769 be substituted for H. F. No. 2054 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1086 and H. F. No. 445, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Krueger moved that the rules be so far suspended that S. F. No. 1086 be substituted for H. F. No. 445 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1681 and H. F. No. 1932, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Riveness moved that the rules be so far suspended that S. F. No. 1681 be substituted for H. F. No. 1932 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2119 and H. F. No. 2021, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Blatz moved that the rules be so far suspended that S. F. No. 2119 be substituted for H. F. No. 2021 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2235 and H. F. No. 2286, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Tunheim moved that the rules be so far suspended that S. F. No. 2235 be substituted for H. F. No. 2286 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2217 and H. F. No. 2475, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Voss moved that the rules be so far suspended that S. F. No. 2217 be substituted for H. F. No. 2475 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1932 and H. F. No. 2047, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Hartle moved that the rules be so far suspended that S. F. No. 1932 be substituted for H. F. No. 2047 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2203 and H. F. No. 2486, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Blatz moved that the rules be so far suspended that S. F. No. 2203 be substituted for H. F. No. 2486 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1652 and H. F. No. 2381, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Kludt moved that S. F. No. 1652 be substituted for H. F. No. 2381 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2102 and H. F. No. 2234, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Nelson, K., moved that the rules be so far suspended that S. F. No. 2102 be substituted for H. F. No. 2234 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1955 and H. F. No. 1745, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Knuth moved that the rules be so far suspended that S. F. No. 1955 be substituted for H. F. No. 1745 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2266 and H. F. No. 2148, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Carruthers moved that the rules be so far suspended that S. F. No.

2266 be substituted for H. F. No. 2148 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1871 and H. F. No. 1956, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Blatz moved that the rules be so far suspended that S. F. No. 1871 be substituted for H. F. No. 1956 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2292 and H. F. No. 2502, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Carlson, D., moved that the rules be so far suspended that S. F. No. 2292 be substituted for H. F. No. 2502 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1821 and H. F. No. 1873, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Segal moved that the rules be so far suspended that S. F. No. 1821 be substituted for H. F. No. 1873 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2289 and H. F. No. 2542, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Munger moved that the rules be so far suspended that S. F. No. 2289 be substituted for H. F. No. 2542 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2355 and H. F. No. 2540, which had been referred to the

Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Riveness moved that the rules be so far suspended that S. F. No. 2355 be substituted for H. F. No. 2540 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 308 and H. F. No. 89, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Simoneau moved that S. F. No. 308 be substituted for H. F. No. 89 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 30 and H. F. No. 90, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Haukoos moved that the rules be so far suspended that S. F. No. 30 be substituted for H. F. No. 90 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1879 and H. F. No. 2057, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Bertram moved that S. F. No. 1879 be substituted for H. F. No. 2057 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2017 and H. F. No. 2400, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Simoneau moved that the rules be so far suspended that S. F. No. 2017 be substituted for H. F. No. 2400 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1882 and H. F. No. 1849, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Jefferson moved that the rules be so far suspended that S. F. No. 1882 be substituted for H. F. No. 1849 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2395 and H. F. No. 2042, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Pappas moved that the rules be so far suspended that S. F. No. 2395 be substituted for H. F. No. 2042 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1553 and H. F. No. 1685, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Kelly moved that the rules be so far suspended that S. F. No. 1553 be substituted for H. F. No. 1685 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2243 and H. F. No. 2620, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Dorn moved that S. F. No. 2243 be substituted for H. F. No. 2620 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2376 and H. F. No. 2621, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Bertram moved that S. F. No. 2376 be substituted for H. F. No. 2621 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1700 and H. F. No. 1857, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Price moved that S. F. No. 1700 be substituted for H. F. No. 1857 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2323 and H. F. No. 2605, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Bertram moved that S. F. No. 2323 be substituted for H. F. No. 2605 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2206 and H. F. No. 2370, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Vellenga moved that S. F. No. 2206 be substituted for H. F. No. 2370 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1795 and H. F. No. 2112, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Forsythe moved that the rules be so far suspended that S. F. No. 1795 be substituted for H. F. No. 2112 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1328 and H. F. No. 1082, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Beginch moved that the rules be so far suspended that S. F. No. 1328 be substituted for H. F. No. 1082 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 2009 and H. F. No. 2118, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

SUSPENSION OF RULES

Vellenga moved that the rules be so far suspended that S. F. No. 2009 be substituted for H. F. No. 2118 and that the House File be indefinitely postponed. The motion prevailed.

REPORTS OF STANDING COMMITTEES

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

H. F. No. 649, A bill for an act relating to employment; providing for severance pay and insurance coverage to certain terminated employees; requiring employers to provide notice of certain actions related to work force reductions; amending Minnesota Statutes 1986, section 267.05, by adding a subdivision; proposing coding for new law as Minnesota Statutes, chapter 268A.

Reported the same back with the recommendation that the bill pass and be re-referred to the Committee on Rules and Legislative Administration.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 1251, A bill for an act relating to juveniles; eliminating statutory references to "dependency" and "neglect" and substituting the term "child in need of protection or services"; eliminating juvenile court jurisdiction over children who are "habitually disobedient"; transferring alleged truants and runaways to the court's protective services jurisdiction; transferring certain young alleged delinquents to the court's protective services jurisdiction; limiting the duration of the court's continuing jurisdiction over truants; expanding the court's dispositional authority in certain child protection cases; limiting the juvenile court's contempt authority over nondelinquents; amending Minnesota Statutes 1986, sections 242.19, subdivision 2; 260.011, subdivision 2; 260.015, subdivisions 21, 22, 23, and by adding a subdivision; 260.111; 260.121, subdivisions 1 and 2; 260.131, subdivision 1; 260.132, subdivisions 1 and 3; 260.133, subdivision 2; 260.135, subdivisions 1 and 3; 260.155, subdivisions 4 and 4a; 260.171, subdivisions 1 and 4; 260.172,

subdivision 1; 260.173, subdivision 3; 260.181, subdivision 4; 260.191, subdivisions 1, 4, and by adding a subdivision; 260.195; 260.235; 260.255; 260.291, subdivision 1; 260.301; 260.315; 260.35; 260.36; and 484.73, subdivision 2; and Minnesota Statutes 1987 Supplement, sections 260.155, subdivision 1; 260.156; and 260.221; repealing Minnesota Statutes 1986, sections 260.015, subdivisions 6 and 10; 260.103; and 260.194.

Reported the same back with the following amendments:

Page 18, line 29, delete everything after "(4)"

Page 18, line 30, delete "in Hennepin county and"

Page 18, line 35, before the period insert "if the board of county commissioners, after consultation with the court, has specifically authorized this dispositional alternative for a child"

Page 19, line 20, delete everything after "licensed" and insert "to operate a residential program under sections 245A.01 to 245A.16"

Page 19, line 21, delete "to 245.813"

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 1746, A bill for an act relating to state agencies; returning the control of the Minnesota veterans home to the department of veterans affairs; creating the veterans home board of directors and providing for its powers and duties; providing for the appointment of deputy commissioners and providing for their powers and duties; appropriating money; amending Minnesota Statutes 1986, sections 196.03; 196.05; 198.001; 198.01; 198.022; 198.03; 198.05; 198.065; 198.075; 198.16; 198.161; 198.23; 198.231; 198.261; 198.265; 198.266; 198.31; 198.32; 198.33; and 198.34; proposing coding for new law in Minnesota Statutes, chapters 196 and 198; repealing Minnesota Statutes 1986, sections 196.02, subdivision 3; and 198.06.

Reported the same back with the following amendments:

Page 4, line 21, after the period insert "No more than three of the five members may be of the same gender."

Page 4, delete lines 22 to 25 and insert:

"The commissioner of veterans affairs is an ex officio, nonvoting member of the board. The chair of the senate veterans affairs committee and the chair of the house committee on general legislation, veterans affairs, and gaming serve as ex officio, nonvoting members of the board if they are veterans. In the event that one or both of the chairs are not veterans, then any member of the respective committees who is a veteran may be designated by the chair to serve on the board."

Page 4, line 30, after "directors" insert "must be made by April 1, 1988, and"

Page 5, line 8, after the semicolon insert "and"

Page 5, delete lines 9 to 11

Page 5, line 12, delete "(4)" and insert "(3)"

Page 6, lines 26 and 27, delete "The deputy commissioner may remove an administrator with the approval of the board."

Page 6, line 29, after the period insert "An administrator may be removed only for cause."

Page 7, line 2, delete "144.072" and insert "144.0722"

Page 7, line 4, delete "adopt a" and insert "use the"

Page 7, line 5, delete "such as the one"

Page 16, line 27, after "transfer" insert "occurs when licenses are issued under section 30. This transfer"

Page 16, delete lines 30 to 36 and insert:

"The board of directors shall apply to the commissioner of health for new licenses for the Minnesota veterans homes in Minneapolis and Hastings. The commissioner shall issue licenses when all licensing requirements have been met."

Before the license is transferred, the department of health will conduct an on-site review of the Minnesota veterans homes and publicize the results of the review to the general public."

Page 17, line 1, delete everything before "The"

Page 17, line 13, delete "Sections 1 to 32" and insert "Section 5, subdivision 6, is effective January 1, 1989. Sections 1 to 4, 6 to 32, and the remaining subdivisions of section 5"

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 1812, A bill for an act relating to communication-impaired persons; requiring the commissioner of human services to provide assistance in implementing the program that provides telephones to communication-impaired persons; making other technical changes in the program; amending Minnesota Statutes 1987 Supplement, sections 237.50, subdivision 4; 237.51, subdivision 5; 237.52, subdivision 5; and 237.53, subdivisions 3, 4, 6, and 7; repealing Minnesota Statutes 1987 Supplement, section 237.53, subdivision 8.

Reported the same back with the following amendments:

Page 2, line 15, strike "and"

Page 2, line 16, after "(9)" insert "adopt rules, including emergency rules, under chapter 14 to implement the provisions of sections 237.50 to 237.56; and

(10)"

Page 3, line 17, strike "its" and insert "each"

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2095, A bill for an act relating to the office of the secretary of state; providing for the simplification of various filings with that office; eliminating certain filings; eliminating the requirement that documents be notarized, verified, or acknowledged; reducing the number of signatures required; setting fees for copies of documents filed with the office of the secretary of state; permitting the correction of documents; setting fees for various filings; allowing the annual registration to fulfill the requirement that an active status report be filed; conforming the business corporation act to the uniform fraudulent conveyances act; increasing the penalties for failure to file an assumed business name; changing the time period during which audits of legal newspapers may occur; amending

Minnesota Statutes 1986, sections 5.12; 300.025; 300.49; 302A.115, subdivisions 1 and 7; 302A.551, subdivision 3; 302A.821, subdivision 1; 303.06; 303.10, subdivision 2; 303.11; 303.14, subdivisions 1 and 3; 303.16, subdivision 3; and by adding a subdivision; 306.70; 306.74; 308.06; 308.14, subdivisions 2 and 4; 308.15, subdivisions 1 and 4; 308.59; 317.04, subdivision 3; 317.08, subdivision 1; 317.27, subdivisions 1 and 5; 317.33; 317.35; 317.45, subdivision 4; 318.02, subdivision 1; 322A.12; 322A.14; 322A.73; 322A.74; 333.01; 333.055, subdivisions 1 and 4; 333.06; 333.20, subdivision 2; 333.22, subdivision 2; 333.23; Minnesota Statutes 1987 Supplement, sections 302A.011, subdivision 11; 302A.139; 302A.615, subdivision 1; 308.58, subdivision 2; 322A.70; and 331A.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 5.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Kostohryz from the Committee on General Legislation, Veterans Affairs and Gaming to which was referred:

H. F. No. 2116, A bill for an act relating to elections; providing for accounting for certain contributions; suspending public subsidy expenditure limits under certain circumstances; amending Minnesota Statutes 1986, sections 10A.15, by adding a subdivision; and 10A.25, subdivision 10.

Reported the same back with the recommendation that the bill pass and be re-referred to the Committee on Rules and Legislative Administration.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2127, A bill for an act relating to health maintenance organizations; requiring insolvency insurance policies to be filed; requiring a deposit; creating a net worth requirement; allowing for a reduction of net worth in certain circumstances; defining admitted assets; imposing investment restrictions; requiring quarterly reports; providing for the inclusion of certain items in provider contracts; regulating rehabilitation and liquidations; including health maintenance organizations in the Life and Health Guaranty Association; requiring health maintenance organizations to maintain liabilities for unpaid claims; amending Minnesota Statutes 1986, sections 62D.02, by adding subdivisions; 62D.03, subdivision 4; 62D.041, subdivisions 1, 2, 3, 4, 7, and by adding subdivisions;

62D.05, subdivision 3; 62D.08, by adding a subdivision; 62D.12, subdivision 5, and by adding a subdivision; 62D.14, subdivision 1; 62D.18; and 62D.19; Minnesota Statutes 1987 Supplement, section 62D.04, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 62D; repealing Minnesota Statutes 1986, section 62D.041, subdivisions 5, 6, and 8.

Reported the same back with the following amendments:

Page 8, line 34, delete "50" and insert "33"

Page 9, line 2, delete "50" and insert "33"

Page 9, line 7, delete "April 1" and insert "December 31"

Page 9, line 12, delete "50" and insert "33"

Page 9, line 29, delete "50" and insert "33"

Page 12, line 1, delete "April 1, 1992" and insert "December 31, 1993"

Page 12, line 5, delete "April 1" and insert "December 31"

Page 12, line 6, delete "one-fourth" and insert "one-fifth"

Page 12, line 9, delete "April 1" and insert "December 31"

Page 12, line 10, delete "one-half" and insert "two-fifths"

Page 12, line 13, delete "April 1" and insert "December 31"

Page 12, line 14, delete "three-fourths" and insert "three-fifths"

Page 12, after line 16, insert:

"(e) On December 31, 1992, organizations shall have a net worth of four-fifths of an amount equal to 8 $\frac{1}{3}$ percent of the sum of all expenses incurred during the previous calendar year, or \$1,000,000, whichever is greater."

Page 13, after line 1, insert:

"(c) No provider may be compelled to serve as a guaranteeing organization."

Page 20, line 1, after the period insert "The commissioner may require major participating entities to submit such financial statements directly to the commissioner."

Page 21, line 13, delete "a provider's compensation" and insert "the compensation of a provider or of a participating entity providing financial or administrative services to the health maintenance organization"

Page 21, line 14, after "days" insert "and shall not be renewed or extended"

Page 22, line 2, delete everything after "(b)" and insert "Reasonable expenses of examinations under this subdivision shall be assessed by the commissioner of health against the health maintenance organization being examined and shall be deposited into the examination revolving fund established by this subdivision."

Page 22, delete line 3

Page 22, line 4, delete everything before "Money"

Page 22, after line 6, insert:

"(c) Until the commissioner has collected sufficient money pursuant to paragraph (b), the commissioner may use funds appropriated to the department of health for other purposes, such funds to be reimbursed by the revolving fund when it contains sufficient money."

Page 22, line 7, delete "(c)" and insert "(d)"

Page 22, line 10, delete "(d)" and insert "(e)"

Page 22, line 15, delete "(e)" and insert "(f)"

Page 24, after line 26, insert:

"Sec. 27. Minnesota Statutes 1986, section 62E.02, subdivision 13, is amended to read:

Subd. 13. "Eligible person" means an individual who is currently and has been a resident of Minnesota for the six months immediately preceding the date of receipt by the association or its writing carrier of a completed certificate of eligibility and who meets the enrollment requirements of section 62E.14.

Sec. 28. Minnesota Statutes 1987 Supplement, section 62E.10, subdivision 9, is amended to read:

Subd. 9. [EXPERIMENTAL DELIVERY METHOD.] The association may petition the commissioner of commerce for a waiver to allow the experimental use of alternative means of health care delivery. The commissioner may approve the use of the alternative

means the commissioner considers appropriate. The commissioner may waive any of the requirements of this chapter and chapters 60A, 62A, and 62D in granting the waiver. The commissioner may also grant to the association any additional powers as are necessary to facilitate the specific waiver, including the power to implement a provider payment schedule.

This subdivision is effective until August 1, 1989 1990.

The commissioner of commerce in consultation with the governor's commission on health plan regulatory reform shall study and report to the legislature by January 15, 1989, on the current means utilized to finance the annual operating deficits incurred under the Minnesota comprehensive health association (MCHA). In conducting the study, the commissioner shall analyze any negative financial impacts which the current deficits are having on the contributing members of MCHA and recommend alternative sources of funding or other approaches which could be utilized to finance the operating deficit. The study shall also address the current MCHA funding inequities between employers which self-insure for employee health benefit coverage and those employers which have health coverage subject to state regulation.

Sec. 29. Minnesota Statutes 1986, section 62E.14, subdivision 1, is amended to read:

Subdivision 1. [CERTIFICATE, CONTENTS.] The comprehensive health insurance plan shall be open for enrollment by eligible persons. An eligible person shall enroll by submission of a certificate of eligibility to the writing carrier. The certificate shall provide the following:

(a) Name, address, age, list of residences for the immediately preceding six months and length of time at current residence of the applicant;

(b) Name, address, and age of spouse and children if any, if they are to be insured;

(c) Evidence of rejection, a requirement of restrictive riders, a rate up, or a preexisting conditions limitation on a qualified plan, the effect of which is to substantially reduce coverage from that received by a person considered a standard risk, by at least one association members within six months of the date of the certificate, or other eligibility requirements adopted by rule by the commissioner which are not inconsistent with this chapter and which evidence that a person is unable to obtain coverage substantially similar to that which may be obtained by a person who is considered a standard risk;

(d) Evidence that the applicant meets the eligibility requirements of section 62E.081, subdivision 1; and

(e) A designation of the coverage desired.

An eligible person may not purchase more than one policy from the state plan. Upon ceasing to be a resident of Minnesota a person is no longer eligible to purchase or renew coverage under the state plan."

Page 24, line 27, delete "27" and insert "30"

Page 24, line 30, delete "28" and insert "31"

Page 24, line 31, delete "27" and insert "30"

Amend the title as follows:

Page 1, line 19, delete "and"

Page 1, line 20, after the semicolon insert "62E.02, subdivision 13; and 62E.14, subdivision 1;" and delete "section" and insert "sections"

Page 1, line 21, after the semicolon insert "and 62E.10, subdivision 9;"

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2130, A bill for an act relating to human services; defining terms; requiring that court receive annual reviews of people with indeterminate commitments; providing for court-ordered community-based nonresidential treatment; defining procedures for community-based nonresidential commitment; requiring procedures for release before commitment and provisional discharge; amending Minnesota Statutes 1986, sections 253B.02, subdivisions 13, 19, and by adding subdivisions; 253B.09, subdivision 1; and 253B.15, subdivisions 1, 3, 5, 6, 7, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 253B; repealing Minnesota Statutes 1986, section 253B.09, subdivision 4.

Reported the same back with the following amendments:

Page 1, after line 17, insert:

"Section 1. Minnesota Statutes 1986, section 144.651, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For the purposes of this section, "patient" means a person who is admitted to an acute care inpatient facility or a regional treatment center for a continuous period longer than 24 hours, for the purpose of diagnosis or treatment bearing on the physical or mental health of that person. "Patient" also means a minor who is admitted to a residential program as defined in section 253C.01. For purposes of subdivisions 1, 3 to 16, 18, 20 and 30, "patient" also means any person who is receiving mental health treatment on an outpatient basis or in a community support program or other community-based program. "Resident" means a person who is admitted to a nonacute care facility including extended care facilities, nursing homes, and board and care homes for care required because of prolonged mental or physical illness or disability, recovery from injury or disease, or advancing age."

Page 4, line 17, delete everything after "commitment"

Page 4, line 18, delete everything before the comma

Page 4, line 20, delete "OR CONTINUANCE" and insert "OF ORDER"

Page 4, line 21, delete "or continuing a hearing for more than 14 days"

Page 4, line 27, after the semicolon, insert "and"

Page 4, delete lines 28 to 30

Page 4, line 31, delete "(4)" and insert "(3)" and delete "a hearing for"

Page 4, line 32, delete "commitment or"

Renumber the sections in sequence

Correct internal references

Amend the title as follows:

Page 1, line 9, after "sections" insert "144.651, subdivision 2;"

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2138, A bill for an act relating to human services; revising and clarifying the duties and powers of the ombudsman for mental health and mental retardation; transferring money; amending Minnesota Statutes 1987 Supplement, sections 245.91, subdivisions 2, 3, and 4; 245.92; 245.94, subdivisions 1, 2, 3, and 4; 245.95, subdivision 1; 245.97, subdivision 1; 626.556, subdivisions 9 and 10; and 626.557, subdivision 9.

Reported the same back with the following amendments:

Page 3, lines 25 and 26, strike "to which the client is entitled to access"

Page 3, line 28, delete "or" and strike "confidential"

Page 3, line 30, after the period insert "The ombudsman is not required to obtain consent for access to private data on clients with mental retardation or a related condition."

Page 4, line 5, after the period insert "The ombudsman is not required to obtain consent to attend meetings or proceedings and have access to private data on clients with mental retardation or a related condition."

Page 4, line 6, delete everything after "(h)"

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2344, A bill for an act relating to natural resources; changing certain provisions relating to fees; amending Minnesota Statutes 1987 Supplement, sections 85.055, subdivision 1; and 105.44, subdivision 10.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. [STATE DEPARTMENTS; APPROPRIATIONS.]

The sums shown in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or another fund named, to the

agencies and for the purposes specified in this act, to be available for the fiscal years indicated for each purpose. The figures "1988" and "1989," where used in this act, mean that the appropriation or appropriations listed under them are available for the year ending June 30, 1988, June 30, 1989, respectively.

SUMMARY BY FUND

	1988	1989	TOTAL
General	\$ 722,200	\$12,848,800	\$13,571,000
Special Revenue	637,200	1,893,800	2,531,000
Game and Fish	95,000	0	95,000
Workers' Comp.	95,000	0	95,000
Environmental	0	238,500	238,500
Metro Landfill Abatement	8,500	40,800	49,300
Metro Landfill Contingency	8,500	40,800	49,300
Water Pollution Control	100,000	0	100,000
TOTAL	\$1,666,400	\$15,062,700	\$16,729,100

APPROPRIATIONS
Available for the Year
Ending June 30

	1988	1989
\$		\$

Sec. 2. LEGISLATURE

\$60,000

This appropriation is from the general Fund and is added to the appropriation in Laws 1987, chapter 404, section 2, and shall be used to pay the dues associated with the state of Minnesota's membership in the National Conference of State Legislatures State and Local Legal Center. Any unencumbered balance at the end of the first year shall be available for the second year.

Legislative Auditor

100,000

This appropriation is to cover the cost of auditing the University of Minneso-

	1988	1989
	\$	\$
ta's physical plant operations. The University of Minnesota is liable to the legislative auditor for the total cost and expenses of the audit, including the salaries paid to the examiners while actually engaged in making the examination. The legislative auditor shall bill the university either monthly or at the conclusion of the audit. Collections received for the audits must be credited to the general fund to reimburse it for this appropriation.		

The office of the legislative auditor program evaluation division shall conduct an evaluation of the Minnesota Housing Finance Agency's programs. The study shall include, but not be limited to, an evaluation of the criteria used to qualify potential buyers as low income. The auditor shall prepare a report for presentation to the legislature by January 1, 1989, indicating its findings, observations, and recommendations relative to the agency's ability to meet the current demand for low income housing.

Sec. 3. SUPREME COURT

850,000

This appropriation is to the supreme court for funding of the family farm legal assistance program in fiscal year 1989.

The supreme court administrator shall study and report to the legislature by January 1, 1989, on the costs and benefits to litigants of the use of video or audio tape recording of civil litigation and administrative hearings instead of stenotype and transcription recordings of those proceedings. The study shall also include the equipment cost recovery of alternative recording systems.

Sec. 4. BOARD OF PUBLIC DEFENSE

55,000

	1988	1989
\$	\$	
\$55,000 is for an intergovernmental relations position. The person hired for this position shall be knowledgeable in criminal defense procedures and criminal defense investigation.		

The approved complement of the board of public defense is increased by one in fiscal year 1989.

Sec. 5. LT. GOVERNOR

10,000

This appropriation is added to the appropriation in Laws 1987, chapter 404, section 9 and is to be used for the purchase and upgrading of the office's computer capability.

Sec. 6. ADMINISTRATION

131,300

808,900

Summary by Fund

General Fund	\$ 12,000	\$320,000
Special Revenue	\$119,300	\$488,900

\$119,300 in fiscal year 1988 and \$488,900 in fiscal year 1989 is appropriated from the special revenue fund for 911 emergency services and is added to the appropriation in Laws 1987, chapter 404, section 16, subdivision 3.

\$12,000 in fiscal year 1988 is appropriated from the general fund and is to the information policy office to plan and conduct a system architecture conference for legislators and key executive branch personnel. This appropriation is an addition to the funds appropriated in Laws 1987, chapter 404, section 16, subdivision 3.

Notwithstanding any other law to the contrary, \$150,000 is appropriated to the information policy office from the

	1988	1989
	\$	\$
general fund in fiscal year 1989 to establish not less than three experimental computer centers to demonstrate the effectiveness of a distributive computing model for a wide range of computer applications in the field of education, including financial and student management. No district may apply for less than \$20,000 or more than \$50,000 for the purposes of this program. For the purposes of this section, reporting requirements to the state and all data standards are to be maintained, but all other requirements, except financial obligations, will be waived. The information policy office will evaluate the experimental centers, prepare a study, and report to the legislature by January 1, 1990, making recommendations concerning the feasibility of expanding the concept of individual computer centers statewide. This appropriation is added to the funds appropriated in Laws 1987, chapter 404, section 16, subdivision 3.		

\$20,000 is appropriated to the information policy office to facilitate with technical expertise efforts to move the legislature towards the usage of more interactive technologies. The information policy office will draft a plan to improve citizen input and to improve the efficiency and operations of the legislature. This appropriation is added to the appropriation in Laws 1987, chapter 404, section 16, subdivision 3.

\$95,000 is appropriated from the general fund in fiscal year 1989 for a grant to Twin Cities Regional Cable Channel, Inc. for programming. \$60,000 of this grant is to be matched dollar for dollar from contributions from non-state sources. \$35,000 of the grant is to be used for legislative programming. All legislative programming done under this grant shall be accessible to

1988

1989

\$

\$

local cable stations at cost of video tape for distribution. This appropriation is added to the appropriation in Laws 1987, chapter 404, section 16, subdivision 5.

\$5,000 is appropriated to the commissioner from the general fund to study the feasibility of using ink with a soybean oil base for printing done by the commissioner, by other state agencies, and by private vendors under contract to agencies in all branches of state government. The study must include the cost implications to the state of using ink with a soybean oil base, the types of printing jobs that can and cannot be done effectively with this ink, and any transitional steps that would have to be taken to implement the use of ink with a soybean oil base. The commissioner shall report the results of the study to the legislature by January 1, 1989. This appropriation is to be matched with funds from other nonstate sources. This appropriation is added to the appropriation in Laws 1987, chapter 404, section 16, subdivision 5.

\$50,000 is appropriated from the general fund for the community services and volunteer initiative program. The department of administration's authorized general fund complement is increased by one position. This appropriation is added to the appropriation in Laws 1987, chapter 404, section 16, subdivision 5 and is only available if the community services program school districts established in article 4, section 4 of a bill styled as H.F. No. 2245 are enacted into law. The commissioner shall ensure that this initiative is consistent and coordinated with the volunteer program in this same section of H.F. No. 2245.

The approved complement of the department of administration is in-

	1988	1989
	\$	\$
creased by two special revenue fund positions in fiscal year 1989.		

The commissioner of administration shall complete phase II of the study comparing the costs of leasing office space in privately owned buildings versus construction of new office buildings to house state departments and agencies. This study shall include a report to the legislature by January 1, 1989, that addresses the feasibility of lease-purchase options, includes considerations of life-cycle costing, and provides recommendations for a state policy relative to housing of state offices in the twin cities metropolitan area.

The commissioner shall study the feasibility of making state surplus property from the departments of transportation, corrections, natural resources, and public safety available to Indian communities and shall report the findings, including an evaluation of the program currently being conducted in the department of natural resources, to the legislature by January 1, 1989.

Any office building of greater than 50,000 square feet built, purchased, or leased by the state of Minnesota after the effective date of this act and any state-owned or leased office building of greater than 50,000 square feet that is substantially remodeled after the effective date of this act must include space usable for child care services. The commissioner may prepare a day-care site as a common usage space for the capitol complex. The commissioner may determine that it is unreasonably costly to provide this space and waive the requirements of this paragraph.

Sec. 7. FINANCE

All refunds received from the federal government for excise taxes paid on

1988

1989

\$

\$

motor vehicle fuels are appropriated, in the year the refund is received, to the state agency that paid the tax.

Sec. 8. EMPLOYEE RELATIONS

191,000

\$166,000 of this appropriation is added to the appropriation for the same purpose in Laws 1987, chapter 404, section 19, subdivision 5, and is likewise repayable within five years.

The approved complement of the department of employee relations is increased by four positions in fiscal year 1989.

The commissioner of employee relations may use FICA savings generated from the dependent care expense account program to pay for the administrative costs of the program.

\$25,000 is appropriated to the commissioner of employee relations for the purpose of completing a job evaluation study to determine the comparable worth value of direct care staff positions in intermediate care facilities for the mentally retarded, waived residential services, semi-independent living service programs, and developmental achievement centers that are licensed by the department of human services or by a county. A report on the results of the study shall be made to the legislature by February 1, 1989.

Sec. 9. REVENUE

397,900

321,500

Summary by fund

General Fund	\$263,000	\$ 0
Special Revenue	\$117,900	\$239,900
Metro Landfill		
Abatement	\$ 8,500	\$ 40,800
Metro Landfill		
Contingency	\$ 8,500	\$ 40,800

	1988	1989
Of this amount \$263,000 in fiscal year 1988 is a one time appropriation to the department from the general fund for the purposes of processing property tax relief legislation and is available until expended.	\$	\$

\$117,900 in fiscal year 1988 and \$239,900 in fiscal year 1989 are appropriated to the special revenue fund from the corporate franchise tax receipts. These amounts represent a salary supplement for salary expenses paid from the special revenue fund.

In fiscal year 1988 \$8,500 is transferred from the metropolitan landfill abatement fund and \$8,500 is transferred from the metropolitan landfill contingency action fund to the department of revenue for the purpose of reimbursing the department for cost incurred by the department in administering Minnesota Statutes, section 473.843 during fiscal year 1988.

\$40,800 in fiscal year 1989 is appropriated from the metropolitan landfill contingency action fund and in fiscal year 1989 \$40,800 is appropriated from the metropolitan landfill abatement fund to the department of revenue for the purpose of administering Minnesota Statutes, section 473.843.

Sec. 10. NATURAL RESOURCES	859,200	6,628,000
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Summary by Fund

General Fund	\$364,200	\$5,463,000
Game and Fish	\$ 95,000	
Special Revenue	\$400,000	\$1,165,000

\$400,000 in fiscal year 1988 and \$490,000 in fiscal year 1989 is appropriated from the forest management special revenue fund for forest nurseries and is added to the appropriation in Laws 1987, chapter 404, section 22, subdivision 4.

1988

1989

\$

\$

\$400,000 is appropriated from the state forest road account in the special revenue fund established by this act and is added to the funds appropriated in Laws 1987, chapter 404, section 22, subdivision 4.

\$275,000 is appropriated from the county forest access road account established by this act and is added to the funds appropriated in Laws 1987, chapter 404, section 22, subdivision 4.

\$80,000 is appropriated from the general fund for hybrid aspen study and is added to the funds appropriated in Laws 1987, chapter 404, section 22, subdivision 4. Any unencumbered balance remaining in the first year does not cancel and is available for the second year.

The commissioner shall seek funding from the R.I.M. program for the funds requested in the governor's 1988 supplemental budget for the conservation reserve program.

\$270,000 is appropriated from the general fund for the statewide forest inventory and is added to the funds appropriated in Laws 1987, chapter 404, section 22, subdivision 4. Any unencumbered balance remaining in the first year does not cancel and is available for the second year.

\$50,000 in fiscal year 1988 is appropriated for the development of an observation deck and picnic area at Thief Lake wildlife management area. This appropriation is from the general fund and is an addition to the funds appropriated in Laws 1987, chapter 404, section 22, subdivision 7.

1988

1989

\$8,000 is appropriated from the general fund to rehabilitate the Norris Tower picnic site on the Red Lake wildlife management area. This appropriation is added to the appropriation in Laws 1987, chapter 404, section 22, subdivision 7.

The commissioner shall study and report to the legislature by January 1, 1989, the feasibility of a land exchange with Olmsted county for the wildlife lands located adjacent to the former Rochester State Hospital facility.

\$5,050,000 is appropriated from the general fund and is added to the appropriation in Laws 1987, chapter 404, section 22, subdivision 7, to be used for annual payments to the bands of Chippewa Indians affected by the 1854 Treaty Settlement ratified by H.F. No. 2216.

Recognizing that the federal government bears responsibility for the terms and conditions of the treaty and should bear the costs of settling claims associated with the treaty, the commissioner shall seek reimbursement for all or part of the state appropriation from the federal government. The commissioner shall solicit the support of all similarly situated states, including but not limited to Wisconsin and Michigan, in seeking federal reimbursement.

\$20,000 is appropriated from the general fund in fiscal year 1989 and is added to the appropriation in Laws 1987, chapter 404, section 22, subdivision 5, and is to be used to conduct a feasibility study and report to the legislature by January 1, 1989, addressing the costs associated with the continued use of the former "Tettegouche Camp Buildings" located within Tettegouche State Park.

1988

1989

\$

\$

\$35,000 is appropriated from the general fund in fiscal year 1989 for a lease purchase agreement and for safety purposes on the abandoned Burlington Northern railroad line between Baxter and Bemidji, Minnesota designated as the Paul Bunyan Trail by an act styled as H.F. No. 2155. This appropriation is added to the appropriation in Laws 1987, section 22, subdivision 6.

Notwithstanding Minnesota Statutes, section 344.03, subdivision 1, a part of the settlement of a property line dispute on the Hinckley to Moose Lake segment of the Minnesota-Wisconsin Boundary State Trail (Willard Munger State Trail) the commissioner shall fence the state property boundary line located in T41N, R21W, section 13 in SE $\frac{1}{4}$ and NE $\frac{1}{4}$ of the SW $\frac{1}{4}$.

\$300,000 is appropriated from the general fund in fiscal year 1989 and is to be used as a grant to the Iron Range resources and rehabilitation board for pumping costs associated with the operation of Hill Annex Mine. The commissioner of the IRRRB may seek additional matching funds from organizations having access to historical preservation funds to complement this grant. The department of natural resources and the IRRRB shall prepare a financial report on the use of this grant for the chairs of the house appropriations and senate finance committees no later than January 1, 1990.

\$95,000 is appropriated from the game and fish fund in fiscal year 1988 and \$14,200 is appropriated from the general fund in fiscal year 1988 and is added to the appropriation in Laws 1987, chapter 404, section 22, subdivision 8, and is to be used to fund salary range compression for conservation officers resulting from an arbitration award. Any unencumbered balance for

1988

1989

\$

\$

the first year shall be made available for the second year. Should the department be faced with holding conservation officer positions vacant because of funding constraints as a result of this arbitration, the department shall consider such factors as population density, enforcement issues, intensity of public use, and impact on the efforts to protect the state's natural resources in determining which positions will be held vacant and those positions assigned to undercover activities shall be assigned the lowest priority and shall be eliminated before other conservation officer positions are held vacant.

The commissioner in cooperation with the commissioner of the Minnesota department of transportation shall study the feasibility of connecting St. Croix State Park and the Hinckley Trail via a MNDOT right-of-way and report to the legislature by January 1, 1989.

The commissioner shall study the feasibility of expanding the boundaries of Split Rock Lighthouse state park or another more suitable state park on the North shore of Lake Superior to include sunken ships for underwater interpretation. The study shall include but not be limited to the legal ramifications of annexing such a site, the cost of such an annexation, the quality of the underwater diving experience that the site would offer and a potential timetable for acquisition. The commissioner shall report the study to the legislature by January 1, 1989.

Sec. 11. MINNESOTA ZOOLOGICAL GARDENS

1,400,000

\$200,000 is for a grant for the permanent exhibition of an exotic species that has a high visitor appeal, will serve to further the education mission of the zoological garden and has been exhibited successfully in other zoos.

1988

1989

\$

\$

\$1,200,000 is for a grant to the zoological garden for renovation of the water and filtration systems which serve the existing beluga whale facility. None of the grant money may be released until the zoo board has completed and submitted to the chair of the senate finance and chair of the house appropriations committees a final construction plan for the renovation of the beluga whale facility into a marine exhibit. The final construction plan must include a detailed plan by the zoological board for financing the remainder of the project. If the financing includes using funds from the zoological garden's reserve fund, the financing plan must include a plan for the replenishing of the reserve fund.

The Minnesota zoological garden must be open to the public without charge for at least two days each month. However, the zoo may charge at any time for special services and for admission to special facilities for the education, entertainment, or convenience of visitors.

Sec. 12. POLLUTION CONTROL
AGENCY

100,000

336,500

Summary by Fund

General	\$ 98,000
Environmental	\$238,500
Water Pollution Control	\$100,000

\$63,000 of this appropriation shall be transferred to the Department of Health for upgrading laboratory facilities used for testing water quality samples and training associated staff. This appropriation is from the general fund and is to be added to the appropriation in Laws 1987, chapter 404, Section 24, subdivision 2.

1988

1989

\$

\$

\$35,000 is appropriated in fiscal year 1989 from the general fund as a grant to the Minnesota Emergency Responders Training Academy for hazardous materials handling training and is in addition to the funds appropriated in Laws 1987, chapter 404, section 24, subdivision 4. The funding and position for this project are available until June 30, 1989.

\$2,500,000 of the unencumbered balance in the water pollution control fund must be canceled and transferred to the general fund on July 1, 1988.

\$238,500 is appropriated from the environmental fund in fiscal year 1989 for property transfer assistance and is added to the funds appropriated in Laws 1987, chapter 404, section 24, subdivision 4. The approved complement for the pollution control agency from the environmental fund is increased by six positions, two of which are full-time temporary positions in the unclassified service, to develop an automated data base. When the data base is operational the unclassified positions terminate and the approved complement of the agency is reduced accordingly.

\$100,000 is appropriated from the water pollution control fund for the municipal litigation loan program established by this act. Repayments of the loans shall be credited to the fund. This appropriation is an addition to the funds appropriated in Laws 1987, chapter 404, section 24, subdivision 5. Any unencumbered balance at the end of the first year does not cancel and is available for the second year.

	1988	1989
\$	\$	
<p>\$200,000 is appropriated from the general fund for a demonstration rehabilitation project of 8-10 units under the housing grants for homeless individuals program created by the 1988 house of representatives' omnibus health and human services bill. The agency will study and evaluate this project and report the results to the legislature by January 1, 1990. This study shall include a recommendation concerning the feasibility of continuing this program. This appropriation is added to the appropriation in Laws 1987, chapter 404, section 28, subdivision 1.</p>		

Sec. 14. TRADE AND ECONOMIC DEVELOPMENT

23,000

991,500

Subdivision 1. Tourist Information Offices

\$ 23,000

\$770,000

The approved complement of the department of trade and economic development is increased by ten positions in 1989.

The metropolitan airports commission shall establish, fund, maintain, and operate a travel information center at the Minneapolis-St. Paul international airport. This shall consist of four positions and at least \$80,000 per year. The metropolitan airports commission shall consult with the office of tourism regarding proper staffing and information to be provided.

The complement of the department of Transportation is decreased by ten positions in fiscal year 1989.

Subd. 2. World Trade Center Marketing

\$

0

\$ 50,000

	1988	1989
	\$	\$
The department of trade and economic development shall fully implement the terms and conditions of the interagency agreement signed with the Minnesota World Trade Center corporation to market and schedule the conference and training center.		

This appropriation is added to the appropriation in Laws 1987, chapter 404, section 26, subdivision 2.

Subd. 3. Council on Productivity and Quality

Any unencumbered balance of the appropriation for the Minnesota council on productivity and quality for fiscal year 1988 may be carried forward to fiscal year 1989.

The purpose of adding three new members to the Minnesota council on productivity and quality referred to in section 50 is to address the gender imbalance of the council.

Subd. 4. Amateur Sports Commission

\$	0	\$121,500
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The amount appropriated in Laws 1987, chapter 400, section 13 is available to meet the cost incurred by an amateur sports facility in hosting and operating events that are (i) conducted at an amateur sports facility under an agreement with the national governing body for an amateur sport; and (ii) sanctioned or sponsored by the Minnesota amateur sports commission under Minnesota Statutes, chapter 240A.

The metropolitan airports commission in consultation with the Minnesota

1988

1989

\$

\$

amateur sports commission shall study the potential effects that Laws 1979, extra session chapter 1, section 5 and Minnesota Statutes, sections 360.061 to 360.074 will have on the operation, long-term success, and economic viability of the national sports center in Blaine. The report must also include an estimation of the potential impacts that Laws 1979, extra session chapter 1, section 5 and Minnesota Statutes, sections 360.061 to 360.074 will have on the ability of the Minnesota amateur sports commission to attract national events to the national sports center in Blaine. The metropolitan airports commission and the Minnesota amateur sports commission shall jointly present a report to the chair of the senate finance and the chair of house appropriations committee by February 15, 1989.

Of this appropriation, \$38,500 is for the purpose of a grant to a nonprofit corporation to operate the national sports center at Blaine. This grant is available only upon demonstration by the commissioner of finance of a dollar for dollar match with nonstate contributions and a written agreement from the Minnesota amateur sports commission providing for the reimbursement of the general fund as set forth in this subdivision. The state general fund must be reimbursed for this appropriation from revenues generated by the operation of the national sports center. Reimbursement shall be made by July 1, 1991.

The employees of the nonprofit corporation may not be state employees.

\$83,000 is for general operating expenses of the Minnesota amateur sports commission. The Minnesota amateur sports commission shall continue to encourage, promote, and assist local and regional amateur sports groups and facilities.

	1988	1989
The approved complement of the amateur sports commission is increased by one in fiscal year 1989.	\$	\$

Subd. 5. Park Acquisition

\$50,000 is appropriated to the commissioner of trade and economic development for the purpose of a grant to a nonprofit association or fraternal organization for the acquisition of a park on land formerly owned by United States steel corporation on Trout Lake in Itasca county.

Subd. 6. Administrative Expenses

\$15,000 of the fiscal year 1989 appropriation under Laws of Minnesota 1987, chapter 404, section 26, subdivision 9, is available to the commissioner for the costs of administering the contract for consultant services for development of the trade model.

Subd. 7. Economic Recovery Grants

Up to \$800,000 of the appropriation for economic recovery grants is available for projects located within the geographic boundaries of at least one of four or more local units of government acting under a joint powers agreement under the cooperative secondary facilities grant act. A municipality located in a local unit acting under a joint powers agreement must apply for a grant. Applications must be made to the commissioner of trade and economic development. Notwithstanding Minnesota Statutes, section 116J.873, a grant under this subdivision may be for more than \$500,000 and a specific project does not have to be identified. A grant under this subdivision must be

1988

1989

\$

\$

used for a manufacturing project and at least \$1 of nonstate money must be used for every \$4 of grant money. A grant under this paragraph may not be used to finance a project for an existing business that is transferring all or a part of its operations as a result of the grant.

Sec. 15. WORLD TRADE CENTER CORPORATION

430,300

This appropriation is for general operating expenses and is available until June 30, 1989.

Any unexpended funds appropriated to the commissioner of administration for operating expenses of the conference and service center in the Minnesota World Trade Center are available to the Minnesota World Trade Center board for general operating expenses and program development for the center.

The Minnesota World Trade Center board shall make a report to the legislature by March 1, 1989. This report shall include a three-year plan, a detailed outline of what steps the trade center board will take to implement this plan, and a description of the activities that have taken place to implement the plan.

Sec. 16. STATE PLANNING AGENCY

85,000

\$10,000 is appropriated from the general fund in fiscal year 1989 and is added to the appropriation in Laws 1987, chapter 404, section 29, and used for payment of the state of Minnesota's annual dues in the Harvard University's program on Information Resources Policy.

	1988	1989
	\$	\$
\$75,000 is appropriated from the general fund in fiscal year 1989 for aquaculture and is available until June 30, 1989. The state planning agency shall seek matching funds for this project from other major agencies involved in the project. This appropriation is in addition to the funds appropriated in Laws 1987, chapter 404, section 29.		

The commissioner of the state planning agency shall continue the state/local responsibility study from existing resources.

Sec. 17. LABOR AND INDUSTRY 95,000

This is a one-time appropriation from the workers compensation special compensation fund for the purpose of a medical cost study. Any unencumbered balance remaining in the first year does not cancel and is available for the second year.

The chief workers' compensation settlement judge at the department of labor and industry may be paid an annual salary that is up to five percent above the salary of workers' compensation settlement judges at the department of labor and industry.

A chief judge may be designated and serve at the pleasure of the commissioner.

Sec. 18. MILITARY AFFAIRS

2,297,000

Subdivision 1. State Cash Bonus Payments

\$722,000

1988

1989

\$

\$

The adjutant general shall pay a state cash bonus of \$100 no later than June 30, 1989, to any member of the Minnesota national guard who has served satisfactorily, as defined by the adjutant general, as an active member of the Minnesota national guard during the 1988 state fiscal year and who reenlists in the Minnesota national guard. The adjutant general shall also pay a state cash bonus of \$200 to any person who enlists in the Minnesota national guard for the first time between July 1, 1988, and June 30, 1989.

The amount available for the bonus payments is limited to the amount appropriated for such payments in this section.

Subd. 2. Tuition Reimbursement

\$1,575,000

The adjutant general shall establish a program providing tuition reimbursement for members of the Minnesota national guard in accordance with this section.

An active member of the Minnesota national guard serving satisfactorily, as defined by the adjutant general, at any time during fiscal year 1989, shall be reimbursed for tuition paid during fiscal year 1989 to a post-secondary education institution that is an eligible institution as defined by Minnesota Statutes, section 136A.15, subdivision 5, upon proof of satisfactory completion of course work.

In the case of tuition paid to a public institution located in Minnesota, tuition is limited to an amount equal to 50 percent of the cost of tuition at the University of Minnesota for school year 1988-1989 except as provided in this section.

1988

1989

\$

\$

In the case of tuition paid to a private institution within or without Minnesota or a public institution not in Minnesota, reimbursement is limited to 50 percent of the average tuition at the University of Minnesota during the 1988-1989 school year, except as provided in this section.

In the case of tuition paid to a public or private technical or vocational school or community college located within or without Minnesota, for a single course or limited number of courses the completion of which do not result in a degree, the full amount of tuition up to \$250 must be reimbursed.

The maximum amount of tuition reimbursement for each eligible individual shall be determined by the adjutant general according to rules formulated within 30 days of the effective date of this section.

The amount available for the tuition assistance is limited to the amount appropriated for tuition assistance in this section.

The department of military affairs shall keep an accurate record of the recipients of the bonus awards and tuition grants. The department shall make an interim report to the legislature by March 1, 1989, on the effectiveness of the bonus payments and tuition assistance program in retaining and recruiting members for the Minnesota national guard. The final report to the legislature shall be made by August 1, 1989. These reports shall include, but are not limited to, a review of the effect that the bonus payments, and tuition assistance programs have on the reenlistment rate of guard members and the recruitment of new members. The report shall include an accurate record of the effect that both the tuition reim-

1988

1989

\$

\$

bursement program and the bonus payments have on the recruitment and retention of members by rank, operational unit, unit location, individual income level, race, and sex.

The department of military affairs shall make a specific effort to recruit and retain women and members of minority groups into the guard through the use of the tuition reimbursement and bonus payments program.

Sec. 19. HUMAN RIGHTS

30,000

This appropriation is for the salary and other expenses of word processing services.

The approved complement of the department of human rights is increased by one in fiscal year 1989.

The department shall consult with the information policy office regarding its future data processing needs.

Sec. 20. COUNCIL ON THE AFFAIRS OF SPANISH SPEAKING PEOPLE

28,000

The appropriation is a one time appropriation for the establishment of a research component of the council on the affairs of Spanish speaking people.

Sec. 21. RETIREMENTS

300,000

The appropriation is to the commissioner of revenue to make the reimbursement payments to firefighters' relief associations under section 56.

Sec. 22. [REGIONAL PARK ACQUISITION.]

Subdivision 1. [LEGISLATIVE FINDINGS.] The legislature finds that there is a need for a regional park on Lake Minnetonka to serve the recreation open space needs of the citizens of the entire metropolitan area and that it is in the public interest to authorize

acquisition of land for such a park in accordance with the master plan approved by the metropolitan council.

Subd. 2. [ACQUISITION.] Notwithstanding any contrary provision of law, the suburban Hennepin regional park district may acquire real property for a Lake Minnetonka regional park by purchase, gift, or eminent domain pursuant to Minnesota Statutes, chapter 117, without local consent or approval by any affected municipality or other local governmental unit.

Subd. 3. [METROPOLITAN COUNCIL APPROVAL.] Before any acquisition of real property by eminent domain pursuant to subdivision 1, the metropolitan council must find, following public hearing, that:

- (1) acquisition of the property is in the public interest;
- (2) negotiations for acquisition of the property have not resulted in acquisition of land by purchase;
- (3) the proposed acquisition is consistent with the approved master plan maintained by the metropolitan council; and
- (4) the district is able to carry out the plan and operate the regional park.

The findings required by this subdivision may have been made before or may be made on or after the effective date of this act.

Subd. 4. [EXPIRATION.] Authority to acquire real property through eminent domain as provided in subdivisions 2 and 3 expires on December 31, 1989, except that an acquisition approved by the metropolitan council before January 1, 1990, may continue.

Subd. 5. [APPLICATION.] This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 23. [STUDY AND REPORT TO LEGISLATURE.]

The counties receiving funds under section 41 and the commissioners of transportation and natural resources shall jointly study and determine the unrefunded gasoline and special fuel tax attributable to forest logging trucks and recreational vehicles that use county forest access roads and other uses of county forest access roads, from May 1, 1988, to April 30, 1989. After consultation with the commissioner of revenue, the commissioners of transportation and natural resources shall report the results of this study by October 1, 1989, to the transportation committees of the senate and house of representatives and the house appropriations and senate finance committees along with proposed changes to Minnesota

Statues, sections 296.16 and 296.421. The counties may spend money appropriated under section 41 for purposes of this study.

Sec. 24. [HILL-ANNEX MINE PRESERVATION SITE.]

The Hill-Annex Mine in Itasca county is designated a state preservation site, to be operated by the Iron Range resources rehabilitation board.

Sec. 25. [SITE BOUNDARIES.]

Hill-Annex Mine preservation site consists of the surface interest in land within Itasca county described as Section 16, Township 56 North, Range 23 West, excluding an area containing 6.5 acres more or less which is described as follows:

Starting at the corner common to Sections 17, 16, 20 and 21, Township 56 North, Range 23 West; thence due east on section line 155 feet to point of beginning; thence due east 916 feet; thence due north 330 feet; thence due west 916 feet; thence due south 330 feet to the point of beginning.

Sec. 26. [PURPOSE.]

The land described in section 25 must be used to interpret and provide the public with an opportunity to view and experience natural iron ore open-pit mining operations as conducted on Minnesota's historic iron ranges.

The mineral estate in the described property must not be condemned, and, in the establishment of the preservation site, the IRRRB shall recognize the possibility that mining may be conducted on the property in the future, and that use of portions of the surface estate may be necessary to these possible future mining operations.

Sec. 27. [REPORT NOT REQUIRED.]

Notwithstanding Laws 1987, chapter 404, section 16, subdivision 5, the commissioner of administration is not required to prepare a report to the legislature recommending criteria for awarding operational and equipment grants to public broadcasting stations.

Sec. 28. [DEER FEEDING NOT REQUIRED.]

Notwithstanding Laws 1987, chapter 404, section 22, subdivision 7, \$127,900 in fiscal year 1988 and \$127,900 in fiscal year 1989 need not be used for emergency deer feeding.

Sec. 29. Minnesota Statutes 1987 Supplement, section 3.732, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] As used in this section and section 3.736 the terms defined in this section have the meanings given them.

(1) "State" includes each of the departments, boards, agencies, commissions, courts, and officers in the executive, legislative, and judicial branches of the state of Minnesota and includes but is not limited to the Minnesota housing finance agency, the Minnesota higher education coordinating board, the Minnesota higher education facilities authority, the armory building commission, the Minnesota zoological board, the state agricultural society, the University of Minnesota, state universities, community colleges, state hospitals, and state penal institutions. It does not include a city, town, county, school district, or other local governmental body corporate and politic.

(2) "Employee of the state" means all present or former officers, members, directors, or employees of the state, members of the Minnesota national guard, or persons acting on behalf of the state in an official capacity, temporarily or permanently, with or without compensation, but does not include either an independent contractor or members of the Minnesota national guard while engaged in training or duty under United States Code, title 10, or United States Code, title 32, section 316, 502, 503, 504, or 505, as amended through December 31, 1983. "Employee of the state" includes a public defender appointed by the state board of public defense, whether paid by the state or by a political subdivision.

(3) "Scope of office or employment" means that the employee was acting on behalf of the state in the performance of duties or tasks lawfully assigned by competent authority.

Sec. 30. Minnesota Statutes 1987 Supplement, section 3.885, is amended to read:

3.885 [LEGISLATIVE ~~COMMITTEE~~ COMMISSION ON PLANNING AND FISCAL POLICY.]

Subdivision 1. [MEMBERSHIP.] The legislative ~~committee~~ commission on planning and fiscal policy consists of 18 members of the senate and the house of representatives appointed by the legislative coordinating commission. Vacancies on the ~~committee~~ commission are filled in the same manner as original appointments. The ~~committee~~ commission shall elect a chair and a vice-chair from among its members. The chair alternates between a member of the senate and a member of the house in January of each odd-numbered year.

Subd. 2. [COMPENSATION.] Members of the ~~committee~~ commission are compensated in the manner provided by section 3.101.

Subd. 3. [STAFF.] (a) The committee commission may hire staff necessary to carry out its duties and may also:

(1) employ and fix the salaries of professional, technical, clerical, and other staff of the commission;

(2) employ and discharge staff solely on the basis of their fitness to perform their duties and without regard to political affiliation;

(3) buy necessary furniture, equipment, and supplies;

(4) enter into contracts for necessary services, equipment, office, and supplies;

(5) provide its staff with computer capability necessary to carry out assigned duties. The computer should be capable of receiving data and transmitting data to computers maintained by the executive and judicial departments of state government that are used for budgetary and revenue purposes; and

(6) use other legislative staff.

(b) The legislative coordinating commission shall provide office space and administrative support to the committee. ~~The commissioners of finance and revenue shall supply the committee with information upon request of the chair.~~ The state planning agency shall report to the committee, and the committee may make recommendations to the state planning agency.

Subd. 4. [AGENCIES TO COOPERATE.] All departments, agencies, and education institutions of the executive and judicial branches must comply with a request of the commission for information, data, estimates, and statistics on the funding revenue operations, and other affairs of the department, agency or education institution. The commissioner of finance and the commissioner of revenue shall provide the commission with full and free access to information, data, estimates, and statistics in the possession of the finance and revenue departments on the state budget, revenue, expenditures, and tax expenditures.

Subd. 5. [DUTIES.] (a) The committee commission shall study and evaluate the actual and projected expenditures by state government, the actual and projected sources of revenue that support these expenditures, and the various options available to meet the state's future fiscal needs:

(1) provide the legislature with research and analysis of current and projected state revenue, state expenditures, and state tax expenditures;

(2) provide the legislature with a report analyzing the governor's proposed levels of revenue and expenditures for biennial budgets submitted under section 16A.11 as well as other supplemental budget submittals to the legislature by the governor;

(3) provide an analysis of the impact of the governor's proposed revenue and expenditure plans for the next biennium;

(4) conduct research on matters of economic and fiscal policy and report to the legislature on the result of the research;

(5) provide economic reports and studies on the state of the state's economy, including trends and forecasts for consideration by the legislature;

(6) conduct budget and tax studies and provide general fiscal and budgetary information;

(7) review and make recommendations on the operation of state programs in order to appraise the implementation of state laws regarding the expenditure of funds and to recommend means of improving their efficiency;

(8) recommend to the legislature changes in the mix of revenue sources for programs, in the percentage of state expenditures devoted to major programs, and in the role of the legislature in overseeing state government expenditures and revenue projections; and

(9) make a continuing study and investigation of the building needs of the government of the state of Minnesota, including, but not limited to the following: the current and future requirements of new buildings, the maintenance of existing buildings, rehabilitating and remodeling of old buildings, the planning for administrative offices, and the exploring of methods of financing building and related costs.

(b) In performing this duty its duties under paragraph (a), the committee commission shall consider, among other things:

(1) the relative dependence on state tax revenues, federal funds, and user fees to support state-funded programs, and whether the existing mix of revenue sources is appropriate, given the purposes of the programs;

(2) the relative percentages of state expenditures that are devoted to major programs such as education, assistance to local government, aid to individuals, state agencies and institutions, and debt service; and

(3) the role of the legislature in overseeing state government expenditures, including legislative appropriation of money from the general fund, legislative appropriation of money from funds other than the general fund, state agency receipt of money into revolving and other dedicated funds and expenditure of money from these funds, and state agency expenditure of federal funds.

As necessary, the committee shall recommend to the legislature changes in the mix of revenue sources for programs, in the percentage of state expenditures devoted to major programs, and in the role of the legislature in overseeing state government expenditures. The committee may also make recommendations for changes in the design or continuing operation of programs.

(c) The committee's commission's recommendations must consider the long-term needs of the state. The recommendations must not duplicate work done by standing committees of the senate and house of representatives.

The committee commission shall report to the legislature on its activities and recommendations by January 15 of each odd-numbered year.

The commission shall provide the public with printed and electronic copies of reports and information for the legislature. Copies must be provided at the actual cost of furnishing each copy.

Sec. 31. Minnesota Statutes 1986, section 3.9223, subdivision 5, is amended to read:

Subd. 5. [POWERS.] The council shall have power to contract in its own name. Contracts shall be approved by a majority of the members of the council and executed by the chair and the executive director. The council may apply for, receive, and expend in its own name grants and gifts of money consistent with the power and duties specified in this section.

The council shall appoint, subject to the approval of the governor, an executive director who shall be experienced in administrative activities and familiar with the problems and needs of Spanish-speaking people. The council may delegate to the executive director any powers and duties under this section which do not require council approval. The executive director and council staff shall serve in the unclassified service. The executive director may be removed at any time by a majority vote of the entire council. The executive director shall recommend to the council the appropriate staffing patterns necessary to carry out its duties. The commissioner of administration shall provide the council with necessary administrative services, and the council shall reimburse the commissioner for the cost of these services.

Sec. 32. Minnesota Statutes 1986, section 3.9225, subdivision 5, is amended to read:

Subd. 5. [POWERS.] The council shall have power to contract in its own name, provided that no money shall be accepted or received as a loan nor shall any indebtedness be incurred except as otherwise provided by law. Contracts shall be approved by a majority of the members of the council and executed by the chair and the executive director. The council may apply for, receive, and expend in its own name grants and gifts of money consistent with the power and duties specified in subdivisions 1 to 7.

The council shall appoint an executive director who shall be experienced in administrative activities and familiar with the problems and needs of Black people. The council may delegate to the executive director any powers and duties under subdivisions 1 to 7 which do not require council approval. The executive director shall serve in the unclassified service and may be removed at any time by the council. The executive director shall recommend to the council, and the council may appoint, the appropriate staff necessary to carry out its duties. All staff members shall also serve in the unclassified service. The commissioner of administration shall provide the council with necessary administrative services, and the council shall reimburse the commissioner for the cost of these services.

Sec. 33. Minnesota Statutes 1986, section 3.9226, subdivision 5, is amended to read:

Subd. 5. [POWERS.] (a) The council may contract in its own name but may not accept or receive a loan or incur indebtedness except as otherwise provided by law. Contracts must be approved by a majority of the members of the council and executed by the chair and the executive director. The council may apply for, receive, and expend in its own name grants and gifts of money consistent with the powers and duties specified in this section.

(b) The council shall appoint an executive director who is experienced in administrative activities and familiar with the problems and needs of Asian-Pacific people. The council may delegate to the executive director any powers and duties under this section that do not require council approval. The executive director serves in the unclassified service and may be removed at any time by the council. The executive director shall recommend to the council, and the council may appoint, the appropriate staff necessary to carry out the duties of the council. All staff members serve in the unclassified service. The commissioner of administration shall provide the council with necessary administrative services, for which the council shall reimburse the commissioner.

Sec. 34. Minnesota Statutes 1986, section 18.191, is amended to read:

18.191 [DESTRUCTION OF NOXIOUS WEEDS.]

Except as otherwise specifically provided in sections 18.181 to 18.271, 18.281 to 18.311, and 18.321 to 18.322, it shall be the duty of every occupant of land or, if the land is unoccupied, the owner thereof, or an agent, or the public official in charge thereof, to cut down, otherwise destroy, or eradicate all noxious weeds as defined in section 18.171, subdivision 5, standing, being, or growing upon such land, in such manner and at such times as may be directed or ordered by the commissioner, the commissioner's authorized agents, the county agricultural inspector, or by a local weed inspector having jurisdiction.

Except as provided below, an owner of nonfederal lands underlying public waters or wetlands designated under section 105.391 is not required to control or eradicate purple loosestrife (Lythrum salicaria) below the ordinary high water level of the public water or wetland. The commissioner of natural resources is responsible for control and eradication of purple loosestrife on public waters and wetlands designated under section 105.391, except those which are located upon lands owned or managed by the United States. The officers, employees, agents, and contractors of the commissioner may enter upon public waters and wetlands designated under section 105.391 and may cross adjacent lands as necessary for the purpose of investigating purple loosestrife infestations, formulating methods of eradication, and implementing control and eradication of purple loosestrife. The responsibility of the commissioner to control and eradicate purple loosestrife on public waters and wetlands located on private lands and the authority to enter upon private lands ends ten days after receipt by the commissioner of a written statement from the landowner that the landowner assumes all responsibility for control and eradication of purple loosestrife under sections 18.171 to 18.315. State officers, employees, agents, and contractors are not liable in a civil action for trespass committed in the discharge of their duties under this section and are not liable to anyone for damages, except for damages arising from gross negligence.

Sec. 35. Minnesota Statutes 1987 Supplement, section 85.055, subdivision 1, is amended to read:

Subdivision 1. [FEES.] The fee for state park permits for:

- (1) an annual use of state parks is ~~\$15~~ \$16;
- (2) a second vehicle state park permit is one-half the annual state park permit fee in clause (1);
- (3) a special state park permit valid up to two days is ~~\$3~~ \$3.25;

(4) a special daily vehicle state park permit for groups is as prescribed by the commissioner;

(5) an employee's state park permit is without charge;

(6) a special state park permit for handicapped persons and persons over age 65 under section 85.053, subdivision 7, clauses (1) and (2), is one-half the annual state park permit fee in clause (1); and

(7) a special state park permit valid up to two days for handicapped persons and persons over age 65 under section 85.053, subdivision 7, clauses (1) and (3), is ~~one-half of the special state park permit fee in clause (3)~~ \$2.

The fees specified in this subdivision include any sales tax required by state law.

Sec. 36. Minnesota Statutes 1986, section 88.22, is amended by adding a subdivision to read:

Subd. 4. The commissioner shall establish a forest road advisory committee in forestry administrative areas that contain state forest management roads. The forest road advisory committee shall meet semiannually at the call of the commissioner or commissioner's representative to coordinate transportation planning, review restrictions on travel, and other issues related to the construction and maintenance of state forest management roads with the objective to keep all roads open as much as possible. The forest road advisory committee consists of:

(1) the commissioner or the commissioner's designee;

(2) a local county board chair or designee;

(3) a county highway department engineer;

(4) a Minnesota department of transportation district engineer or designee of the engineer;

(5) a town board chair and a board supervisor;

(6) a representative appointed by the Minnesota Forest Industries, Council Incorporated who owns or manages 1,000 acres or more of forest land in the forestry administrative area; and

(7) one other interested individual from a sporting or fishing organization.

Sec. 37. Minnesota Statutes 1986, section 89.001, is amending by adding a subdivision to read:

Subd. 14. "State forest road" means a road constructed, acquired, maintained, or administered by the commissioner for the purpose of carrying out forest resource management policy as set forth in section 89.002.

Sec. 38. Minnesota Statutes 1986, section 89.19, is amended to read:

89.19 [RULES.]

The commissioner ~~shall have power to may~~ prescribe such rules governing the use of state forest lands under the authority of the commissioner and state forest roads, or any part parts thereof, by the public or and governing the exereising exercise by holders of leases or permits upon state on forest lands and state forest roads of all their rights under such the leases or permits as may be necessary to carry out the purposes of this chapter.

Sec. 39. [89.341] [STATE FOREST ROAD ACCOUNT.]

Subdivision 1. [ACCOUNT CREATED.] There is created in the state treasury a state forest road account in the special revenue fund, consisting of funds credited under section 42. Funds credited to the state forest road account are appropriated to the commissioner and remain available until expended.

Subd. 2. [EXPENDITURE.] Money in the state forest road account may be appropriated by law only for:

(1) acquisition, development, maintenance, and administration of state forest roads under the jurisdiction of the commissioner of natural resources; and

(2) the commissioner's share of the cost of cooperative maintenance agreements made with other providers of forest roads.

Sec. 40. [89.342] [FOREST ROADS.]

Subdivision 1. [DESIGNATION, INVENTORY, RECORDING.] Forest roads, bridges, and other improvements in existence on July 1, 1988, and administered under section 89.002, subdivision 3, are hereby designated as state forest roads to the width of the actual use including ditches, backslopes, fills, and maintained right-of-way, unless otherwise specified in a prior easement of record. The commissioner may undesignate all or part of a state forest road that is not needed to carry out forest resource management policy. The commissioner shall maintain and keep current an inventory listing

and describing roads in which the state claims a right or property interest for state forest road purposes. The commissioner may file for record with a county recorder or registrar of titles appropriate documents setting forth the state's interest in all or part of any state forest road.

Subd. 2. [RIGHT-OF-WAY.] After July 1, 1988, additional rights-of-way and easements, including easements needed for drainage or slopes, may be acquired by the commissioner by purchase or gift and by condemnation for safety and/or environmental protection on existing roads and to provide access to tracts of public land larger than 1,000 acres having no access, following a public meeting in the area affected. Rights-of-way and easements shall be designated as state forest roads when needed for construction, maintenance, or safety of roads.

Subd. 3. [CONSTRUCTION; MAINTENANCE.] The commissioner shall develop specifications for the design and construction of state forest roads and shall establish maintenance schedules for forest roads consistent with their intended use.

Subd. 4. [RULES.] In promulgating rules relating to the use of state forest roads, the commissioner may incorporate into the rules, by reference, traffic regulations contained in chapter 169.

Subd. 5. [POSTING OF MINIMUM-MAINTENANCE FOREST ROADS.] The commissioner may designate a state forest road as a minimum-maintenance forest road to be maintained at a level consistent with the intended use. Designation of a state forest road as a minimum-maintenance forest road is effective on the posting of signs, at entry points to the road and at regular intervals along the road, to the effect that the road is a minimum-maintenance forest road and that the user travels on the road at the user's risk. Posting of the signs is prima facie evidence that adequate notice of minimum-maintenance status has been given to the public.

Subd. 6. [LIABILITY ON FOREST ROADS.] The commissioner and employees of the department are not liable for any claim by a person arising on a state forest road that is not in a state forest to the same extent that they are not liable for claims that arise on roads within a state forest under the provisions of section 3.736, subdivision 3, clause (h).

Subd. 7. [CONVEYANCE OF UNNEEDED ROADS TO OTHER GOVERNMENTS.] When the commissioner undesignates a state forest road and determines that the road is no longer needed for any state purpose, the commissioner may convey, in the manner provided in section 84.63, the state interest in the road to the United States, the state of Minnesota, or any of its subdivisions, whether or not the road is on state land.

Subd. 8. [COMMISSIONER NOT A ROAD AUTHORITY UNDER HIGHWAY LAWS.] Except as otherwise provided, the commissioner is not a road authority under chapters 160 to 168, and chapters 160 to 168 do not apply to forest roads unless specifically made applicable by law or rule.

Sec. 41. [89.343] [COUNTY FOREST ACCESS ROAD ACCOUNT.]

Subdivision 1. [ACCOUNT CREATED.] There is created in the state treasury a county forest access road account in the special revenue fund, consisting of funds credited under section 55. Funds credited to the county forest access road account are appropriated to the commissioner for distribution to counties managing forest lands administered through a county land department under the jurisdiction of a land commissioner appointed under section 282.13, for purposes specified in subdivision 2. These funds must be made available in the form of payments in proportion to each county's ownership of commercial forest lands. Funds credited to the county forest access road account remain available until expended.

Subd. 2. [EXPENDITURE; PURPOSES.] Money in the county forest access road account may be spent only to:

(1) construct, reconstruct, acquire, or maintain county forest access roads, including the acquisition of rights-of-way or easements as may be needed; and

(2) pursuant to section 23, study, determine, and inventory by October 1, 1989, county forest access roads and their use by logging trucks, recreational vehicles, and other users.

Sec. 42. Minnesota Statutes 1987 Supplement, section 105.44, subdivision 10, is amended to read:

Subd. 10. [PERMIT FEES.] Each application for a permit authorized by sections 105.37 to 105.64, and each request to amend or transfer an existing permit, must be accompanied by a permit application fee of \$30 to defray the costs of receiving, recording, and processing the application or request to amend or transfer. The commissioner may charge an additional permit application fee in excess of the \$30 fee but not over \$250 for each application. The application fee for permits submitted under sections 105.391, 105.41, and 105.535 is \$75. The application fee for permits submitted under sections 105.42 and 105.64 must be at least \$75, but may not exceed \$500 in accordance with a schedule of fees under section 16A.128.

The commissioner may charge an additional field inspection fee for:

(1) projects requiring a mandatory environmental assessment under chapter 116D;

(2) projects undertaken without a permit or application as required by sections 105.37 to 105.64; and

(3) projects undertaken in excess of limitations established in an issued permit. The fee must not be less than ~~\$25~~ \$100 nor more than ~~\$750~~ actual field inspection costs. The purpose of the fee is to cover actual costs for each permit applied for under sections 105.37 to 105.64 and for each project undertaken without proper authorization.

The commissioner shall establish a schedule of field inspection fees under section 16A.128. The schedule must include actual costs related to field inspection such as investigations of the area affected by the proposed activity, analysis of the proposed activity, consultant services, and subsequent monitoring, if any, of the activity authorized by the permit.

Except as provided below, the commissioner may not issue a permit until all fees required by this section relating to the issuance of a permit have been paid. The time limits prescribed by subdivision 4 do not apply to an application for which the appropriate fee has not been paid. Field inspection fees relating to monitoring of an activity authorized by a permit may be charged and collected as necessary at any time after the issuance of the permit. No permit application or field inspection fee may be refunded for any reason, even if the application is denied or withdrawn. No permit application or field inspection fee may be imposed on any state agency, as defined in section 16B.01, or federal governmental agency applying for a permit.

Sec. 43. Minnesota Statutes 1987 Supplement, section 115C.02, subdivision 13, is amended to read:

Subd. 13. [RESPONSIBLE PERSON.] "Responsible person" means a person who is an owner or operator of a tank at any time during or after the release responsible for a release under section 44.

Sec. 44. [115C.021] [RESPONSIBLE PERSON.]

Subdivision 1. [GENERAL RULE.] Except as provided in subdivision 2, a person is responsible for a release from a tank if the person is an owner or operator of the tank at any time during or after the release.

Subd. 2. [EXCEPTION OF CERTAIN TANK OWNERS.] An owner of a tank is not responsible for a release from the tank if the owner can establish that:

(1) the tank was in place but the owner did not know or have reason to know of its existence at the time the owner first acquired right, title, or interest in the tank; and

(2) the owner did not by failure to report under section 115.061 or other action significantly contribute to the release after the owner knew or reasonably should have known of the existence of the tank.

Sec. 45. Minnesota Statutes 1986, section 116.48, is amended by adding a subdivision to read:

Subd. 6. [RECORDING OF AFFIDAVIT.] Before a transfer of ownership of property that the owner knew or should have known contains an underground storage tank or that the owner knew or should have known is subject to contamination by a release of a regulated substance from an aboveground or underground storage tank, the owner shall record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property where the tank or release is located;

(2) a description of the tank or release and the location of the tank; and

(3) a description of any restrictions on the use of the property resulting from the tank or release.

Sec. 46. Minnesota Statutes 1986, section 116.48, is amended by adding a subdivision to read:

Subd. 7. [DUTY OF COUNTY RECORDER.] The county recorder shall record all affidavits filed under subdivision 6. The affidavits must be recorded in a manner that will assure their disclosure in the ordinary course of a title search of the subject property.

Sec. 47. Minnesota Statutes 1986, section 116.48, is amended by adding a subdivision to read:

Subd. 8. [TRANSFER OF PROPERTY REQUIREMENTS.] Before any transfer of ownership of property that the owner knew or should have known contains an underground storage tank or that the owner knew or should have known is subject to contamination by the release of regulated substances from an aboveground or underground storage tank, the owner shall deliver to the purchaser a copy of the affidavit required under subdivision 6 with current information.

Sec. 48. Minnesota Statutes 1987 Supplement, section 116C.712, subdivision 5, is amended to read:

Subd. 5. [ASSESSMENT.] (a) A person, firm, corporation, or association in the business of owning or operating a nuclear fission electrical generating plant in this state shall pay an assessment to cover the cost of:

(1) monitoring the federal high-level radioactive waste program under the Nuclear Waste Policy Act, United States Code, title 42, sections 10101 to 10226;

(2) advising the governor and the legislature on policy issues relating to the federal high-level radioactive waste disposal program; and

(3) monitoring radioactive waste management, including storage, transportation, and disposal, in the state; and

(4) other general studies necessary to carry out the purposes of this subdivision.

The assessment must not be more than the appropriation to the state planning agency for these purposes.

(b) The state planning agency shall bill the owner or operator of the plant for the assessment at least 30 days before the start of each quarter. The assessment for the second quarter of each fiscal year must be adjusted to compensate for the amount by which actual expenditures by the state planning agency for the preceding year were more or less than the estimated expenditures previously assessed. The billing may be made as an addition to the assessments made under section 116C.69. The owner or operator of the plant must pay the assessment within 30 days after receipt of the bill. The assessment must be deposited in the state treasury and credited to the special revenue fund.

(c) ~~The authority for this assessment terminates when the department of energy eliminates Minnesota from further siting consideration for high-level radioactive waste.~~ The assessment required for any quarter must be reduced by the amount of federal grant money received by the state planning agency for the purposes listed in this section.

Sec. 49. Minnesota Statutes 1986, section 116J.615, is amended by adding a subdivision to read:

Subd. 3. [REGIONAL TOURISM OFFICES.] Employees in regional tourism offices are in the unclassified civil service.

Sec. 50. Minnesota Statutes 1987 Supplement, section 116J.941, subdivision 1, is amended to read:

Subdivision 1. [MEMBERSHIP.] The Minnesota council on productivity and quality consists of the commissioner of energy trade and economic development and ~~eight~~ eleven members, appointed from the general public to four-year terms, who have backgrounds in or are representatives of management, labor, small business, engineering, or business-management education. The governor shall appoint ~~four~~ five members, the speaker of the house of representatives shall appoint ~~two~~ three members, and the senate majority leader shall appoint ~~two~~ three members. The council shall elect two co-chairs from its membership, except that the commissioner of energy trade and economic development may not serve as a co-chair. Compensation of public members for expenses is as provided for members of advisory task forces under section 15.059, subdivision 6.

Sec. 51. Minnesota Statutes 1987 Supplement, section 116O.03, subdivision 2, is amended to read:

Subd. 2. [BOARD OF DIRECTORS.] The corporation is governed by a board of 11 directors. The term of a director is six years. Vacancies on the board are filled by appointment of the board, subject to the advice and consent of the senate. ~~The board may determine the compensation of its members. Board members may only be compensated and reimbursed for expenses according to section 15.0575, subdivision 3.~~

Sec. 52. Minnesota Statutes 1987 Supplement, section 116O.04, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] The board shall appoint and set the compensation for a president, who serves as chief executive officer of the corporation, and who may appoint subordinate officers. The president's salary may not exceed 95 percent of the governor's salary. The board may designate the president as its general agent. Subject to the control of the board, the president shall employ employees, consultants, and agents the president considers necessary. The staff of the corporation must include individuals knowledgeable in commercial and industrial financing, research and development, economic development, and general fiscal affairs. The board shall define the duties and designate the titles of the employees and agents.

Sec. 53. Minnesota Statutes 1987 Supplement, section 116O.06, subdivision 1, is amended to read:

Subdivision 1. [FINANCIAL ASSISTANCE; TYPES.] The corporation may provide financial assistance to sole proprietorships, businesses, or for-profit or nonprofit organizations that have received research assistance or favorable review from a corporation research facility or from an institution, person, business, or organization that has received a research grant under section 116O.09, subdivision 4 or 116O.11. Financial assistance includes, but is not

limited to, loan guarantees or insurance, direct loans, and interest subsidy payments. The corporation may participate in loans by purchasing from a lender up to 50 percent of each loan.

Sec. 54. Minnesota Statutes 1986, section 296.16, is amended by adding a subdivision to read:

Subd. 1a. [INTENT; FOREST ROADS.] \$675,000 of the total annual unrefunded revenue from the gasoline fuel tax on all gasoline and special fuel received in, produced, or brought into this state, except gasoline and special fuel used for aviation purposes, is derived from the operation of motor vehicles on state forest roads and county forest access roads, and of this sum, \$400,000 is annually derived from motor vehicles operated on state forest roads and \$275,000 is annually derived from motor vehicles operated on county forest access roads in this state.

Sec. 55. Minnesota Statutes 1986, section 296.421, is amended by adding a subdivision to read:

Subd. 8. [COMPUTATION AND DISTRIBUTION OF UNREFUNDED TAXES FOR FOREST ROADS.] The amount of unrefunded tax paid on gasoline and special fuel used to operate motor vehicles on forest roads, except gasoline and special fuel used for aviation purposes, is \$675,000 annually and must be paid in equal installments into the state treasury six months, 12 months, 18 months, and 24 months after the effective date of this section. Of this amount, \$400,000 is credited to the state forest road account and \$275,000 is credited to the county forest access road account in each year after the effective date of this section.

Sec. 56. [424A.10] [STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.]

Subdivision 1. [DEFINITION.] For purposes of this section, "qualified recipient" means an individual who receives an involuntary lump sum distribution of pension or retirement benefits from a firefighters' relief association for service performed as a volunteer firefighter.

Subd. 2. [PAYMENT OF SUPPLEMENTAL BENEFIT.] Upon the payment by a firefighters' relief association of an involuntary lump sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association may pay the supplemental benefit out of its special fund. The amount of this benefit equals ten percent of the regular involuntary lump sum distribution that is paid on the basis of service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000.

Subd. 3. [STATE REIMBURSEMENT.] By February 15 of each year, the relief association shall apply to the commissioner of revenue for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year. By March 15, the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid to qualified recipients. The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The reimbursement payment must be deposited in the special fund of the relief association.

Subd. 4. [IN LIEU OF INCOME TAX EXCLUSION.] The supplemental benefit provided by this section is in lieu of the state income tax exclusion for involuntary lump sum distributions of retirement benefits paid to volunteer firefighters. If the law is modified to exclude or exempt volunteer firefighters' lump sum distributions from state income taxation, the supplemental benefits under this section may no longer be paid beginning with the first calendar year in which the exclusion or exemption is effective.

Sec. 57. [446A.12] [MUNICIPAL LITIGATION LOANS.]

Subdivision 1. [AUTHORITY.] The Minnesota public facilities authority may administer a one year pilot project for making loans to municipalities to assist them in bringing or defending against litigation involving waste water treatment projects funded by state or federal money.

Subd. 2. [CRITERIA AND LIMITATIONS.] The amount of a loan to a municipality must not exceed 50 percent of the municipality's litigation costs incurred or \$50,000, whichever is less. Only municipalities with less than 1,500 population that are in litigation and that are unable to pay the reasonable costs of litigation are eligible. A municipality that has been awarded a corrective action grant under section 116.181 is not eligible for a litigation loan under this section. The interest rate and term of the loan must be determined by the authority. The interest rate on the loan must be below market rate. The authority is exempt from the rulemaking requirements of the administrative procedure act, Minnesota Statutes, chapter 14, for the purposes of administering this program.

Subd. 3. [APPLICATIONS.] Applications by municipalities for loans must be made to the authority on forms provided by the authority. The application must include documentation of litigation costs incurred, reasonableness of the costs, and verification that the municipality cannot pay the litigation costs. The application must be accompanied by a resolution of the governing body of the municipality obligating it to repay the loan according to the loan agreement.

Subd. 4. [LEGISLATIVE REPORT.] By January 1, 1989, the authority shall submit a report with its recommendations to the legislature on the need for continuation of the municipal litigation loan program.

Sec. 58. Minnesota Statutes 1987 Supplement, section 480.241, subdivision 2, is amended to read:

Subd. 2. [TRANSMITTAL OF SURCHARGE TO SUPREME COURT.] Notwithstanding any other law or rule to the contrary, all surcharges collected pursuant to subdivision 1 shall be transmitted monthly by the district, county, and conciliation court court administrators and municipal court administrators to the supreme court for deposit in a legal services account in the special revenue fund. After June 30, 1989 1988, ~~two-thirds~~ one-half of the surcharge must be deposited in the legal services account in the special revenue fund and ~~one-third~~ one-half must be deposited in the software sales account under section 480.236.

Sec. 59. Laws 1987, chapter 357, section 27, subdivision 2, is amended to read:

Subd. 2. [COMMISSIONER OF NATURAL RESOURCES.] \$1,200,000 is appropriated from the general fund to the commissioner of natural resources to implement components of the comprehensive fish and wildlife plan under Minnesota Statutes, section 84.942, to be available until June 30, 1989. \$480,000 of this appropriation is to assist both public and private landowners to improve wildlife habitat. The approved complement of the department of natural resources is increased by eight positions in the classified service.

Sec. 60. Laws 1987, chapter 404, section 20, subdivision 6, is amended to read:

	1988	1989
\$		\$

Subd. 6. Tax Compliance

\$22,030,300	\$23,176,500
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Notwithstanding any contrary provisions, \$1,900,000 of the amount appropriated to the commissioner of revenue must be used by the department of revenue for compliance initiatives. Of

1988

1989

\$

\$

this amount, \$570,000 the first year is for the automated collection system. If this system is not fully operational by August 1, 1988, the general fund appropriation for the department shall be reduced by \$570,000. Notwithstanding any law to the contrary, and to accomplish this purpose, the agency may transfer up to \$1,900,000 of unencumbered balances among programs after getting the approval of the commissioner of finance. The transfer must follow the general procedures for transfers contained in this act.

Summary by Fund

General	\$17,876,900	\$19,044,800
Special		
Revenue	\$ 4,153,400	\$ 4,131,700

The first \$4,617,800 of corporate income tax receipts in the first year and the first \$4,588,200 of corporate income tax receipts in the second year must be credited to the special revenue fund.

Sec. 61. Laws 1987, chapter 404, section 22, subdivision 4, is amended to read:

Subd. 4. Forest Management

\$20,616,500	\$20,780,500
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Summary by Fund

General	\$14,839,300	\$15,003,200
Con. Con.	\$ 250,000	\$ 250,000
Forest Management	\$ 5,527,200	\$ 5,527,300

The divisions of forestry and fish and wildlife must coordinate the harvesting of trees in order to ensure optimum wildlife habitat benefits and water quality of adjacent streams or lakes.

1988

1989

\$

\$

\$750,000 the first year and \$750,000 the second year are for emergency fire fighting and are not subject to transfer. If the appropriation for either year is insufficient, the appropriation for the other year is available for it. The unencumbered balance of any other appropriation from the general fund to the commissioner of natural resources remaining in the first year must not be canceled but must be transferred and added to this appropriation for the second year. No more than \$400,000 the first year and \$410,000 the second year are available for presuppression costs.

Up to \$120,000 per year from the general fund under Minnesota Statutes, section 89.04 may be used for grants to the soil and water conservation board for cost-sharing with landowners in the state forest improvement program.

\$500,000 the first year and \$500,000 the second year are for grants to counties or groups of counties for county forestry assistance programs.

The commissioners of natural resources, revenue, and transportation shall jointly study and determine the amount of unrefunded gas gasoline and special fuel tax attributable to forest logging trucks and recreational vehicles that use forest roads and other uses of forest roads under the authority of the commissioner for the period May 1, 1988, to April 30, 1989. Their findings and determinations must be reported to the chairs of the house appropriations and senate finance committees and the chairs of the House and Senate transportation committees by December October 1, 1988 1989, along with proposed changes to Minnesota Statutes, section sections 296.16 and 296.421, that reflect their determinations.

1988

1989

\$

\$

Sec. 62. Laws 1985, First Special Session chapter 15, section 4, subdivision 6, is amended to read:

Subd. 6. To the commissioner of natural resources to construct an educational center at the Environmental Learning Center at Isabella

1,853,900

This appropriation is for payment of a grant to Lake county. ~~This appropriation is available only as matched, dollar for dollar, by contributions from nonstate sources.~~

Sec. 63. [REPEALER.]

Minnesota Statutes 1987 Supplement, section 161.52, is repealed.

Sections 54 and 55 are repealed, effective the day after the final installment is paid into the state treasury under section 55.

Sec. 64. [EFFECTIVE DATES.]

Section 1 is effective July 1, 1988.

The fee increases provided in section 35 are effective May 1, 1988.

Section 36 is effective January 1, 1989.

Section 56 is effective for lump sum distributions paid after December 31, 1987.

Sections 22, 23, 29, 39, 41, 43, 44, 54, 55, 57, and 61 are effective the day following final enactment.

Sec. 65. [APPLICATION.]

Sections 43 and 44 apply retroactively to the effective date of Laws 1987, chapter 389, section 2."

Delete the title and insert:

"A bill for an act relating to the organization and operation of state government; clarifying, providing for deficiencies in, and supplementing appropriations for the expenses of state government with certain conditions; creating and modifying agencies and functions; fixing and limiting fees; requiring studies and reports; appropriating money; amending Minnesota Statutes 1986, sections 3.9223,

subdivision 5; 3.9225, subdivision 5; 3.9226, subdivision 5; 88.22, by adding a subdivision; 89.001, by adding a subdivision; 89.19; 116.48, by adding subdivisions; 116J.615, by adding a subdivision; 296.16, by adding a subdivision; and 296.421, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 3.732, subdivision 1; 3.885; 85.055, subdivision 1; 105.44, subdivision 10; 115C.02, subdivision 13; 116C.712, subdivision 5; 116J.941, subdivision 1; 116O.03, subdivision 2; 116O.04, subdivision 1; 116O.06, subdivision 1; and 480.241, subdivision 2; Laws 1985, First Special Session chapter 15, section 4, subdivision 6; Laws 1987, chapter 357, section 27, subdivision 2; Laws 1987, chapter 404, sections 20, subdivision 6; and 22, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 89; 115C; 424A; and 446A; repealing Minnesota Statutes 1987 Supplement, section 161.52."

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2459, A bill for an act relating to education; providing for faculty exchanges between school districts and post-secondary institutions.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. [APPROPRIATIONS.]

The amounts in the columns under "APPROPRIATIONS" are appropriated from the general fund, or other named fund to the agencies for the purposes specified in this act. The appropriations are available for the fiscal years indicated for each purpose. The figure "1988" or "1989," when used to refer to the fiscal year of appropriations, means that the appropriations listed under the figure are available for the fiscal year ending June 30, 1988, or June 30, 1989, respectively.

SUMMARY BY FUND

	1988	1989	TOTAL
GENERAL	5,700,000	20,556,300	26,256,300

Summary by Agency.—All Funds

Higher Education Coordinating Board	5,700,000	2,557,700	8,257,700
State Board of Vocational Technical Education	-	3,719,200	3,719,200
State Board for Community Colleges	-	6,237,100	6,237,100
State University Board	-	7,874,800	7,874,800
Regents of the University of Minnesota	-	167,500	167,500

APPROPRIATIONS
Available for the Fiscal
Year Ending June 30

	1988	1989
\$		\$

Sec. 2. HIGHER EDUCATION CO-
ORDINATING BOARD

Subdivision 1. State Scholarships and Grants	5,700,000	2,100,000
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This appropriation is added to the appropriation for the same purpose in Laws 1987, chapter 401, section 2, subdivision 3.

This appropriation is for a projected deficiency in the program in both fiscal years. The legislature intends that the board make full scholarship and grant awards in fiscal year 1989. The HECB should seek a deficiency appropriation in 1989 if the fiscal year 1989 funds are insufficient to make full awards.

1988

1989

\$

\$

During the biennium, the HECB may transfer funds among the accounts provided in Laws 1987, chapter 401, section 2, if there is a projected balance in an account. Before the transfer, the HECB shall consult with the chairs of the education divisions of the appropriations and finance committees.

During the biennium, the HECB may ask the commissioner of finance to loan general fund money to the scholarship and grant account to ease cash flow difficulties. The HECB must first certify to the commissioner that there will be adequate refunds to the account to repay the loan. The commissioner shall use the refunds to make repayment to the general fund of the full amount loaned. Funds necessary to meet cash flow difficulties in the state scholarship and grant program are appropriated to the commissioner of finance for loans to HECB.

Subd. 2. Other Appropriations

(a) Job Skills Partnership

70,000

This appropriation is for the administration of outstanding grants awarded by the Job Skills Partnership. The legislature intends that no grants be awarded after June 30, 1988. The HECB shall conduct a program audit and report the results to the education divisions of the appropriations and finance committees by January 15, 1989.

(b) Study of Metropolitan Higher Education Needs

200,000

This appropriation is for the HECB to contract for a study on the short and long term post-secondary needs of the

	\$ 1988	\$ 1989
metropolitan region extending from St. Cloud to Rochester. The study should include consideration of at least the following: the current and projected demographic and participation trends; current level of services available; needs of traditional, nontraditional, and minority students; the geographical accessibility of services needed by different types of students; uses of alternative delivery systems, cooperative efforts, and reciprocity agreements; effects of proposals on existing institutions, programs, and funding; and effects of proposals on existing institutional and system missions. The HECB shall review and comment on the study and report to the education divisions of the appropriations and finance committees by February 1, 1989.		

(c) Quality Assessment	150,000
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(d) Minority Education Partnership	10,000
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(e) Model Enterprise Development and Innovation Centers

The appropriation for fiscal year 1989 in Laws 1987, chapter 386, article 10, section 9, for the Job Skills Partnership is transferred to the Enterprise Development Partnership. This appropriation is to further develop and pilot test model enterprise development and innovation centers. Of this amount, \$200,000 is for increased funding of the current centers, \$250,000 is to develop a statewide network of rural and urban resources, and \$50,000 is for program administration and reporting.

(f) Regent Candidate Advisory Council	27,700
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Sec. 3. STATE BOARD OF VOCATIONAL TECHNICAL EDUCATION

(a) Curriculum Restructuring	2,000,000
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	1988	1989
	\$	\$
<p>The legislature intends that the board give priority in using this appropriation to institutes with declining enrollments. This is a nonrecurring appropriation and will not be included when calculating the base for the 1989-1991 biennial budget.</p>		

(b) Increased Enrollment	1,014,200
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An amount not to exceed this appropriation is for enrollment increases. This appropriation is based on an entitlement of \$1,193,200. This is a nonrecurring appropriation and will not be included when calculating the base for the 1989-1991 biennial budget. This appropriation is based on estimated enrollments for 1989 of 40,548. If actual enrollments are lower than this estimate, the appropriation will be recalculated using actual enrollment figures. The legislature intends that the board give priority in this appropriation to the institutions with the greatest enrollment increases.

(c) State Council on Vocational Technical Education	75,000
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This appropriation is added to the appropriation for the council in Laws 1987, chapter 401, section 3, subdivision 4.

(d) Services for Handicapped Students	630,000
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This appropriation is for noninstructional expenditures.

Sec. 4. STATE BOARD FOR COMMUNITY COLLEGES

(a) Increased Enrollment	4,964,100
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1988

1989

\$

\$

An amount not to exceed this appropriation is for enrollment increases. This is a nonrecurring appropriation and will not be included when calculating the base for the 1989-1991 biennial budget. This appropriation is based on estimated enrollments for 1989 of 29,723. If actual enrollments are lower than this estimate, the appropriation will be recalculated using actual enrollment figures. The legislature intends that the board give priority in this appropriation to the institutions with the greatest enrollment increases.

(b) Instructional Equipment

1,273,000

The legislature estimates that \$1,900,000 is for instructional expenditures.

Sec. 5. STATE UNIVERSITY
BOARD

(a) Increased Enrollment

7,349,800

An amount not to exceed this appropriation is for enrollment increases. This is a nonrecurring appropriation and will not be included when calculating the base for the 1989-1991 biennial budget. This appropriation is based on estimated enrollments for 1989 of 50,112. If actual enrollments are lower than this estimate, the appropriation will be recalculated using actual enrollment figures. The legislature intends that the board give priority in this appropriation to the institutions with the greatest enrollment increases.

(b) Winona State Engineering

The \$500,000 appropriated in Laws 1987, chapter 401, section 5, subdivision 2, may be spent by the state uni-

	1988	1989
<p>versity board for the Winona engineering school upon the legislature receiving a positive recommendation regarding program review from the HECB and documentation that \$250,000 of state funds have been matched by contributions from non-state sources. This matching requirement may be satisfied with donated equipment and supplies necessary to the program, after consulting with the chairs of the education divisions of the finance and appropriations committees.</p>	\$	\$

(c) Science and Technology Resource Center

525,000

This appropriation is for noninstructional expenditures.

Sec. 6. REGENTS OF THE UNIVERSITY OF MINNESOTA

Subdivision 1. Operations and Maintenance Noninstructional Expenditures

167,500

(a) This appropriation is available to develop the delivery of graduate education programs to be offered in the greater Rochester area. The University is requested to prepare a report on short and long range plans for program development, faculty recruitment, availability and uses of adjunct faculty, estimates of costs for five years, and a timetable for establishment of graduate programs. To assist in these determinations, the regents shall establish a local advisory committee composed of persons, including representatives of the business community, who reside in the Rochester area and who have knowledge of, and interest in, graduate

1988

1989

\$

\$

level education. The University shall report its findings to the education divisions of the appropriations and finance committees by February 1, 1989. The study must be submitted to the HECB for review and comment before its submission to the legislature.

(b) The regents are requested to employ persons qualified to provide the board with fiscal and policy information, oversight, and analysis on matters requiring the regents' attention or action. The staff should be independent from the University administration and should be responsible solely to the regents. The board shall report its action under this paragraph to the chairs of the education divisions of the senate finance and house appropriations committees by December 1, 1988.

(c) During the biennium, the regents are requested to provide \$300,000 previously committed by the president to the Duluth campus for scholarships or related activities.

(d) In allocating the University's central reserves, the regents are requested to be cognizant of the needs of the coordinate campuses.

Sec. 7. Minnesota Statutes 1987 Supplement, section 135A.04, is amended to read:

135A.04 [VARIABLE TUITION.]

The board of regents of the University of Minnesota, state university board, state board for community colleges, and state board for vocational education shall establish tuition. Tuition may vary by program, level of instruction, cost of instruction, or other classifications determined by each board. ~~In all systems that have a credit hour basis, tuition rates must be established on that basis and must not apply across a variable number of credits.~~ Tuition may be set at

any percentage of instructional cost established by the respective boards.

Sec. 8. Minnesota Statutes 1986, section 136.31, is amended by adding a subdivision to read:

Subd. 7. Except as provided in this subdivision, the board may irrevocably appropriate and use any money other than state appropriated money held by it to discharge or otherwise provide for the payment of the interest coming due on its outstanding revenue bonds until paid and of the principal and any premium coming due on the bonds at maturity or upon any earlier date upon which the bonds are called for redemption. For this purpose, the board may exercise all powers conferred upon it under subdivision 6 with respect to escrow agents and escrow accounts, and may provide for the funding of the escrow accounts with securities of the type referred to in subdivision 6 and certificates of deposit, time deposits, and investment agreements issued by the escrow agent or any other financial institution. This subdivision does not authorize the appropriation or use of board money to secure outstanding revenue bonds contrary to a board resolution authorizing the issuance and providing for the security of the bonds, or the use of other board money contrary to the terms of a contract or law.

Sec. 9. Minnesota Statutes 1986, section 136.41, is amended by adding a subdivision to read:

Subd. 8. The state university board or a successor may issue additional revenue bonds under sections 136.31 to 136.38, subject to the resolutions authorizing its outstanding revenue bonds, and payable from the revenue appropriated to the fund established by section 136.35, and to use the proceeds together with other public or private money that may otherwise become available to acquire land, and to acquire, construct, complete, remodel, and equip structures to be used for dormitory, residence hall, student union, food service, and related parking purposes at the state universities. Before issuing the bonds or any part of them, the board shall consult with the chairs of the house appropriations committee and the senate finance committee on the facilities to be financed by the bonds.

Sec. 10. Minnesota Statutes 1986, section 136.41, is amended by adding a subdivision to read:

Subd. 9. The bonds authorized by this section may be issued without regard to whether the interest to be paid on them is includable in gross income for federal tax purposes. However, if it is intended that the interest on the bonds be exempt from federal income taxes, an officer of the board shall certify for the board on the date of issue the facts, estimates, and circumstances that lead the officer reasonably to expect that the proceeds of the bonds and the facilities financed by them will not be used to cause the interest on

the bonds to be subject to federal income taxes; the board may covenant and agree with the holders of the bonds that it will comply with the provisions of the United States Internal Revenue Code now or hereafter enacted that do or may apply to the bonds and that establish conditions under which the interest to be paid on the bonds will not be subject to federal income taxes; and the officers of the board shall take the actions or refrain from taking the actions necessary to comply with the covenants. Money required to be spent to comply may be appropriated by the board from the fund established by section 136.35.

Sec. 11. Minnesota Statutes 1986, section 136C.61, is amended by adding a subdivision to read:

Subd. 7. [MEETINGS.] Notwithstanding any law to the contrary, the joint board may hold meetings at any location convenient to the member districts and the public, whether or not that meeting site is located within the boundaries of a member district. The joint board shall establish and maintain a schedule of the time and place of its meetings and shall give notice of regular and special meetings in the same manner as required for other public bodies.

Sec. 12. [137.0229] [REGENT CANDIDATE ADVISORY COUNCIL.]

Subdivision 1. [ESTABLISHMENT.] There is established a candidate advisory council for the board of regents of the University of Minnesota. The purpose of the advisory council is to assist the legislature in identifying qualified candidates for membership on the board of regents.

Subd. 2. [MEMBERSHIP.] The advisory council must be composed of 24 members, three of whom reside in each congressional district. One member from each congressional district must be appointed by the governor. One member from each congressional district must be appointed by the members of the house who represent that district. One member from each congressional district must be appointed by the members of the senate who represent that district. No more than two members from any congressional district shall belong to the same political party. Each member shall serve for a term of six years and may serve one additional term. A vacancy shall be filled in the same manner as the original appointment. Members may be reimbursed for expenses according to section 15.059 but must not be compensated.

Subd. 3. [DUTIES.] The advisory council shall:

(1) develop, in consultation with current and former regents and the administration of the University of Minnesota, and provide to potential candidates a statement of the responsibilities and duties of a regent;

(2) establish a subcommittee for each congressional district, composed of the three advisory council members residing in the congressional district and other members appointed by the subcommittee, and encourage each subcommittee to identify qualified candidates within its congressional district;

(3) for each congressional district position on the board, identify and recruit, through the subcommittee established in clause (2), qualified candidates for the board of regents, based on the background and experience of the candidates, and their potential for discharging the responsibilities of a member of the board of regents; and

(4) for each at-large position on the board, including the student position, identify and recruit qualified candidates, based on the background and experience of the candidates, and their potential for discharging the responsibilities of a member of the board of regents.

Subd. 4. [RECOMMENDATIONS.] At the time the legislature elects a regent, the advisory council shall recommend at least two qualified candidates to the relevant congressional delegation and the appropriate committees of the legislature. For a candidate required to reside in a congressional district, the advisory council shall recommend only a candidate recommended by the subcommittee. The legislature shall not be bound by these recommendations.

Subd. 5. [STAFF.] The higher education coordinating board shall provide staff and support for the advisory council as necessary to discharge its responsibilities.

Sec. 13. [INITIAL TERMS.]

Notwithstanding section 12, subdivision 2, for the initial advisory council, one member appointed by each of the appointing authorities shall serve a two-year term, one member shall serve a four-year term, and one member shall serve a six-year term.

Sec. 14. [245A.17] [CHILD CARE PROVISIONS.]

As an alternative to licensing under rules for child care centers adopted by the department of human services, post-secondary institutions may submit a child care plan for approval by the commissioner of human services. The plan must show how the center can be operated safely for the benefit of the children.

Sec. 15. Laws 1983, chapter 334, section 7, as amended by Laws 1987, chapter 386, article 10, section 8, is amended to read:

Sec. 7. [REPEALER.]

Sections 116L.01; 116L.02; 116L.03, subdivisions 1, 2, 3, 4, 5, and 7; 116L.04; and 116L.05, 1, 2, 3, 4, 5, and 7 are repealed June 30, 1989 1988.

Sec. 16. Laws 1987, chapter 401, section 2, subdivision 6, is amended to read:

Subd. 6. Income Contingent Loans

\$110,000

\$158,100

This appropriation is for an income contingent loan repayment program to assist graduates of Minnesota schools in medical, dental, pharmacy, chiropractic medicine, public health, and veterinary medicine and Minnesota residents graduating from optometry and osteopathy programs in repaying their student debt by providing a repayment plan based on their annual income. The HECB shall study the possible inclusion of students in other academic programs including optometry and osteopathy and report its recommendations to the appropriations and finance committees by December 1, 1987. During the biennium, applicant data collected by the HECB for this program may be disclosed to a consumer credit reporting agency under the same conditions as apply to the supplemental loan program according to section 136A.162.

Sec. 17. [REGENT ACTION.]

The legislature requests that the board of regents of the University of Minnesota undertake the following actions to improve their management and accountability:

(1) establish a committee to plan for and oversee the needs and uses of the president's house;

(2) formally adopt policies for review of capital projects that specify when board approval is required, types and forms of information to be submitted to the board, and board procedures for cost overruns;

(3) develop an accurate and complete reporting system for capital projects in progress;

(4) establish policies that improve the control over the use of unrestricted funds, including specification of approval and reporting requirements; and

(5) establish procedures for accountability and ownership of assets funded by the University Foundation.

The board of regents shall report the actions taken under this section to the education divisions of the appropriations and finance committees by January 1, 1989.

Sec. 18. [PURPOSE.]

The legislature believes it is in the best interest of Minnesota to strengthen relationships between educational levels and sectors. To promote closer alliances and greater understanding between school districts and post-secondary education, the legislature intends to facilitate voluntary cooperative arrangements.

Sec. 19. [FACULTY EXCHANGE PROGRAM.]

Subdivision 1. [ESTABLISHMENT.] A program of faculty exchange is established to allow school districts and post-secondary institutions to arrange temporary exchanges between members of their staffs. These arrangements must be made on a voluntary, cooperative basis between the school district and the institution.

Subd. 2. [USES OF PROGRAM.] Each participating school district and post-secondary institution may determine the way in which the faculty member's time is to be used, but it must be in a way that promotes understanding of the needs of each educational system. A public school teacher might be used to teach courses, provide counseling and tutorial services, assist with the preparation of future teachers, or take professional development courses. A post-secondary instructor might teach advanced placement courses or other classes to aid an underserved population at the school district, counsel students about future education plans, or work with teachers to better prepare students for post-secondary education. Participation need not be limited to one school or institution and may involve other groups including educational cooperative service units.

Subd. 3. [SALARIES, BENEFITS, CERTIFICATION.] Exchanges made under the program must not have a negative effect on participants' salaries, seniority, or other benefits. For this program, teacher certification requirements shall be waived for participating faculty. All arrangements and details regarding the exchange must

be mutually agreed to by the school district and post-secondary institution before implementation.

Subd. 4. [PILOT PROGRAMS.] While these exchanges are voluntary, the legislature intends to maintain oversight to determine the benefits and problems of the program. For the 1988-1989 school year, proposals must be submitted to the education committee and education division of the appropriations committee of the house of representatives and the education committee and education division of the finance committee of the senate by July 1, 1988. These committees shall review the proposals and recommend those for pilot programs.

Sec. 20. [STUDENT SERVICES.]

The governing board of each public post-secondary system is requested to establish prices for goods and services sold through student services that approximate as nearly as possible the cost of providing quality goods and services.

Sec. 21. [COMMUNITY SERVICE.]

Each public post-secondary system shall review its curricula, especially in required courses in general education and departmental majors, to determine the current and future opportunities for incorporating community service components. Each system is encouraged to locate curricular areas in which the system can assist students to voluntarily pursue community service that is relevant to their studies. The systems shall report their findings and recommendations to the education divisions of the appropriations and finance committees by February 1, 1989.

Sec. 22. [LOANED EXECUTIVE ACTION PROGRAM (LEAP).]

Subdivision 1. [PUBLIC SYSTEMS; JOINTLY.] The governing boards of the public post-secondary systems are requested to jointly establish a Loaned Executive Action Program to encourage business executives in the private sector to study management issues within each system and to make recommendations to improve the management structures and processes of each. The heads of each system shall jointly report to the education divisions of the appropriations and finance committees on the actions taken under this section by January 15, 1989.

Subd. 2. [CAMPUS BUDGET PROPOSALS.] A loaned executive working with the University of Minnesota should study the issue of preparing and presenting individual campus budget proposals to the board of regents.

Sec. 23. [CHILD CARE REPORTS.]

Each public post-secondary system shall assess the effects of recent child care legislation on the needs of post-secondary students. Each system shall report its assessment and recommendations to the education divisions of the finance and appropriations committees by January 15, 1989.

Sec. 24. [EFFECTIVE DATE.]

Section 2, subdivision 1, and section 19 are effective the day after their final enactment."

Delete the title and insert:

"A bill for an act relating to education; appropriating money to the higher education coordinating board, regents of the University of Minnesota, state university board, state board for community colleges, and state board of vocational technical education, with certain conditions; authorizing bonding for capital improvements; amending Minnesota Statutes 1986, sections 136.31, by adding a subdivision; 136.41, by adding subdivisions; and 136C.61, by adding a subdivision; Minnesota Statutes 1987 Supplement, section 135A.04; Laws 1983, chapter 334, section 7, as amended; and Laws 1987, chapter 401, section 2, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 137 and 245A."

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2520, A bill for an act relating to commerce; clarifying certain procedures and fees relating to the statewide uniform commercial code computerized filing system; amending Minnesota Statutes 1987 Supplement, sections 336.9-407; 336.9-411; and 336.9-413.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2561, A bill for an act relating to human services; establishing a demonstration project for child and adolescent crisis

intervention and suicide prevention; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 245.

Reported the same back with the following amendments:

Page 2, line 21, delete "\$" and insert "\$20,000"

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

H. F. No. 2685, A bill for an act relating to human services; clarifying the administration of human services programs; establishing a compliance system for certain public assistance programs; establishing a public assistance incentive fund; appropriating money; amending Minnesota Statutes 1986, sections 256.72; 256.81; 256.82, subdivision 1; 256.871, subdivision 6; 256.935, subdivision 1; 256.991; 256B.041, subdivisions 5 and 7; 256B.05, subdivision 1; 256B.19, subdivision 2; 256D.03, subdivision 6; 256D.04; 256D.36, subdivision 1; and 393.07, subdivision 2; Minnesota Statutes 1987 Supplement, sections 256.01, subdivision 2; 256B.091, subdivision 8; 256B.19, subdivision 1; 256D.03, subdivision 2; 393.07, subdivision 10; proposing coding for new law in Minnesota Statutes, chapter 256; repealing Minnesota Statutes 1987 Supplement, sections 245.775; and 256D.22.

Reported the same back with the following amendments:

Page 27, delete lines 10, 11, and 22

Page 27, line 24, delete "\$1,650,000" and insert "\$1,545,500"

Page 28, line 3, delete "\$660,000" and insert "\$554,500"

Page 28, line 4, delete "50" and insert "25"

Page 28, delete lines 5 to 8.

With the recommendation that when so amended the bill pass.

The report was adopted.

Anderson, G., from the Committee on Appropriations to which was referred:

S. F. No. 1388, A bill for an act relating to health; setting forth requirements for statements of exclusions and limitations; requiring detailed statement when coverage is denied; clarifying statement of enrollee bill of rights; setting forth requirements for marketing materials; requiring membership card; requiring written denial of service; prohibiting denial of coverage in certain circumstances; requiring report; amending Minnesota Statutes 1986, sections 62D.07, subdivision 3; 62D.09, subdivision 1, and by adding subdivisions; 62D.11, by adding subdivisions; and 62D.20.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1986, section 62D.06, subdivision 1, is amended to read:

Subdivision 1. The governing body of any health maintenance organization which is a nonprofit corporation may include enrollees, providers, or other individuals; provided, however, that after a health maintenance organization which is a nonprofit corporation has been authorized under sections 62D.01 to 62D.29 for one year, at least 40 percent of the governing body shall be composed of consumers elected by the enrollees from among the enrollees.

After a health maintenance organization which is a local governmental unit has been authorized under sections 62D.01 to 62D.29 for one year, an enrollee advisory body shall be established. The enrollees who make up this advisory body shall be elected by the enrollees from among the enrollees.

Sec. 2. Minnesota Statutes 1986, section 62D.07, subdivision 3, is amended to read:

Subd. 3. An evidencee Contracts and evidences of coverage shall contain:

(a) No provisions or statements which are unjust, unfair, inequitable, misleading, deceptive, or which are untrue, misleading or deceptive as defined in section 62D.12, subdivision 1; and

(b) A clear, concise and complete statement of:

(1) The health care services and the insurance or other benefits, if any, to which the enrollee is entitled under the health maintenance contract;

(2) Any exclusions or limitations on the services, kind of services, benefits, or kind of benefits, to be provided, including any deductible or copayment feature and requirements for referrals, prior authorizations, and second opinions;

(3) Where and in what manner information is available as to how services, including emergency and out of area services, may be obtained;

(4) The total amount of payment and copayment, if any, for health care services and the indemnity or service benefits, if any, which the enrollee is obligated to pay with respect to individual contracts, or an indication whether the plan is contributory or noncontributory with respect to group certificates; and

(5) A description of the health maintenance organization's method for resolving enrollee complaints and a statement identifying the commissioner as an external source with whom grievances may be registered.

(c) On the cover page of the evidence of coverage and contract, a clear and complete statement of enrollees' rights as consumers, including but not limited to a description of each of the following: The statement must be captioned "Important Consumer Information and Enrollee Bill of Rights" and must include but not be limited to the following provisions in the following language or in substantially similar language approved in advance by the commissioner:

CONSUMER INFORMATION

(1) COVERED SERVICES: Services provided by (name of health maintenance organization) will be covered only if services are provided by participating (name of health maintenance organization) providers or authorized by (name of health maintenance organization). Your contract fully defines what services are covered and describes procedures you must follow to obtain coverage.

(2) PROVIDERS: Enrolling in (name of health maintenance organization) does not guarantee services by a particular provider on the list of providers. When a provider is no longer part of (name of health maintenance organization), you must choose among remaining (name of the health maintenance organization) providers.

(3) REFERRALS: Certain services which are covered are available only by referral. All referrals to non-(name of health maintenance organization) providers and certain types of health care providers must be authorized by (name of health maintenance organization). Your contract explains referral procedures.

(4) EMERGENCY SERVICES: Emergency services from provid-

ers who are not affiliated with (name of health maintenance organization) will be covered only if proper procedures are followed. Your contract explains the procedures and benefits associated with emergency care from (name of health maintenance organization) and non-(name of health maintenance organization) providers.

(5) EXCLUSIONS: Certain services or medical supplies are not covered. You should read the contract for a detailed explanation of all exclusions.

(6) CONTINUATION: You may convert to an individual health maintenance organization contract or continue coverage under certain circumstances. These continuation and conversion rights are explained fully in your contract.

(7) CANCELLATION: Your coverage may be canceled by you or (name of health maintenance organization) only under certain conditions. Your contract describes all reasons for cancellation of coverage.

ENROLLEE BILL OF RIGHTS

(1) based upon the delivery system of each health maintenance organization, a statement which describes any type of health care professional as defined in section 145.61, whose services may be available only by referral of the health maintenance organization's participating staff;

(2) Enrollees have the right to available and accessible services which can be secured as promptly as appropriate for the symptoms presented, in a manner which assures continuity and, when medically necessary, the right to including emergency services available 24 hours a day and seven days a week;

(3) (2) Enrollees have the consumer's right to be informed of health problems, and to receive information regarding treatment alternatives and risks which is sufficient to assure informed choice;

(4) (3) Enrollees have the right to refuse treatment; and

(5) the right to privacy of medical and financial records maintained by the health maintenance organization and its health care providers, in accordance with existing law;

(6) (4) Enrollees have the right to file a grievance with the health maintenance organization and the commissioner of health and the right to initiate a legal proceeding when experiencing a problem with the health maintenance organization or its health care providers;

(7) the right to initiate a legal proceeding when dissatisfied with the health maintenance organization's final determination regarding a grievance;

(8) the right of the enrollee and dependents to continue group coverage in the event the enrollee is terminated or laid off from employment, provided that the cost of such coverage is paid by the enrollee and furthermore, the right of the enrollee to convert to an individual contract at the end of the continuation period;

(9) the right for notification of enrollees regarding the cancellation or termination of contracts with participating primary care professionals, and the right to choose from among remaining participating primary care professionals;

(10) the right to cancel an individual health maintenance contract within ten days of its receipt and to have premiums paid refunded if, after examination of the contract, the individual is not satisfied with it for any reason. The individual is responsible for repaying the health maintenance organization for any services rendered or claims paid by the health maintenance organization during the ten days; and

(11) (5) Enrollees have the right to a grace period of 31 days for the payment of each premium for an individual health maintenance contract falling due after the first premium during which period the contract shall continue in force;

(6) Medicare enrollees have the right to voluntarily disenroll from the health maintenance organization and the right not to be requested or encouraged to disenroll except in circumstances specified in federal law; and

(7) Medicare enrollees have the right to a clear description of nursing home and home care benefits covered by the health maintenance organization.

Sec. 3. Minnesota Statutes 1986, section 62D.09, subdivision 1, is amended to read:

Subdivision 1. (a) Any written marketing materials which may be directed toward potential enrollees and which include a detailed description of benefits provided by the health maintenance organization shall include a statement of consumer rights as described in section 62D.07 2, subdivision 3, ~~paragraph~~ paragraphs (b) and (c). Prior to any oral marketing presentation, the agent marketing the plan must inform the potential enrollees that any complaints concerning the material presented should be directed to the health maintenance organization, the commissioner of health, or, if applicable, the employer.

(b) Detailed marketing materials must affirmatively disclose all exclusions and limitations in the organization's services or kinds of services offered to the contracting party, including but not limited to the following types of exclusions and limitations:

(1) health care services not provided;

(2) health care services requiring copayments or deductibles paid by enrollees;

(3) the fact that access to health care services does not guarantee access to a particular provider type; and

(4) health care services that are or may be provided only by referral of a physician.

(c) No marketing materials may lead consumers to believe that all health care needs will be covered. All marketing materials must alert consumers to possible uncovered expenses with the following language in bold print: "THIS HEALTH CARE PLAN MAY NOT COVER ALL YOUR HEALTH CARE EXPENSES; READ YOUR CONTRACT CAREFULLY TO DETERMINE WHICH EXPENSES ARE COVERED." Immediately following the disclosure required under paragraph (b), clause (3), consumers must be given a telephone number to use to contact the health maintenance organization for specific information about access to provider types.

(d) The disclosures required in paragraph (b) are not required on billboards or image, and name identification advertisement.

Sec. 4. Minnesota Statutes 1986, section 62D.09, is amended by adding a subdivision to read:

Subd. 4. Every health maintenance organization shall provide the information described in section 2, subdivision 3, paragraphs (b) and (c), to enrollees or their representatives on request, within a reasonable time. Information on how to obtain referrals, prior authorization, or second opinion shall be given to the enrollee or an enrollee's representative in person or by telephone within one business day following the day the health maintenance organization or its representative receives the request for information.

Sec. 5. Minnesota Statutes 1986, section 62D.09, is amended by adding a subdivision to read:

Subd. 5. Each health maintenance organization shall issue a membership card to its enrollees. The membership card must:

(1) identify the health maintenance organization;

(2) include the name, address, and telephone number to call if the enrollee has a complaint;

(3) include the telephone number to call or the instruction on how to receive authorization for emergency care; and

(4) include the telephone number to call to appeal to the commissioner of health.

Sec. 6. Minnesota Statutes 1986, section 62D.11, is amended by adding a subdivision to read:

Subd. 3. [DENIAL OF SERVICE.] Within a reasonable time after receiving an enrollee's written or oral communication to the health maintenance organization concerning a refusal of service or inadequacy of services, the health maintenance organization shall provide the enrollee with a written statement of the reason for the refusal of service, and a statement approved by the commissioner of health which explains the health maintenance organization complaint procedures, and in the case of Medicare enrollees, which also explains Medicare appeal procedures.

Sec. 7. Minnesota Statutes 1986, section 62D.11, is amended by adding a subdivision to read:

Subd. 4. [COVERAGE OF SERVICE.] A health maintenance organization may not deny or limit coverage of a service which the enrollee has already received:

(1) solely on the basis of lack of prior authorization or second opinion, to the extent that the service would otherwise have been covered under the member's contract by the health maintenance organization had prior authorization or second opinion been obtained; or

(2) from a nonparticipating provider, if (i) the service was ordered or recommended by a participating provider; (ii) the service would otherwise be covered, or was part of a discharge plan of a participating provider; and (iii) the enrollee was not given prior written notice stating that this service by a nonparticipating provider would not be covered, and listing the participating providers of this service available in the enrollee's area.

Sec. 8. Minnesota Statutes 1986, section 62D.12, is amended by adding a subdivision to read:

Subd. 7. [RETALIATORY ACTION PROHIBITED.] No health maintenance organization may take retaliatory action against a provider solely on the grounds that the provider disseminated accurate information regarding coverage of benefits or accurate

benefit limitations of an enrollee's contract or accurate interpreted provisions of the provider agreement that limit the prescribing, providing, or ordering of care.

Sec. 9. Minnesota Statutes 1986, section 62D.12, is amended by adding a subdivision to read:

Subd. 14. [PRIOR AUTHORIZATION AND APPROVAL.] Each health maintenance organization shall establish a telephone number, which need not be toll-free, that providers may call with questions about coverage, prior authorization, and approval of medical services. The telephone number must be staffed by an employee of the health maintenance organization during normal working hours during the normal work week. After normal working hours, the telephone number must be equipped with an answering machine and recorded message to allow the caller an opportunity to leave a message. The health maintenance organization must respond to questions within 24 hours, excluding weekends, after they are received. At the request of a provider, the health maintenance organization shall provide a copy of the health maintenance contract for enrollees in the provider's service area.

Sec. 10. Minnesota Statutes 1986, section 62D.20, is amended to read:

62D.20 [RULES.]

Subdivision 1. [RULEMAKING.] The commissioner of health may, pursuant to chapter 14, promulgate such reasonable rules as are necessary or proper to carry out the provisions of sections 62D.01 to 62D.29. Included among such rules shall be those which provide minimum requirements for the provision of comprehensive health maintenance services, as defined in section 62D.02, subdivision 7, and reasonable exclusions therefrom. Nothing in such rules shall force or require a health maintenance organization to provide elective, induced abortions, except as medically necessary to prevent the death of the mother, whether performed in a hospital, other abortion facility, or the office of a physician; the rules shall provide every health maintenance organization the option of excluding or including elective, induced abortions, except as medically necessary to prevent the death of the mother, as part of its comprehensive health maintenance services.

Subd. 2. [PRIOR AUTHORIZATION.] The commissioner shall adopt rules that address the issue of appropriate prior authorization requirements, considering consumer needs, administrative concerns, and the nature of the benefit.

Sec. 11. [QUALITY ASSURANCE.]

The commissioner of health shall prepare a report to the legislature before January 15, 1989, that describes the state's efforts to assess and to improve quality assurance standards of health maintenance organizations licensed under chapter 62D. The commissioner of human services shall contribute information and data from the state's programs to enroll medical assistance recipients in prepayment plans. The report shall provide recommendations for improvement of health maintenance organization quality assurance mechanisms and operating procedures to the legislature and the health maintenance organizations.

Sec. 12. [MANDATED BENEFITS.]

The commission on health plan regulatory reform, established by Laws 1987, chapter 370, shall address the issues related to mandated benefits. Consumer choice and access to the most appropriate and cost-effective health care providers must be investigated and considered in light of the structure of managed care plans that are being designed and offered currently. The commission shall consider the long-term savings associated with a broad choice of provider groups available to consumers.

Sec. 13. [EFFECTIVE DATES.]

Section 3, subdivision 1, paragraph (a) is effective August 1, 1988. Section 2 and the remaining provisions of section 3 are effective January 1, 1989. Section 8 is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to health; setting forth requirements for statements of exclusions and limitations; requiring detailed statement when coverage is denied; clarifying statement of enrollee bill of rights; setting forth requirements for marketing materials; requiring membership card; requiring written denial of service; prohibiting denial of coverage in certain circumstances; prohibiting retaliatory action; specifying procedures for prior approval; requiring report; amending Minnesota Statutes 1986, sections 62D.06, subdivision 1; 62D.07, subdivision 3; 62D.09, subdivision 1, and by adding subdivisions; 62D.11, by adding subdivisions; 62D.12, by adding subdivisions; and 62D.20."

With the recommendation that when so amended the bill pass.

The report was adopted.

SECOND READING OF HOUSE BILLS

H. F. Nos. 2788, 1251, 1746, 1812, 2095, 2127, 2130, 2138, 2344, 2459, 2520, 2561 and 2685 were read for the second time.

SECOND READING OF SENATE BILLS

S. F. Nos. 2150, 1695, 2096, 1744, 1761, 1304, 1674, 2090, 1632, 994, 1661, 974, 2452, 2214, 1835, 1830, 2384, 2191, 2097, 335, 1769, 1086, 1681, 2119, 2235, 2217, 1932, 2203, 1652, 2102, 1955, 2266, 1871, 2292, 1821, 2289, 2355, 308, 30, 1879, 2017, 1882, 2395, 1553, 2243, 2376, 1700, 2323, 2206, 1795, 1328, 2009 and 1388 were read for the second time.

**INTRODUCTION AND FIRST READING
OF HOUSE BILLS**

The following House Files were introduced:

Quinn and Vanasek introduced:

H. F. No. 2789, A resolution memorializing the state governors and legislatures of Arkansas, Illinois, Iowa, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, and Wisconsin and the Congress of the United States to enter into and actively participate in a compact for the interstate phase-out of pollution in the Mississippi River.

The bill was read for the first time and referred to the Committee on Rules and Legislative Administration.

Clark, Greenfield, Otis, Jefferson and McLaughlin introduced:

H. F. No. 2790, A bill for an act relating to human services; establishing a policy for the planning, development, and siting of residential programs; amending Minnesota Statutes 1987 Supplement, section 245A.11, subdivision 1.

The bill was read for the first time and referred to the Committee on Health and Human Services.

Segal, Trimble and Vellenga introduced:

H. F. No. 2791, A bill for an act relating to education; requiring

the department of education to study and report on limited English proficiency programs.

The bill was read for the first time and referred to the Committee on Education.

Price introduced:

H. F. No. 2792, A bill for an act relating to capital improvements; providing money to acquire open space in the city of Maplewood; authorizing sale of state bonds; appropriating money.

The bill was read for the first time and referred to the Committee on Appropriations.

HOUSE ADVISORIES

The following House Advisories were introduced:

Clark, Pappas, Marsh, Vellenga and Bishop introduced:

H. A. No. 74, A proposal to study current law prohibiting drug sales to minors.

The advisory was referred to the Committee on Judiciary.

Bishop, Clark, Vellenga, Krueger and Pappas introduced:

H. A. No. 75, A proposal to study the need for judicial education on child custody, visitation, and foster care placement.

The advisory was referred to the Committee on Judiciary.

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. 1961, A bill for an act relating to property interests; setting the effective date of the uniform statutory rule against perpetuities; amending Minnesota Statutes 1987 Supplement, section 501A.05; and Laws 1987, chapter 60, section 10.

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. 2735, A resolution memorializing the President to immediately direct the Secretary of Agriculture to halt the forced movement of Farmer-Owned Reserve grains to commercial warehouses.

H. F. No. 2615, A bill for an act relating to health; providing for a temporary license for freestanding 24-hour emergency medical centers until permanent rules are adopted.

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. 2554, A bill for an act relating to education; allowing noncontiguous school districts to consolidate; amending Minnesota Statutes 1986, section 122.23, subdivision 1.

H. F. No. 2529, A bill for an act relating to alcoholic beverages; defining importers as brewers in the beer wholesaling act; amending Minnesota Statutes 1986, section 325B.01, subdivision 4.

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. 2419, A bill for an act relating to criminal procedure; defining "crime" in the law governing issuance of search warrants to include violations of municipal ordinances; amending Minnesota Statutes 1986, section 626.05, by adding a subdivision.

H. F. No. 1904, A bill for an act relating to liquor; defining the term "restaurant" for purposes of county liquor licenses; amending Minnesota Statutes 1986, section 340A.101, subdivision 25.

H. F. No. 1950, A bill for an act relating to watershed districts; setting the limit on certain borrowing authority; amending Minne-

sota Statutes 1987 Supplement, sections 112.43, subdivision 1; and 112.65, subdivision 2.

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. 2490, A bill for an act relating to state land; conveying title to state land in Kittson county.

H. F. No. 2372, A bill for an act relating to human services; setting forth goals for regional treatment centers in the continuum of mental health services; proposing coding for new law in Minnesota Statutes, chapter 245.

H. F. No. 2469, A bill for an act relating to agriculture; regulating sales of anhydrous ammonia; proposing coding for new law in Minnesota Statutes, chapter 239.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 85, A bill for an act relating to consumer protection; requiring certain disclosures in sales of used motor vehicles; regulating new and used motor vehicle licenses; providing certain standards in applications for certificates of title; requiring certain disclosures upon the transfer of a motor vehicle; amending Minnesota Statutes 1986, sections 168.27, subdivisions 1, 2, 3, 4, 8, 10, 12, and 24; 169.57, by adding a subdivision; 325E.0951, by adding a subdivision; 325G.18; and 336.2-316; proposing coding for new law in Minnesota Statutes, chapters 168 and 168A.

The Senate has appointed as such Committee:

Messrs. Dahl, Spear and Johnson, D. E.

Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 1790, A bill for an act relating to commerce; safe deposit companies; providing for performance of will searches upon safe deposit box renter's death; amending Minnesota Statutes 1986, section 55.10, by adding a subdivision.

The Senate has appointed as such Committee:

Messrs. Solon, Belanger and Dicklich.

Said House File is herewith returned to the House.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

I hereby announce that the Senate accedes to the request of the House for the appointment of a Conference Committee on the amendments adopted by the Senate to the following House File:

H. F. No. 1831, A bill for an act relating to intoxicating liquor; authorizing issuance of one on-sale liquor license on an excursion and dinner boat on Detroit Lake, Becker county; authorizing issuance of an on-sale liquor license to Fort Snelling.

The Senate has appointed as such Committee:

Messrs. Larson, Freeman and Spear.

Said House File is herewith returned to the House.

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. 1486, A bill for an act relating to railroads; providing reporting and disclosure requirements for railroad acquisitions; preserving contracts between acquiring railroad carriers and shippers and governmental entities; proposing coding for new law in Minnesota Statutes, chapter 222.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

Beard moved that the House concur in the Senate amendments to H. F. No. 1486 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1486, A bill for an act relating to railroads; providing reporting and disclosure requirements for railroad acquisitions; preserving contracts between acquiring railroad carriers and shippers, governmental entities, and labor organizations; establishing priority order for hiring by the acquiring carrier; proposing coding for new law in Minnesota Statutes, chapter 222.

The bill was read for the third time, as amended by the Senate, and placed upon its repassage.

The question was taken on the repassage of the bill and the roll was called. There were 101 yeas and 25 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Gruenes	Lasley	Olson, K.	Scheid
Anderson, R.	Gutknecht	Lieder	Omann	Segal
Battaglia	Himle	Long	Orenstein	Simoneau
Bauerly	Jacobs	Marsh	Osthoff	Skoglund
Beard	Jaros	McEachern	Otis	Solberg
Begich	Jefferson	McKasy	Ozment	Sparby
Bennett	Jennings	McLaughlin	Pappas	Stanius
Bertram	Jensen	McPherson	Pauly	Steenasma
Boo	Johnson, A.	Milbert	Pelowski	Swenson
Brown	Johnson, R.	Minne	Peterson	Tjornhom
Burger	Kahn	Morrison	Price	Trimble
Carlson, L.	Kalis	Munger	Quinn	Tunheim
Carruthers	Kelly	Murphy	Reding	Uphus
Clark	Kelso	Nelson, C.	Rest	Vellenga
Cooper	Kinkel	Nelson, D.	Rice	Voss
Dauner	Kludt	Nelson, K.	Riveness	Wagenius
Dawkins	Knuth	Neuenschwander	Rodosovich	Welle
DeBlicke	Kostohryz	Ogren	Rose	Wenzel
Dorn	Krueger	Olsen, S.	Rukavina	Winter
Greenfield	Larsen	Olson, E.	Sarna	Wynia
				Spk. Vanasek

Those who voted in the negative were:

Blatz	Frederick	Haukoos	Johnson, V.	Miller
DeRaad	Frerichs	Heap	Knickerbocker	Onnen
Forsythe	Hartle	Hugoson	McDonald	Poppenhagen

Quist
Redalen

Richter
Schafer

Schreiber
Sviggum

Thiede
Tompkins

Valento
Waltman

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. 1817, A bill for an act relating to watercraft; requiring lifesaving devices in duck boats; amending Minnesota Statutes 1986, section 361.141, subdivision 1.

PATRICK E. FLAHAVEN, Secretary of the Senate

Stanis moved that the House refuse to concur in the Senate amendments to H. F. No. 1817, 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. 1846, A bill for an act relating to environment; authorizing inspection of certain records kept by waste facilities; providing penalties; proposing coding for new law in Minnesota Statutes, chapter 115A.

PATRICK E. FLAHAVEN, Secretary of the Senate

Price moved that the House refuse to concur in the Senate amendments to H. F. No. 1846, 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. 2245, A bill for an act relating to education; providing aids for education and the distribution of tax revenues; increasing the basic formula allowance; setting the general education levy;

modifying the transportation aid and levy formulas; creating an American Indian education council; requiring a study of Indian education; requiring the development of a new model for secondary vocational instruction; modifying the community education formulas; offering free admission to secondary school to eligible persons at least 21 years of age; creating education district revenue; encouraging integrated learning environments; making technical corrections to the cooperative secondary facilities grant act; providing for the sale of permanent school fund lands; requiring the signing of an education statement; requiring certain changes in the state high school league; creating a task force on school district reorganization; changing the capital expenditure formulas; appropriating money; amending Minnesota Statutes 1986, sections 92.06, subdivision 4; 92.14, by adding a subdivision; 92.67, subdivision 5; 120.06, by adding a subdivision; 120.075, subdivisions 1a, 3, and by adding a subdivision; 120.0751, subdivision 1, and by adding a subdivision; 120.0752, subdivision 1, and by adding a subdivision; 120.74, subdivision 1; 121.11, subdivision 12; 121.15, subdivisions 6, 7, and by adding a subdivision; 121.612, by adding a subdivision; 121.88, by adding subdivisions; 123.35, subdivision 8; 123.3514, by adding a subdivision; 124.17, by adding a subdivision; 124.18, subdivision 2; 124.214, subdivision 2; 124.225, by adding a subdivision; 124.245, by adding a subdivision; 124.271, by adding subdivisions; 124.2711, by adding a subdivision; 124A.036, subdivision 2; 126.14, subdivision 1; 126.151; 126.56, subdivision 2; 129.121, subdivision 2, and by adding subdivisions; 260.015, subdivision 19; 275.125, by adding subdivisions; Minnesota Statutes 1987 Supplement, sections 92.46, subdivision 1; 92.67, subdivisions 1, 3, and 4; 120.0752, subdivision 3; 120.101, subdivisions 5 and 9; 120.17, subdivision 1; 121.612, subdivision 3; 121.87, subdivision 1a; 123.3515, subdivisions 1, 2, 3, 5, 6, 9, and by adding a subdivision; 124.214, subdivision 3; 124.223; 124.225, subdivision 4b; 124.26, subdivision 1b; 124.271, subdivision 2b; 124.2711, subdivision 1; 124.494, subdivisions 5 and 6; 124.573, subdivision 2b, and by adding subdivisions; 124A.036, subdivision 5; 124A.22, subdivisions 2, 3, and 6; 124A.23, subdivisions 1, 2, 3, and by adding subdivisions; 124A.24; 124A.25, subdivisions 2, 4, and by adding a subdivision; 125.185, subdivision 4; 126.22, subdivisions 2, 3, 4, and by adding a subdivision; 126.666, by adding a subdivision; 126.70, subdivision 2a; 129.121, subdivision 1; 129B.11, subdivisions 1 and 2, and by adding a subdivision; 275.125, subdivisions 5 and 8; Laws 1987, chapter 398, article 1, section 27, subdivision 3; article 2, section 13, subdivision 2; article 3, section 39, subdivision 8; article 5, section 2, subdivision 12; article 6, section 19, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 120; 121; 122; 124; 124A; 126; 129B; 145; repealing Minnesota Statutes 1986, section 124.245, subdivision 4; Minnesota Statutes 1987 Supplement, sections 121.11, subdivision 16; 124.244; 124.245, subdivisions 3, 3a, and 3b; 124A.27, subdivision 10; and 275.125, subdivisions 6e and 11c.

PATRICK E. FLAHAVEN, Secretary of the Senate

Nelson, K., moved that the House refuse to concur in the Senate amendments to H. F. No. 2245, that the Speaker appoint a Conference Committee of 5 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 that the Senate refuses to concur in the House amendments to Senate File No. 321:

S. F. No. 321, A bill for an act relating to public safety; expanding the crimes of driving a motor vehicle or a motorboat while under the influence of alcohol or certain substances; amending Minnesota Statutes 1986, sections 169.121, subdivisions 1 and 2; and 361.12, subdivisions 1 and 4.

The Senate respectfully requests that a Conference Committee be appointed thereon. The Senate has appointed as such committee:

Messrs. Merriam; Peterson, R. W., and Ramstad.

Said Senate File is herewith transmitted to the House with the request that the House appoint a like committee.

PATRICK E. FLAHAVEN, Secretary of the Senate

Jacobs moved that the House accede to the request of the Senate and that the Speaker appoint a Conference Committee of 3 members of the House to meet with a like committee appointed by the Senate on the disagreeing votes of the two houses on S. F. No. 321. The motion prevailed.

Mr. Speaker:

I hereby announce that the Senate refuses to concur in the House amendments to Senate File No. 1622:

S. F. No. 1622, A bill for an act relating to agriculture; clarifying which debtors are eligible for mediation; amending Minnesota Statutes 1986, section 583.24, subdivision 2.

The Senate respectfully requests that a Conference Committee be appointed thereon. The Senate has appointed as such committee:

Messrs. Stumpf, Bernhagen and Langseth.

Said Senate File is herewith transmitted to the House with the request that the House appoint a like committee.

PATRICK E. FLAHAVEN, Secretary of the Senate

Sparby moved that the House accede to the request of the Senate and that the Speaker appoint a Conference Committee of 3 members of the House to meet with a like committee appointed by the Senate on the disagreeing votes of the two houses on S. F. No. 1622. The motion prevailed.

Mr. Speaker:

I hereby announce that the Senate refuses to concur in the House amendments to Senate File No. 1711:

S. F. No. 1711, A bill for an act relating to Aitkin county; permitting the county to regulate certain public land interests by ordinance.

The Senate respectfully requests that a Conference Committee be appointed thereon. The Senate has appointed as such committee:

Messrs. Chmielewski, Lessard and Solon.

Said Senate File is herewith transmitted to the House with the request that the House appoint a like committee.

PATRICK E. FLAHAVEN, Secretary of the Senate

Ogren moved that the House accede to the request of the Senate and that the Speaker appoint a Conference Committee of 3 members of the House to meet with a like committee appointed by the Senate on the disagreeing votes of the two houses on S. F. No. 1711. The motion prevailed.

Mr. Speaker:

I hereby announce the adoption by the Senate of the following Senate Concurrent Resolution, herewith transmitted:

Senate Concurrent Resolution No. 25, A concurrent resolution relating to adjournment for more than three days.

PATRICK E. FLAHAVEN, Secretary of the Senate

SUSPENSION OF RULES

Wynia moved that the rules be so far suspended that Senate Concurrent Resolution No. 25 be now considered and be placed upon its adoption. The motion prevailed.

SENATE CONCURRENT RESOLUTION NO. 25

A Senate concurrent resolution relating to adjournment for more than three days.

Be It Resolved, by the Senate of the State of Minnesota, the House of Representatives concurring:

1. Upon its adjournment on Wednesday, March 30, 1988, the Senate may set its next day of meeting for Tuesday, April 5, 1988.
2. Upon its adjournment on Wednesday, March 30, 1988, the House of Representatives may set its next day of meeting for Tuesday, April 5, 1988.
3. Pursuant to the Minnesota Constitution, Article IV, Section 12, the Senate and House of Representatives each consents to the adjournment of the other for more than three days.

Wynia moved that Senate Concurrent Resolution No. 25 be now adopted. The motion prevailed and Senate Concurrent Resolution No. 25 was adopted.

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate Files, herewith transmitted:

S. F. Nos. 1582, 1573, 1610, 2491 and 2525.

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. 1540, 2071 and 2185.

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. 203, 2021, 2003 and 1940.

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. 2286, 2122 and 1727.

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. 2165, 1834 and 1885.

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. 2402 and 1827.

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. 2275, 2390 and 1819.

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. 752 and 1788.

PATRICK E. FLAHAVEN, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 1582, A bill for an act relating to marriage dissolution; providing for child support and maintenance enforcement; specifying conditions for judgment by operation of law; amending Minnesota Statutes 1986, sections 256.87, subdivisions 1, 1a, and 6; 257.66, subdivision 5; 518.55, subdivision 2, and by adding a subdivision; 518.551, subdivision 9; 518C.17, subdivision 1; 548.091, subdivisions 2, 3, and by adding subdivisions; and Minnesota Statutes 1987 Supplement, section 548.091, subdivision 1.

The bill was read for the first time.

Jennings moved that S. F. No. 1582 and H. F. No. 1896, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1573, A bill for an act relating to game and fish; removing an age minimum from the law governing issuance of turkey licenses; allowing physically disabled persons to use a crossbow to take small game; regulating hunting by residents with a firearms safety certificate; amending Minnesota Statutes 1986, sections 97A.435, subdivision 2; 97A.451, subdivision 3; and 97B.015, subdivision 5; Minnesota Statutes 1987 Supplement, sections 97B.035, subdivision 1; 97B.315; proposing coding for new law in Minnesota Statutes, chapter 97B.

The bill was read for the first time.

Reding moved that S. F. No. 1573 and H. F. No. 1830, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1610, A bill for an act relating to advertising devices; providing for specific service signs relating to rural agricultural businesses and places of worship to be displayed along highways; amending Minnesota Statutes 1986, sections 160.292, subdivisions

2 and 10; 160.293, subdivisions 1 and 3; and 160.295, by adding a subdivision.

The bill was read for the first time.

Lasley moved that S. F. No. 1610 and H. F. No. 1736, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2491, A bill for an act relating to metropolitan government; establishing various requirements on agency organization, work programs, budgets, and reports; amending Minnesota Statutes 1986, sections 473.13, subdivision 1, and by adding a subdivision; 473.146, subdivision 3; 473.173, subdivision 6; 473.38, by adding a subdivision; Minnesota Statutes 1987 Supplement, section 473.1623, subdivisions 4 and 6.

The bill was read for the first time.

Carruthers moved that S. F. No. 2491 and H. F. No. 2514, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2525, A resolution memorializing the President and Congress of the United States to enact a program of national health insurance.

The bill was read for the first time.

Jaros moved that S. F. No. 2525 and H. F. No. 2176, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1540, A bill for an act relating to the sentencing guidelines commission; changing the membership of the commission; amending Minnesota Statutes 1987 Supplement, section 244.09, subdivision 2.

The bill was read for the first time.

Marsh moved that S. F. No. 1540 and H. F. No. 1643, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2071, A bill for an act relating to crimes; requiring a neighborhood impact statement to be submitted as part of the presentence investigation report for controlled substance offenses;

amending Minnesota Statutes 1987 Supplement, section 609.115, subdivision 1.

The bill was read for the first time.

Jefferson moved that S. F. No. 2071 and H. F. No. 1848, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2185, A bill for an act relating to the organization of state government; restoring certain duties of the state treasurer; amending Minnesota Statutes 1986, sections 11A.20, subdivision 1; 16A.055, subdivision 1; 16A.42, subdivision 2, and by adding a subdivision; 16A.45, subdivision 2; 16A.47; 16A.58; 16A.672, subdivisions 1, 2, and 3; 69.031, by adding a subdivision; 268.05, subdivision 2; 361.03, subdivision 5; and 361.27, subdivision 2; Minnesota Statutes 1987 Supplement, sections 16A.275, subdivision 1; and 609.101; proposing coding for new law in Minnesota Statutes, chapter 7.

The bill was read for the first time.

Simoneau moved that S. F. No. 2185 and H. F. No. 1705, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 203, A bill for an act relating to financial institutions; permitting interstate banking with additional reciprocating states; amending Minnesota Statutes 1986, section 48.92, subdivision 7.

The bill was read for the first time.

Skoglund moved that S. F. No. 203 and H. F. No. 125, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2021, A bill for an act relating to elections; providing for accounting for certain contributions; suspending public subsidy expenditure limits under certain circumstances; providing for the distribution of money from the general account of the state elections campaign fund; amending Minnesota Statutes 1986, sections 10A.15, by adding a subdivision; 10A.25, subdivision 10; and 10A.31, subdivision 5; proposing coding for new law in Minnesota Statutes, chapter 10A.

The bill was read for the first time and referred to the Committee on Rules and Legislative Administration.

S. F. No. 2003, A bill for an act relating to state government; providing for salary ranges for certain state employees; clarifying requirements for submitting certain salaries for legislative approval; requiring certain reports; regulating emergency civil service appointments; clarifying limits on certain salaries; authorizing the governor to change the salaries of newly appointed agency heads; regulating affirmative action; regulating separation from certain bargaining units; regulating health and other fringe benefit coverages; providing duties for the commissioner of employee relations; amending Minnesota Statutes 1986, sections 43A.04, subdivision 7; 43A.15, subdivisions 2 and 11; 43A.17, subdivisions 1 and 9; 43A.18, subdivision 5; 43A.19, subdivision 1; 43A.23, subdivisions 1 and 3; 43A.27, subdivision 3, and by adding a subdivision; 175.101, by adding a subdivision; and 179A.10, subdivision 3; Minnesota Statutes 1987 Supplement, sections 15A.081, subdivisions 1 and 7b; 15A.083, subdivision 7; 43A.08, subdivision 1a; 43A.191, subdivision 3; 43A.316, subdivisions 2, 4, 8, and by adding a subdivision; 43A.421; 44A.02, subdivision 1; 79.34, subdivision 1; 176.611, subdivisions 2 and 3a; and 214.04, subdivision 3.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 1940, A bill for an act relating to the Duluth transit authority; authorizing it to transport students.

The bill was read for the first time.

Jaros moved that S. F. No. 1940 and H. F. No. 2024, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2286, A bill for an act relating to environment; amending certain statutes administered by the environmental quality board; prohibiting delegation of responsibilities; authorizing certain enforcement actions; prohibiting construction of certain projects; requiring project proposers to pay costs of environmental impact statements; appropriating money; amending Minnesota Statutes 1986, sections 116C.04, by adding a subdivision; 116D.04, by adding subdivisions; and 116D.045, subdivisions 1, 2, 3, and 4; Minnesota Statutes 1987 Supplement, section 116C.03, subdivision 2; repealing Minnesota Statutes 1986, section 116D.045, subdivision 5.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 2122, A bill for an act relating to the collection and dissemination of data; proposing classifications of data as private

and nonpublic; providing for patient access to medical records; requiring outpatient diagnostic and test results to be retained as part of an individual permanent medical record; amending Minnesota Statutes 1986, sections 13.04, subdivision 4; 13.67; 13.791, subdivision 1; 144.335, subdivision 2; 145.32, subdivision 2; 171.12, by adding a subdivision; and 363.061, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 13 and 221; repealing Minnesota Statutes 1986, section 13.72, subdivision 3.

The bill was read for the first time.

Nelson, D., moved that S. F. No. 2122 and H. F. No. 2235, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1727, A bill for an act relating to government data practices; defining employment and training data as private data on individuals; providing for the dissemination of certain data; amending Minnesota Statutes 1986, section 13.46, subdivision 2; Minnesota Statutes 1987 Supplement, section 13.43; subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 13.

The bill was read for the first time.

Clark moved that S. F. No. 1727 and H. F. No. 2011, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2165, A bill for an act relating to environment; requiring persons to notify the pollution control agency of and take steps to avoid air pollution; proposing coding for new law in Minnesota Statutes, chapter 116.

The bill was read for the first time.

Ozment moved that S. F. No. 2165 and H. F. No. 2527, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1834, A bill for an act relating to utilities; prohibiting water utilities from imposing additional standby charges on owners of structures containing fire protection systems; proposing coding for new law in Minnesota Statutes, chapter 444.

The bill was read for the first time.

Haukoos moved that S. F. No. 1834 and H. F. No. 1938, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1885, A bill for an act relating to commerce; motor fuel franchises; regulating certain building alterations; providing remedies; amending Minnesota Statutes 1986, section 80C.146, subdivisions 2 and 3; repealing Laws 1984, chapter 444, section 4, as amended by Laws 1986, chapter 343, section 1.

The bill was read for the first time.

Solberg moved that S. F. No. 1885 and H. F. No. 1979, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2402, A bill for an act relating to criminal procedure; updating the wiretap law to conform to modern electronic communication technologies; providing procedures for interception of wire, electronic, or oral communication; regulating use of pen registers and trap and trace devices; prescribing penalties; amending Minnesota Statutes 1986, section 626A.01, subdivisions 3, 4, 5, 6, 8, 9, and by adding subdivisions; 626A.02, subdivisions 1, 2, and by adding subdivisions; 626A.03, subdivisions 1, and 2; 626A.05, subdivision 1; 626A.06, subdivisions 3, 4, 5, 6, and by adding subdivisions; 626A.08, subdivision 1; 626A.09, subdivisions 1, 2, 3, 4, and 5; 626A.10, subdivisions 1 and 2; 626A.11, subdivisions 1 and 2, and by adding a subdivision; 626A.12, subdivision 1, and by adding a subdivision; 626A.13; Minnesota Statutes 1987 Supplement, section 626A.05, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 626A; repealing Minnesota Statutes 1986, sections 626A.01 to 626A.04; 626A.05, as amended; and 626A.06 to 626A.23.

The bill was read for the first time.

Carruthers moved that S. F. No. 2402 and H. F. No. 2594, now on General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 1827, A bill for an act relating to public safety; providing that a fee for applications for quarterly reporting of fuel tax be deposited in the highway user tax distribution fund; amending Minnesota Statutes 1987 Supplement, section 296.17, subdivision 9a.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 2275, A bill for an act relating to juveniles; eliminating statutory references to "dependency" and "neglect" and substituting the term "child in need of protection or services"; eliminating juvenile court jurisdiction over children who are "habitually disobedient"; transferring alleged truants and runaways to the court's protective services jurisdiction; transferring certain young alleged delinquents to the court's protective services jurisdiction; limiting the duration of the court's continuing jurisdiction over truants; expanding the court's dispositional authority in certain child protection cases; limiting the juvenile court's contempt authority over nondelinquents; amending Minnesota Statutes 1986, sections 242.19, subdivision 2; 260.011, subdivision 2; 260.015, subdivisions 21, 22, 23, and by adding a subdivision; 260.111, subdivisions 1, 3, and by adding a subdivision; 260.121, subdivisions 1 and 2; 260.131, subdivision 1; 260.132, subdivisions 1 and 3; 260.133, subdivision 2; 260.135, subdivisions 1 and 3; 260.155, subdivisions 4 and 4a; 260.171, subdivisions 1 and 4; 260.172, subdivision 1; 260.173, subdivision 3; 260.181, subdivision 4; 260.191, subdivisions 1, 4, and by adding a subdivision; 260.195; 260.235; 260.255; 260.291, subdivision 1; 260.301; 260.315; 260.35; 260.36; and 484.73, subdivision 2; and Minnesota Statutes 1987 Supplement, sections 260.155, subdivision 1; 260.156; and 260.221; repealing Minnesota Statutes 1986, sections 260.015, subdivisions 6 and 10; 260.103; and 260.194.

The bill was read for the first time.

Pappas moved that S. F. No. 2275 and H. F. No. 1251, now on Technical General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 2390, A bill for an act relating to metropolitan airports; providing environmental goals for the metropolitan airports commission; amending Minnesota Statutes 1986, section 473.602.

The bill was read for the first time and referred to the Committee on Metropolitan Affairs.

S. F. No. 1819, A bill for an act relating to landlord and tenant; authorizing tenants to pay for certain utilities and deduct the payments from rent due; proposing coding for new law in Minnesota Statutes, chapter 504.

The bill was read for the first time.

Jefferson moved that S. F. No. 1819 and H. F. No. 1872, now on Special Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

S. F. No. 752, A bill for an act relating to occupations and professions; amending the laws regulating the practice of pharmacy; providing definitions; providing for registration of pharmacies, drug manufacturers, and others; providing for licensing of pharmacists; providing remedies for violations; amending Minnesota Statutes 1986, sections 151.01, subdivision 2, and by adding subdivisions; 151.04; 151.06, subdivision 1; 151.101; 151.15; 151.19; 151.211; 151.212, subdivision 1, and by adding a subdivision; 151.25; 151.26, subdivision 1; 151.32; 151.34; and 151.37; proposing coding for new law in Minnesota Statutes, chapter 151; repealing Minnesota Statutes 1986, sections 151.01, subdivision 4; 151.06, subdivision 2a; 151.11; 151.28; and 151.31.

The bill was read for the first time and referred to the Committee on Appropriations.

S. F. No. 1788, A bill for an act relating to the office of the secretary of state; providing for the simplification of various filings with that office; eliminating certain filings; eliminating the requirement that documents be notarized, verified, or acknowledged; reducing the number of signatures required; setting fees for copies of documents filed with the office of the secretary of state; permitting the correction of documents; setting fees for various filings; allowing the annual registration to fulfill the requirement that an active status report be filed; conforming the business corporation act to the uniform fraudulent conveyances act; increasing the penalties for failure to file an assumed business name; changing the time period during which audits of legal newspapers may occur; amending Minnesota Statutes 1986, sections 5.12; 300.025; 300.49; 302A.115, subdivisions 1 and 7; 302A.551, subdivision 3; 302A.821, subdivision 1; 303.06; 303.10, subdivision 2; 303.11; 303.14, subdivisions 1 and 3; 303.16, subdivision 3; and by adding a subdivision; 306.70; 306.74; 308.06; 308.14, subdivisions 2 and 4; 308.15, subdivisions 1 and 4; 308.59; 317.04, subdivision 3; 317.08, subdivision 1; 317.27, subdivisions 1 and 5; 317.33; 317.35; 317.45, subdivision 4; 318.02, subdivision 1; 322A.12; 322A.14; 322A.73; 322A.74; 333.01; 333.055, subdivisions 1 and 4; 333.06; 333.20, subdivision 2; 333.22, subdivision 2; 333.23; Minnesota Statutes 1987 Supplement, sections 302A.011, subdivision 11; 302A.139; 302A.615, subdivision 1; 308.58, subdivision 2; 322A.70; and 331A.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 5.

The bill was read for the first time.

Carruthers moved that S. F. No. 1788 and H. F. No. 2095, now on Technical General Orders, be referred to the Chief Clerk for comparison. The motion prevailed.

REPORT FROM THE COMMITTEE ON RULES AND
LEGISLATIVE ADMINISTRATION

Wynia, from the Committee on Rules and Legislative Administration, pursuant to House Rule No. 1.9, designated the following bills as Special Orders to be acted upon immediately following Special Orders pending for Monday, March 28, 1988:

H. F. Nos. 2537, 2151, 2216, 2396 and 1925; S. F. Nos. 1018, 1643 and 1717; H. F. No. 2654; S. F. No. 1608; H. F. Nos. 1890, 1719 and 1630; S. F. Nos. 1958, 2117, 1822, 1948 and 1749; and H. F. No. 2527.

Wynia moved that the House recess subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by the Speaker.

There being no objection, the order of business reverted to Reports of Standing Committees.

REPORTS OF STANDING COMMITTEES

Voss from the Committee on Taxes to which was referred:

H. F. No. 2590, A bill for an act relating to property tax reform; changing property tax classifications, aids, and credits; abolishing certain levy limits; increasing the state share of financial participation in aid to families with dependent children, emergency assistance, general assistance, emergency general assistance, work readiness, Minnesota supplemental assistance, medical assistance, preadmission screening, alternative care grants, and general assistance medical care to 100 percent; clarifying the administration of human services programs; establishing a compliance system for certain public assistance programs and public assistance incentive fund; appropriating money; amending Minnesota Statutes 1986, sections 6.62, subdivision 1; 18.023, subdivision 8; 110B.15, subdivision 4; 115.34, subdivision 1; 124.2137, subdivision 1; 134.34, subdivision 5; 164.041; 256.72; 256.81; 256.82, subdivision 1; 256.863; 256.871, subdivision 6; 256.935, subdivision 1; 256.991; 256B.041, subdivisions 5 and 7; 256B.05, subdivision 1; 256B.19, subdivision 2; 256D.03, subdivision 6; 256D.04; 256D.36, subdivision 1; 273.135, subdivision 5; 273.1391, subdivision 4; 275.14; 275.15; 275.16; 279.01, as amended; 298.28, subdivision 12; 298.282,

subdivisions 2 and 3; 298.39; 298.396; 360.037, subdivision 2; 375.167, subdivision 1; 383C.55; 393.07, subdivision 2; 414.01, subdivision 15; 423.376, subdivision 3; 426.04; 444.075, subdivision 4; 465.73; 471.1921; 471.572, subdivision 2; 471A.03, subdivision 4; 473.87; 473.882, subdivision 3; 473F.08, subdivision 3a; 475.74; 475.754; 477A.011, subdivisions 6, 10, 11, and by adding subdivisions; and 477A.012, subdivision 2; Minnesota Statutes 1987 Supplement, sections 38.27, subdivision 3; 124.155, subdivision 2; 124.2139; 124A.02, subdivision 11; 129A.06, subdivision 2; 256.01, subdivision 2; 256B.091, subdivision 8; 256B.15; 256B.19, subdivision 1; 256D.03, subdivision 2; 256G.01, subdivision 3; 256G.02, subdivision 4; 256G.04, subdivision 1; 256G.05; 256G.07; 256G.10; 256G.11; 272.02, subdivisions 1 and 1a; 272.115, subdivision 4; 273.123, subdivisions 1, 4, 5, and 7; 273.124, subdivisions 11 and 13; 273.13, subdivisions 23, 24, 25, and 31; 273.1392; 273.1393; 273.42, subdivision 2; 275.50, subdivision 2; 276.04; 279.06; 281.17; 290A.03, subdivisions 13 and 14; 290A.04, subdivisions 2 and 2a; 393.07, subdivision 10; 412.251; 447.34, subdivision 1; 447.35; 469.107; 471.74, subdivision 2; 473.446, subdivision 1; 473.8441, subdivision 1; 473F.02, subdivision 4; 475.61, subdivision 3; and 477A.013, subdivisions 1, 2, and by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapters 256 and 273; amending Laws 1987, chapter 268, article 6, sections 19 and 53; repealing Minnesota Statutes 1986, sections 256.965; 273.13, subdivision 30; 275.11; 275.50, as amended; 275.51, as amended; 275.54; 275.55; 275.56; 275.561; 275.58; 383C.552; 471A.04; and 477A.011, subdivisions 3a, 4, 5, 7a, 13, and 14; Minnesota Statutes 1987 Supplement, sections 245.775; 256D.22; 273.13, subdivision 15a; 273.1394; 273.1395; 273.1396; 273.1397; 275.081; 275.082; 275.125, subdivision 22; 290A.04, subdivision 2b; 477A.011, subdivision 7; and 477A.012, subdivision 1; Laws 1987, chapter 268, article 5, section 4.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

“ARTICLE 1

INDIVIDUAL INCOME TAX

Section 1. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 3a, is amended to read:

Subd. 3a. [TRUST.] The term “trust” has the meaning given in provided under the Internal Revenue Code of 1986, as amended through December 31, 1986 1987.

Sec. 2. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 7, is amended to read:

Subd. 7. [RESIDENT.] The term "resident" means (1) any individual domiciled in Minnesota, except that an individual is not a "resident" for the period of time that the individual is a "qualified individual" as defined in section 911(d)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1986, unless, during that period, a Minnesota homestead application is filed for property in which the individual has an interest; and (2) any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless the individual or the spouse of the individual is in the armed forces of the United States, or the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

Sec. 3. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19a, is amended to read:

Subd. 19a. [ADDITIONS TO FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be added to federal taxable income:

(1)(i) interest income on obligations of any state other than Minnesota or a political or governmental subdivision, municipality, or governmental agency or instrumentality of any state other than Minnesota exempt from federal income taxes under the Internal Revenue Code or any other federal statute, and

(ii) exempt-interest dividends as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1986, except the portion of the exempt-interest dividends derived from interest income on obligations of the state of Minnesota or its political or governmental subdivisions, municipalities, governmental agencies or instrumentalities, but only if the portion of the exempt-interest dividends from such Minnesota sources paid to all shareholders represents 95 percent or more of the exempt-interest dividends that are paid by the fund or series of funds regulated investment company as defined in section 851(a) of the Internal Revenue Code of 1986, or the fund of the regulated investment company as defined in section 851(q) of the Internal Revenue Code of 1986, making the payment; and

(2) the amount of income taxes paid or accrued within the taxable year under this chapter and income taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a

deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code; and

(3) the capital gain amount of a lump sum distribution to which the special tax under section 1122(h)(3)(B)(ii) of the Tax Reform Act of 1986, Public Law Number 99-514, applies.

Sec. 4. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability; and

(3) the amount paid to others not to exceed \$650 for each dependent in grades kindergarten to six and \$1,000 for each dependent in grades seven 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. In order to qualify for the subtraction under this clause the taxpayer must elect to itemize deductions under section 63(e) of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(4) to the extent included in federal taxable income, distributions from a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income of elderly and disabled individuals as provided under section 8; and

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under section 5.

Sec. 5. Minnesota Statutes 1986, section 290.01, is amended by adding a subdivision to read:

Subd. 20g. [ACRS MODIFICATION FOR INDIVIDUALS.] (a) An individual is allowed a subtraction from federal taxable income for the amount of accelerated cost recovery system deductions that were added to federal adjusted gross income in computing Minnesota gross income for taxable year 1981, 1982, 1983, or 1984 and that were not deducted in a later taxable year. The deduction is allowed beginning in the first taxable year after the entire allowable deduction for the property has been allowed under federal law or the first taxable year beginning after December 31, 1987, whichever is later. The amount of the deduction is computed by deducting the amount added to federal adjusted gross income in computing Minnesota gross income (less any deduction allowed under Minnesota Statutes 1986, section 290.01, subdivision 20f) in equal annual amounts over five years.

(b) In the event of a sale or exchange of the property, a deduction is allowed equal to the lesser of (1) the remaining amount that would be allowed as a deduction under paragraph (a) or (2) the amount of capital gain recognized and the amount of cost recovery deductions that were subject to recapture under sections 1245 and 1250 of the Internal Revenue Code of 1986 for the taxable year.

(c) In the case of a corporation electing S corporation status under section 1362 of the Internal Revenue Code, the amount of the corporation's cost recovery allowances that have been deducted in computing federal tax, but have been added to federal taxable income or not deducted in computing tax under this chapter as a result of the application of subdivision 19e, paragraphs (a) and (c) or Minnesota Statutes 1986, section 290.09, subdivision 7 is allowed as

a deduction to the shareholders under the provisions of paragraph (a).

Sec. 6. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code of 1986 as amended through December 31, 1987, must be computed by applying to their taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 1986, and before January 1, 1988

if taxable income is:	the tax is:
not over \$4,000	4 percent
over \$4,000, but not over \$11,000	\$160 plus 6 percent of the excess over \$4,000
over \$11,000, but not over \$21,000	\$580 plus 8 percent of the excess over \$11,000
over \$21,000	\$1,380 plus 9 percent of the excess over \$21,000

(2) For taxable years beginning after December 31, 1987

if taxable income is:	the tax is:
not over \$19,000	6 percent
over \$19,000	\$1,140 plus 8 percent of the excess over \$19,000;

plus an amount equal to ~~ten~~ 0.5 percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986 amount of taxable income over \$75,500 but not over \$165,000.

(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) For taxable years beginning after December 31, 1986, and before January 1, 1988

if taxable income is:	the tax is:
not over \$3,000	4 percent
over \$3,000, but not over \$9,000	\$120 plus 6 percent of the excess over \$3,000
over \$9,000, but not over \$16,000	\$480 plus 8 percent of the excess over \$9,000
over \$16,000	\$1,040 plus 9 percent of the excess over \$16,000

(2) For taxable years beginning after December 31, 1987

if taxable income is:	the tax is:
not over \$13,000	6 percent
over \$13,000	\$780 plus 8 percent of the excess over \$13,000;

plus an amount equal to ten 0.5 percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986 amount of federal taxable income over \$42,700 but not over \$93,000.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code of 1986, as amended through December 31, 1986, must be computed by applying to taxable net income the following schedule of rates:

(1) For taxable years beginning after December 31, 1986, and before January 1, 1988

if taxable income is:	the tax is:
not over \$3,500	4 percent
over \$3,500, but not over \$10,000	\$140 plus 6 percent of the excess over \$3,500
over \$10,000, but not over \$18,500	\$530 plus 8 percent of the excess over \$10,000
over \$18,500	\$1,210 plus 9 percent of the excess over \$18,500

(2) For taxable years beginning after December 31, 1987

if taxable income is:

not over \$16,000

over \$16,000

the tax is:

6 percent

\$960 plus 8 percent

of the excess over \$16,000;

plus an amount equal to ten 0.5 percent of the tax paid by the taxpayer under section 1(g) of the Internal Revenue Code of 1986, as amended through December 31, 1986 amount of taxable income over \$64,300, but not over \$135,000.

(d) The income tax imposed by this chapter on married individuals filing separate returns, and estates and trusts, must be computed by applying to taxable net income the following schedule of rates:

if taxable income is:

not over \$9,500

over \$9,500

the tax is:

6 percent

\$570 plus 8 percent

of the excess over \$9,500;

plus an amount equal to 0.5 percent of the amount of taxable income over \$37,800, but not over \$82,500.

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

(e) (f) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota sourced federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1986, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of

1986, as amended through December 31, 1986 1987, increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1).

(g) Any individual who has income which is included in the computation of federal adjusted gross income but is not subject to tax by Minnesota other than income specifically allowed as a subtraction under section 290.01, subdivision 19b, shall compute the tax in the same manner described in paragraph (f). The numerator of the fraction under paragraph (f) is the individual's Minnesota source federal adjusted gross income reduced by the income not subject to Minnesota tax and the denominator is the federal adjusted gross income.

Sec. 7. Minnesota Statutes 1986, section 290.06, is amended by adding a subdivision to read:

Subd. 22. [CREDIT FOR TAXES PAID TO ANOTHER STATE.] (a) If a taxpayer who is a resident of this state or is a domestic corporation or corporation commercially domiciled in Minnesota has become liable for taxes on or measured by net income to another state or province or territory of Canada upon income allocated or apportioned to Minnesota, the taxpayer is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7a, clause (b), and is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987, to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) For a corporation, the ratio is determined by dividing the net income from personal or professional services within such other state, or, if the taxpayer is an athletic team where all of the team's income is apportioned to Minnesota, it is the total net income subject to tax in such other state or province or territory of Canada, divided by the Minnesota taxable net income. This percentage shall be applied only against the tax assessed by this section.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or

territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to tax under section 290.032, and shall not exceed the tax assessed under section 290.032.

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

Sec. 8. [290.0802] [SUBTRACTION FOR THE ELDERLY AND DISABLED.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Adjusted gross income" means federal adjusted gross income as used in section 22(d) of the Internal Revenue Code for the taxable year.

(b) "Disability income" means disability income as defined in section 22(c)(2)(B)(iii) of the Internal Revenue Code.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1987.

(d) "Nontaxable retirement and disability benefits" means the amount of pension, annuity, or disability benefits that would be included in the reduction under section 22(c)(3) of the Internal Revenue Code, but excluding tier one railroad retirement benefits.

(e) "Qualified individual" means a qualified individual as defined in section 22(b) of the Internal Revenue Code.

Subd. 2. [SUBTRACTION.] (a) In the case of a qualified individual, a subtraction from federal taxable income is allowed in com-

putting the tax imposed by this chapter equal to the lesser of federal taxable income or the individual's subtraction base amount.

(b)(1) The initial subtraction base amount equals

(i) \$10,000 for a married taxpayer filing a joint return if a spouse is a qualified individual,

(ii) \$8,000 for a single taxpayer, and

(iii) \$5,000 for a married taxpayer filing a separate federal return.

(2) The qualified individual's initial subtraction base amount, then, must be reduced by the sum of nontaxable retirement and disability benefits and one-half of the amount of adjusted gross income in excess of the following thresholds:

(i) \$15,000 for a married taxpayer filing a joint return if both spouses are qualified individuals,

(ii) \$12,000 for a single taxpayer or for a married couple filing a joint return if only one spouse is a qualified individual, and

(iii) \$7,500 for a married taxpayer filing a separate federal return.

(3) In the case of a qualified individual who is under the age of 65, the maximum amount of the subtraction base may not exceed the taxpayer's disability income.

(4) The resulting amount is the subtraction base amount.

Subd. 3. [RESTRICTIONS; MARRIED COUPLES.] Except in the case of a husband and wife who live apart at all times during the taxable year, if the taxpayer is married at the close of the taxable year, the subtraction under this section is allowable only if the taxpayers file joint federal and state income tax returns for the taxable year.

Sec. 9. Minnesota Statutes 1987 Supplement, section 290.081, is amended to read:

290.081 [INCOME OF NONRESIDENTS, RECIPROCITY; CREDIT FOR TAXES PAID TO ANOTHER STATE.]

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a

similar exclusion of compensation received by residents of Minnesota for services performed therein; or.

(b) If any taxpayer who is a resident of this state, or a domestic corporation or corporation commercially domiciled therein, has become liable for taxes on or measured by net income to another state or a province or territory of Canada upon, if the taxpayer is an individual, or if the taxpayer is an athletic team and all of the team's income is apportioned to Minnesota, any income, or if it is a corporation, estate, or trust, upon income derived from the performance of personal or professional services within such other state or province or territory of Canada and subject to taxation under this chapter the taxpayer shall be entitled to a credit against the amount of taxes payable under this chapter, of such proportion thereof, as such gross income subject to taxation in such state or province or territory of Canada bears to the taxpayer's entire gross income subject to taxation under this chapter; provided (1) that such credit shall in no event exceed the amount of tax so paid to such other state or province or territory of Canada on the gross income earned within such other state or province or territory of Canada and subject to taxation under this chapter, and (2) the allowance of such credit shall not operate to reduce the taxes payable under this chapter to an amount less than would have been payable if the gross income earned in such other state or province or territory of Canada had been excluded in computing net income under this chapter. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7a, clause (2), and is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(c) The commissioner shall by rule determine with respect to gross income earned in any other state the applicable clause of this section. When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of clause (a) shall not apply. As long as the provisions of clause (a) apply between Minnesota and Wisconsin, the provisions of clause (a) shall apply to any individual who is domiciled in Wisconsin.

(d) "Tax So Paid" as used in this section means taxes on or measured by net income payable to another state or province or territory of Canada on income earned within the taxable year for which the credit is claimed; provided that such tax is actually paid in that taxable year, or subsequent taxable years.

For purposes of clause (b), where a Minnesota resident reported an item of income to Minnesota and is assessed tax in another state or a province or territory of Canada on that same item of income after the Minnesota statute of limitations has expired, the taxpayer shall be allowed to receive a credit for that year based on clause (b), notwithstanding the provisions of sections 290.49, 290.50, and

290.56. For purposes of the preceding sentence, the burden of proof shall be on the taxpayer to show entitlement to a credit.

(e) (c) For the purposes of clause (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without clause (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without clause (a), or vice versa, then the state with the net revenue loss resulting from clause (a) shall receive from the other state the amount of such loss. This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

Interest shall be payable on all delinquent balances relating to taxable years beginning after December 31, 1977. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due on any delinquent amounts.

If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

Notwithstanding the provisions of section 290.61, the commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the

allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from labor or personal or professional services is assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources is treated as income from sources without this state.

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

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota; and

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

(3) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer firefighters' relief association, by way of payment as a pension, public employee retirement benefit, or any combination of these, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 408, or 409, or as defined in section 403(b) or 457 of the Internal Revenue Code of 1986, as amended through December 31, 1986, 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.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Except upon the sale of a partnership interest or the sale of stock of an "S" corporation, income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of stock held in an "S" corporation is allocable to this state in the ratio of the original cost of tangible property of the "S" corporation within this state to the original cost of tangible property of the "S" corporation everywhere.

(d) 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.

(e) Income from winnings on Minnesota pari-mutuel betting tickets and lawful gambling as defined in section 349.12, subdivision 2, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

(f) All items of gross income not covered in paragraphs (a) to (e) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

Sec. 11. Minnesota Statutes 1987 Supplement, section 290.38, is amended to read:

290.38 [RETURNS OF MARRIED PERSONS.]

A husband and wife 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; provided that a spouse who is relieved of a liability attributable to a substantial underpayment under section 6013(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, shall also be relieved of the state tax liability on the substantial underpayment. If the husband and wife have elected to file separate federal income tax returns they must file separate Minnesota income tax returns. This election to file a joint or separate returns must be changed 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 rule.

The determination of whether an individual is married shall be made under provisions of section 7703 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

Sec. 12. Minnesota Statutes 1986, section 290.39, is amended by adding a subdivision to read:

Subd. 5. [PARTNERSHIPS; NONRESIDENT PARTNERS.] (a) The commissioner may allow a partnership with five or more nonresident partners to file a composite return on behalf of nonresident partners who have no other Minnesota source income. This composite return must include the names, addresses, social security numbers, income allocation, and tax liability for all nonresident partners electing to be covered by the composite return.

(b) The computation of each partner's tax liability will be determined by multiplying the income allocated to that partner by the highest rate used to determine the tax liability for individuals under section 290.06, subdivision 2c. Nonbusiness deductions, standard deductions, or personal exemptions are not allowed.

(c) The partnership must submit a request to use this composite return filing method for nonresident partners on or before the due date for filing the individual income tax return. The request may be made a part of the return filed.

(d) The electing partner must not have any Minnesota source income other than the income from the partnership and other electing partnerships. If it is determined that the electing partner has other Minnesota source income, the inclusion of the income and tax liability for that partner under this provision will not constitute a return to satisfy the requirements of subdivision 1. The penalty for failure to file a return as provided in section 290.53, subdivision 2, is assessed from the due date for filing a return until a non-composite return is filed. The tax paid for such an individual as part of the composite return is allowed as a payment of the tax by the individual on the date on which the composite return payment was made. If the electing nonresident partner has no other Minnesota source income, filing of the composite return constitutes a return for purposes of subdivision 1 of this section.

(e) This subdivision does not preclude the requirement that an individual pay estimated tax if the individual's liability would exceed the requirements set forth in section 290.93. However, a composite estimate may be filed in a manner similar to and containing the same information required under paragraph (a).

(f) If an electing partner's share of the partnership's gross income from Minnesota sources is less than the filing requirements for a nonresident under section 290.37, subdivision 1, the tax liability is

zero. However, a statement showing the partner's share of gross income must be included as part of the composite return.

(g) The election provided in this subdivision is not available to any partner other than a full-year nonresident individual who has no other Minnesota source income.

(h) A corporation defined in section 290.9725 and its nonresident shareholders may make an election under this subdivision. The provisions covering the partnership apply to the corporation and the provisions applying to the partner apply to each shareholder.

(i) Estates and trusts distributing current income only and the nonresident individual beneficiaries of such estates or trusts may make an election under this subdivision. The provisions covering the partnership apply to the estate or trust. The provisions applying to the partner apply to each beneficiary.

Sec. 13. Minnesota Statutes 1987 Supplement, section 290.41, subdivision 2, is amended to read:

Subd. 2. [BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.] To the extent required by section 6041 of the Internal Revenue Code of 1986, as amended through December 31, 1986 1987, 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 1986, as amended through December 31, 1986 1987) 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 if the media were used to satisfy the federal reporting requirement under section 6011(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

Sec. 14. Minnesota Statutes 1987 Supplement, section 290.92, subdivision 7, is amended to read:

Subd. 7. [WITHHOLDING STATEMENT TO EMPLOYEE OR PAYEE AND TO COMMISSIONER.] (1) Every person required to deduct and withhold from an employee a tax under subdivision 2a or 3, or section 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under subdivision 2a or 3, or section 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee pursuant to subdivision 20, shall furnish to each such employee or person receiving royalty payments in respect to the remuneration paid by such person to such employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of such calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

- (a) Name of such person,
- (b) The name of the employee or payee and the employee's or payee's social security account number,
- (c) The total amount of wages as that term is defined in subdivision 1(1), and/or the total amount of remuneration subject to withholding pursuant to subdivision 20, and the amount of sick pay as required under section 6051(f) of the Internal Revenue Code of 1954 1986, as amended through December 31, 1985 1987,
- (d) The total amount deducted and withheld as tax under subdivision 2a or 3, or section 290.923, subdivision 2.

(2) The statement required to be furnished by this subdivision in respect of any remuneration shall be furnished at such other times, shall contain such other information, and shall be in such form as the commissioner may prescribe.

(3) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to furnish such statements to their employees or payees under this subdivision.

(4) A duplicate of any statement made pursuant to this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in such form as the commissioner may prescribe of all such statements for the calendar year (including a reconciliation of the quarterly returns required to be filed pursuant to subdivision 6), shall be filed with the commissioner on or before February 28 of the year after the payments were made.

(5) The employer must submit the statements required to be sent to the commissioner on magnetic media, if the media were required to satisfy the federal reporting requirements pursuant to section 6011(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, and the regulations issued under it.

Sec. 15. Minnesota Statutes 1987 Supplement, section 290.92, subdivision 15, is amended to read:

Subd. 15. [PENALTIES; FAILURE TO PAY TAX.] (1) In the case of any failure to withhold a tax on wages, or make payments to or deposits with the commissioner of amounts withheld, as required by this section, within the time prescribed by law, there shall be added to the tax a penalty equal to three percent of the amount of tax that should have been properly withheld and paid over to or deposited with the commissioner if the failure is for not more than 30 days with an additional three percent for each additional 30 days or fraction thereof during which the failure continues, not exceeding 24 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(1a) In the case of a failure to make and file quarterly returns with the commissioner as required by this section, there shall be added to the tax a penalty equal to three percent of the amount of tax not properly withheld and paid over to or deposited with the commissioner if the failure is for not more than 30 days with an additional five percent of the amount of tax remaining unpaid during each additional 30 days or fraction thereof during which the failure

continues, not exceeding 23 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(1b) In the case of a failure to file a return of tax imposed by this chapter within 60 days of the date prescribed for filing of the return (determined with regard to any extension of time for filing), the addition to tax under paragraph (1a) shall not be less than the lesser of (i) \$200; or (ii) the greater of (a) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax or (b) \$50.

(1c) Where penalties are imposed under paragraphs (1) and (1a), except for the minimum penalty under paragraph (1b), the combined penalty percentage shall not exceed 38 percent in the aggregate.

(2) If any employer required to withhold a tax on wages, make deposits, make and file quarterly returns and make payments to the commissioner of amounts withheld, as required by sections 290.92 to 290.97, willfully fails to withhold the tax or make the deposits, files a false or fraudulent return, willfully fails to make the payment or deposit, or willfully attempts in any manner to evade or defeat the tax or the payment or deposit of it, there shall also be imposed on the employer as a penalty an amount equal to 50 percent of the amount of tax, less any amount paid or deposited by the employer on the basis of the false or fraudulent return or deposit, that should have been properly withheld and paid over or deposited with the commissioner. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The penalty imposed by this paragraph shall be collected as a part of the tax, and shall be in addition to any other penalties civil and criminal, prescribed by this subdivision.

(3) If any person required under the provisions of subdivision 7 to furnish a statement to an employee or payee and a duplicate statement to the commissioner, or to furnish a reconciliation of the statements, and quarterly returns, to the commissioner, willfully furnishes a false or fraudulent statement to an employee or payee or a false or fraudulent duplicate statement or reconciliation of statements, and quarterly returns, to the commissioner, or willfully fails to furnish a statement or the reconciliation in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, there shall be imposed on the person a penalty of \$50 for each act or failure to act, but the total amount imposed on the delinquent

person for all such failures during any calendar year shall not exceed \$25,000. The penalty imposed by this paragraph is due and payable within ten days after the mailing of a written demand therefor, and may be collected in the manner prescribed in subdivision 6, paragraph (8).

(4) In addition to any other penalties prescribed, any person required to withhold a tax on wages, file quarterly returns, and make payments or deposits to the commissioner of amounts withheld, as required by this section, who attempts to evade the tax by (i) willfully failing to withhold the tax, file the return, or make the payment or deposit, or (ii) willfully preparing or filing a false return, is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which event the person is guilty of a felony.

(5) In lieu of any other penalty provided by law, except the penalty provided by paragraph (3), any person required under the provisions of subdivision 7 to furnish a statement of wages to an employee and a duplicate statement to the commissioner, who willfully furnishes a false or fraudulent statement of wages to an employee or a false or fraudulent duplicate statement of wages to the commissioner, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, is guilty of a gross misdemeanor.

(6) Any employee required to supply information to an employer under the provisions of ~~subdivision~~ subdivisions 4a and 5, who willfully fails to supply information or willfully supplies false or fraudulent information thereunder which would require an increase in the tax to be deducted and withheld under subdivision 2a or 3, is guilty of a gross misdemeanor.

(7) The term "person," as used in this section, includes an officer or employee of a corporation, or a member or employee of a partnership, who as an officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

(8) All payments received may, in the discretion of the commissioner of revenue, be credited first to the oldest liability not secured by a judgment or lien; but in all cases shall be credited first to penalties, next to interest, and then to the tax due.

(9) In addition to any other penalty provided by law, any employee who furnishes a withholding exemption certificate or a residency affidavit to an employer which the employee has reason to know contains a materially incorrect statement is liable to the commissioner of revenue for a penalty of \$500 for each instance. The penalty is immediately due and payable and may be collected in the same manner as any delinquent income tax.

(10) In addition to any other penalty provided by law, any employer who fails to submit a copy of a withholding exemption certificate or a residency affidavit required by subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the commissioner of revenue for a penalty of \$50 for each instance. The penalty is immediately due and payable and may be collected in the manner provided in subdivision 6, paragraph (8).

(11) Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this section, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, whether or not the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor, unless the tax involved exceeds \$300, in which event the actor is guilty of a felony.

(12) Notwithstanding the provisions of section 628.26, or any other provision of the criminal laws of this state, an indictment may be found and filed, or a complaint filed, upon any criminal offense specified in this subdivision, in the proper court within six years after the commission of the offense.

Sec. 16. Minnesota Statutes 1986, section 290.92, subdivision 21, is amended to read:

Subd. 21. [EXTENSION OF WITHHOLDING TO UNEMPLOYMENT COMPENSATION BENEFITS.] (a) At the time an individual makes a claim for unemployment compensation benefits, the commissioner of jobs and training must notify the individual that the individual's unemployment compensation may be subject to state income taxes depending on the individual's other income and that the individual may elect to have the payments subject to withholding under this section. If the individual so requests, unemployment compensation benefits paid to the individual shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

(b) For purposes of this section, any supplemental unemployment compensation benefit paid to an individual to the extent includable in such individual's Minnesota gross income, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

Sec. 17. [ESTIMATED TAX EXCEPTION FOR 1987.]

For taxable years beginning after December 31, 1986, but beginning before January 1, 1988, the required amount of the annual payment of the current year's tax in determining the underpayment in Minnesota Statutes, section 290.93, subdivision 10, paragraph

(4), clause (a), shall be 80 percent instead of 90 percent and the penalty shall also be reduced by the ratio by which the salary income subject to withholding bears to the federal adjusted gross income for 1987 as determined under section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 18. [RECOVERY OF PENSION CONTRIBUTIONS; TRANSITION RULE FOR 1987.]

This section applies to an individual taxpayer who would have been allowed a subtraction from federal taxable income under section 4, clause (4), if section 4 were effective for taxable year 1987. The taxpayer is allowed a subtraction under section 4, clause (4), equal to one-fifth of the amount that would have been allowed under section 4 for taxable year 1987 in each of the five taxable years beginning after December 31, 1987.

Sec. 19. [REPEALER.]

Minnesota Statutes 1987 Supplement, sections 290.06, subdivision 20; and 290.077, subdivision 1, are repealed.

Sec. 20. [EFFECTIVE DATES.]

Except as otherwise provided, sections 1 to 3 are effective for taxable years beginning after December 31, 1986. Sections 4, 5, 7, 8, 9, 10, 12, 13, 14, 18, and 19 are effective for taxable years beginning after December 31, 1987. The ability of surviving spouses to use the married filing joint rates in section 6 is effective for taxable years beginning after December 31, 1986. The rest of section 6 is effective for taxable years beginning after December 31, 1987. Section 11 is effective for taxable years beginning after December 31, 1984. Section 15 is effective the day following final enactment.

ARTICLE 2

CORPORATE TAX

Section 1. Minnesota Statutes 1987 Supplement, section 60E.04, subdivision 4, is amended to read:

Subd. 4. [TAXATION.] (a) All premiums paid for coverages within this state to risk retention groups are subject to taxation at the same rate and subject to the same interest, fines, and penalties for nonpayment as that applicable to foreign admitted other insurers.

(b) To the extent agents or brokers are utilized, they shall report and pay the taxes for the premiums for risks which they have placed

with or on behalf of a risk retention group not chartered in this state. The agents or brokers are subject to the provisions of sections 60A.195 to 60A.209.

(c) To the extent agents or brokers are not utilized or fail to pay the tax, each risk retention group shall pay the tax for risks insured within the state. Each risk retention group shall report all premiums paid to it for risks insured within the state and shall be subject to the same interest, fines, and penalties for nonpayment as that applicable to foreign admitted insurers.

Sec. 2. Minnesota Statutes 1986, section 237.075, subdivision 8, is amended to read:

Subd. 8. [CHARITABLE CONTRIBUTIONS.] The commission shall allow as operating expenses only those charitable contributions which the commission deems prudent and which qualify under section 290.21, subdivision 3, clause (b) or (e). Only 50 percent of the qualified contributions shall be allowed as operating expenses.

Sec. 3. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(q) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply; and

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986.

Except as otherwise provided, references to the Internal Revenue

Code in subdivisions 19a to 19f mean the code in effect for purposes of determining net income for the applicable year.

Sec. 4. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. [CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.] For corporations, there shall be added to federal taxable income:

(1) the amount of any deduction taken for federal income tax purposes for income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or any foreign country or possession of the United States;

(2) interest not subject to federal tax upon obligations of: the United States, its possessions, its agencies, or its instrumentalities ~~to the extent the obligations are not subject to federal tax~~; the state of Minnesota or any other state, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities; or the District of Columbia;

(3) ~~exempt interest~~ exempt-interest dividends received as defined in section 852(b)(5) of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(4) the amount of any windfall profits tax deducted under section 164 or 471 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(5) the amount of any net operating loss deduction taken for federal income tax purposes under section 172 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(6) the amount of any special deductions taken for federal income tax purposes under sections 241 to 247 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(7) losses from the business of mining, as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota income tax;

(8) the amount of any capital losses deducted for federal income tax purposes under sections 1211 and 1212 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(9) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(10) the exempt foreign trade income of a foreign sales corporation under sections 921(a) and 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986;

(11) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986; and

(12) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities.

Sec. 5. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

(1) the amount of foreign dividend gross-up added to gross income for federal income tax purposes under section 78 of the Internal Revenue Code;

(2) the decrease in salary expense for federal income tax purposes due to claiming the federal jobs credit under section 51 of the Internal Revenue Code;

(3) any dividend (not including any distribution in liquidation) paid within the taxable year by a national or state bank to the United States, or to any instrumentality of the United States exempt from federal income taxes, on the preferred stock of the bank owned by the United States or the instrumentality;

(4) amounts disallowed for intangible drilling costs due to differences between this chapter and the Internal Revenue Code in taxable years beginning before January 1, 1987, as follows:

(i) to the extent the disallowed costs are represented by physical property, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7, subject to the modifications contained in subdivision 19e; and

(ii) to the extent the disallowed costs are not represented by physical property, an amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section 290.09, subdivision 8;

(5) the deduction for capital losses pursuant to sections 1211 and 1212 of the Internal Revenue Code of 1986, as amended through December 31, 1986, except that:

(i) for capital losses incurred in taxable years beginning after December 31, 1986, capital loss carrybacks shall not be allowed; and

(ii) for capital losses incurred in taxable years beginning after December 31, 1986, a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be allowed;

(iii) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryback to each of the three taxable years preceding the loss year, subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

(6) an amount for interest and expenses relating to income not taxable for federal income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or 291 of the Internal Revenue Code of 1986, as amended through December 31, 1986, in computing federal taxable income;

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

(8) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09, subdivision 7;

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section 273.1314, subdivision 9, or Minnesota Statutes, section 469.171, subdivision 6;

(10) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year.

Sec. 6. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19e, is amended to read:

Subd. 19e. [DEPRECIATION MODIFICATIONS FOR CORPORATIONS.] In the case of corporations, a modification shall be made for the accelerated cost recovery system. The allowable deduction for the accelerated cost recovery system is the same amount as provided in section 168 of the Internal Revenue Code with the following modifications. The modifications apply to taxable years beginning after December 31, 1986, and to property for which deductions under the Tax Reform Act of 1986, Public Law Number 99-514, are elected or apply.

(a) For property placed in service after December 31, 1980, and before January 1, 1987, 40 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1985, for 15-, 18-, or 19-year real property shall not be allowed and for all other property 20 percent shall not be allowed.

(b) For property placed in service after December 31, 1987, no modification shall be made.

(c) For property placed in service after July 31, 1986, and before January 1, 1987, for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, and for property placed in service after December 31, 1986, and before January 1, 1988, 15 percent of the allowance pursuant to section 168 of the Internal Revenue Code of 1986 shall not be allowed.

(d) For property placed in service after December 31, 1980, and before January 1, 1987, for which the taxpayer elects to use the straight line method provided in section 168(b)(3), (f)(12), or (j)(1) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1986, as amended through December 31, 1986, but excluding property for which the taxpayer elects the deduction pursuant to section 203 of the Tax Reform Act of 1986, Public Law Number 99-514, the modifications provided in paragraph (a) do not apply.

(e) For property subject to the modifications contained in paragraphs (a) and ~~(b)~~ (c) and Minnesota Statutes 1986, section 290.09,

subdivision 7, clause (c), the following modification shall be made after the entire amount of the allowable deduction has been allowed for federal tax purposes for that property under the provisions of section 168 of the Internal Revenue Code of 1986, as amended through December 31, 1986. The remaining depreciable basis in those assets for Minnesota purposes, including the amount of any basis reduction to reflect the investment tax credit for federal purposes under sections 48(q) and 49(d) of the Internal Revenue Code of 1986, as amended through December 31, 1986, shall be a depreciation allowance computed using the straight line method over the following number of years:

- (1) three-year property, one year;
- (2) five-year and seven-year property, two years;
- (3) ten-year property, five years; and
- (4) all other property, seven years.

(f) For property placed in service after December 31, 1987, the remaining depreciable basis for Minnesota purposes that is attributable to the basis reduction for federal purposes to reflect the investment tax credit under sections 48(q) and 49(d) of the Internal Revenue Code of 1986, as amended through December 31, 1986, shall be allowed as a deduction in the first taxable year after the entire amount of the allowable deduction for that property under the provisions of section 168 of the Internal Revenue Code of 1986, has been allowed, except that where the straight line method provided in section 168(b)(3) is used, the deduction provided in this clause shall be allowed in the last taxable year in which an allowance for depreciation is allowed for that property.

(g) For qualified timber property for which the taxpayer made an election under section 194 of the Internal Revenue Code of 1986, the remaining depreciable basis for Minnesota purposes is allowed as a deduction in the first taxable year after the entire allowable deduction has been allowed for federal tax purposes.

(h) The basis of property to which section 168 of the Internal Revenue Code applies is its basis as provided in this chapter including the modifications provided in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c). The recapture tax provisions provided in sections 1245 and 1250 of the Internal Revenue Code of 1986, as amended through December 31, 1986, apply but must be calculated using the basis provided in the preceding sentence.

(i) The basis of an asset acquired in an exchange of assets, including an involuntary conversion, is the same as its federal basis

under the provisions of the Internal Revenue Code of 1986, except that the difference in basis due to the modifications in this subdivision and in Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), is a deduction as provided in paragraph (e).

Sec. 7. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] A person, other than a resident individual, that conducts a trade or business with its principal place of business outside of Minnesota is subject to the taxes imposed by this chapter with respect to that trade or business if the trade or business makes sales or receives other income that is assignable or apportionable to this state under section 290.17, 290.191, 290.20, 290.35 or 290.36 without regard to physical presence in this state, except as provided in subdivision 3. Activities that create jurisdiction to tax under this chapter include, but are not limited to:

- (1) having a place of business in this state;
- (2) having employees, representatives, or independent contractors conducting business activities in this state;
- (3) regularly selling products or services of any kind or nature to customers in this state who receive the product or service in this state;
- (4) regularly soliciting business from potential customers in this state;
- (5) regularly performing services from outside this state which are consumed within this state;
- (6) regularly engaging in transactions with customers in this state that involve intangible property, including loans but not property described in subdivision 3, paragraph (b), and result in income flowing to the person from within this state;
- (7) owning or leasing tangible personal or real property located in this state; or
- (8) if a financial institution, regularly soliciting and receiving deposits from customers in this state. (a) Except as provided in subdivision 3, a person that conducts a trade or business that has a place of business in this state, regularly has employees or independent contractors conducting business activities on its behalf in this state, or owns or leases real property located in this state or tangible personal property located in this state as defined in section 290.191,

subdivision 6, paragraph (e), is subject to the taxes imposed by this chapter.

(b) Except as provided in subdivision 3, a person that conducts a trade or business not described in paragraph (a) is subject to the taxes imposed by this chapter if the trade or business obtains or regularly solicits business from within this state, without regard to physical presence in this state.

(c) For purposes of paragraph (b), business from within this state includes, but is not limited to:

(1) sales of products or services of any kind or nature to customers in this state who receive the product or service in this state;

(2) sales of services that are performed from outside this state but the benefits of which are consumed in this state;

(3) transactions with customers in this state that involve intangible property and result in income flowing to the person from within this state;

(4) leases of tangible personal property that is located in this state as defined in section 290.191, subdivision 6, paragraph (e);

(5) sales and leases of real property located in this state; and

(6) if a financial institution, deposits received from customers in this state.

(d) For purposes of paragraph (b), solicitation includes, but is not limited to:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition of which this state is included of a broader regional or national publication which are not

placed in other geographically defined editions of the same issue of the same publication.

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota; or

(8) any other solicitation by telegraph, telephone, computer data base, cable, optic, microwave, or other communication system.

Sec. 8. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 2, is amended to read:

Subd. 2. [PRESUMPTION.] (a) A person is presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it conducts transactions described in any of subdivision 1, clauses (3) to (6), with 20 or more residents of this state during any tax period or, if a financial institution, if the sum of its assets and the absolute value of its deposits attributable to sources within this state equals or exceeds \$5,000,000. Assets and deposits must be attributed to sources within this state by applying the principles established under section 290.191 obtaining or regularly soliciting business from within this state if:

(1) it conducts activities described in subdivision 1, without regard to transactions described in subdivision 3, with 20 or more residents of this state during any tax period; or

(2) it is a financial institution as defined in section 290.01, subdivision 4a, and the sum of its assets and the absolute value of its deposits attributable to sources within this state equals or exceeds \$5,000,000, with assets and deposits attributed to sources within this state by applying the principles established under section 290.191, except as provided in subdivision 3.

(b) A financial institution that does not satisfy the requirements of paragraph (a) is not subject to taxes imposed by this chapter except for taxes imposed under section 290.92.

Sec. 9. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this

chapter is precluded by Public Law Number 86-272, United States Code, title 15, sections 381 to 384.

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the property, or the acquisition or liquidation of collateral relating to the property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

(1) an interest in a real estate mortgage investment conduit, a real estate investment trust, or a regulated investment company, as those terms are defined in the Internal Revenue Code of 1986, as amended through December 31, 1986 1987; and

(2) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables, and which are issued by a financial institution or by an entity substantially all of whose assets consist of promissory notes, mortgages, receivables, or interests in them;

(3) an interest that has been purchased or acquired by or from a financial institution in any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner;

(4) an interest that has been purchased or acquired by or from a financial institution in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner;

(5) an interest in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation that is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding provisions of this subdivision, provided the property is disposed of within a reasonable period of time.

(6) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision.

If the person is the member of a unitary group, this paragraph (b) does not apply to an interest acquired from another member of the unitary group.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290.015, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS.] (a) This section does not (1) subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business; or (2) ~~exclude a trade or business from the filing requirements of the notice of business activities report under section 290.371.~~

(b) The purchase of tangible personal property or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota (the "non-Minnesota person") from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made.

(c) No contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3 shall be taken into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. The fact of participation by a Minnesota financial institution in a transaction that also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota is not a factor in determining whether the financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary group.

Sec. 11. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 1, is amended to read:

Subdivision 1. [COMPUTATION, CORPORATIONS.] (a) The franchise tax imposed by this chapter upon corporations shall be computed by applying to their taxable income the rate of 9.5 percent adjusted as provided in paragraph (b).

(b) For taxable years beginning after December 31, 1989, the commissioner of revenue must adjust the rate provided in paragraph (a) as provided in this paragraph. By December 15, 1989, the commissioner shall prepare a forecast of revenues predicted to be

raised for taxable years beginning in 1990 by the franchise tax on corporations under this chapter for taxable years beginning in 1990, including the tax under section 290.092, computed as if the tax were imposed under section 290.092, subdivisions 1 to 4, and the rate in effect in this subdivision were 9.5 percent. The commissioner shall adjust the rate provided in paragraph (a) so that the amount forecast to be raised by the franchise tax on corporations under this chapter, including the tax under section 290.092, subdivision 5, is equal to the amount of the forecast computed as if the tax under section 290.092, subdivisions 1 to 4, were in effect. The adjustment of the tax rate by the commissioner under this subdivision shall not be considered a "rule" and shall not be subject to the administrative procedure act contained in chapter 14.

Sec. 12. Minnesota Statutes 1987 Supplement, section 290.06, subdivision 21, is amended to read:

Subd. 21. [ALTERNATIVE MINIMUM TAX.] (a) A corporation is allowed a credit for alternative minimum tax previously paid for any taxable year in which the corporation has no tax liability under section 290.092, subdivision 1, and has an alternative minimum tax credit carryover from a previous year. The credit allowable in any taxable year shall be equal to the lesser of (1) the excess of the tax under section 290.06 for the taxable year over the amount computed under section 290.092, subdivision 1, clause (a) (1), for the taxable year, or (2) the alternative minimum tax credit carryover to the taxable year.

(b) The tax imposed under section 290.092, subdivision 1, for any taxable year is a credit for an alternative minimum tax previously paid which is a credit carryover to each of the five taxable years succeeding the taxable year. The entire amount of the alternative minimum tax credit must be carried to the earliest of the taxable years year to which such amount may be carried. The portion of the alternative minimum tax credit which is carried to each of the other taxable years to which the credit may be carried is the excess, if any, of the credit over the amount allowable under paragraph (a) for each of the taxable years to which the credit may be carried. In each taxable year in which a credit is allowable under paragraph (a), the credit for alternative minimum tax previously paid must be used beginning with the earliest taxable year from which the credit may be carried. Any unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year more than five years after the taxable year in which the alternative minimum tax was paid.

Sec. 13. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 3, is amended to read:

Subd. 3. [ALTERNATIVE MINIMUM TAX BASE.] The alternative minimum tax base equals the sum of:

- (1) the total amount of Minnesota sales and or receipts;
- (2) the amount of the taxpayer's total Minnesota property; and
- (3) the taxpayer's total Minnesota payrolls;

less the exemption amount, if any.

Sec. 14. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 4, is amended to read:

Subd. 4. [DEFINITIONS.] (a) "Minnesota sales and or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota except as provided in subdivision 4a. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. For the first five taxable years during which a corporation is subject to taxation under this chapter, the amount of its Minnesota property and payrolls shall be deemed to be zero for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, except as provided in subdivision 4a. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

(d) The "exemption amount" equals the lesser of (1) the sum of the taxpayer's Minnesota sales and or receipts, property, and payrolls, as defined in this section, or (2) \$5,000,000 reduced by one-half of the amount of the taxpayer's total sales and receipts, property, and payrolls, as defined in this section, in excess of \$10,000,000. In the case of a unitary group, the exemption amount equals the lesser of (1) the sum of the unitary group's Minnesota sales or receipts, property, and payrolls or (2) \$5,000,000 reduced by one-half of the unitary group's total sales or receipts, property, and payrolls in excess of \$10,000,000. Each member of a unitary group may use a

portion of the unitary group's exemption amount based on a fraction, the numerator of which is the sum of the taxpayer's Minnesota sales or receipts, property, and payrolls and the denominator is the sum of the Minnesota sales or receipts, property, and payrolls of all unitary members subject to the taxes imposed by this chapter. Total sales and receipts, property, and payroll means the total determined under section 290.191 as the denominator of the apportionment formula. For purposes of this section, taxpayers who use an apportionment formula that does not include sales or receipts, property, and payrolls shall, nevertheless, use those amounts as defined in section 290.191, subdivisions 5 to 12. On a return for a short taxable year, the amount of total property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365. In the case of a unitary business, the exemption amount must reflect the factors of the entire all businesses included in the unitary business group as reported on the combined report defined in section 290.17, subdivision 4. A corporation that has as its sole or primary business activity (1) the providing of professional services, as defined in section 319A.02; (2) operation as a financial institution, as defined in section 290.01, subdivision 4a; (3) sales or management of real estate; or (4) operation as an insurance agency, as defined in section 60A.02, does not have an exemption amount.

Sec. 15. Minnesota Statutes 1987 Supplement, section 290.092, is amended by adding a subdivision to read:

Subd. 4a. [NEW BUSINESS EXCLUSION.] For the first five taxable years during which a corporation is subject to taxation under this chapter, the amount of its Minnesota property and payrolls must be excluded from the alternative minimum tax base unless it is disqualified in this subdivision. A corporation is considered subject to taxation under this chapter if it would be subject to Minnesota's jurisdiction to tax as provided in section 290.015, before claiming this exclusion. The following does not qualify for this exclusion:

(1) a corporation that is a member of a unitary group that includes at least one business that does not qualify for this exclusion;

(2) any corporation organized under the laws of this state or certified to do business within this state at least five taxable years before the taxable year in which this exclusion is claimed;

(3) corporations created by: reorganizations, as defined in section 368 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or split-ups, split-offs, or spin-offs, as described in section 355 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or the transfer or acquisition, whether directly or indirectly, of assets which constitute a trade or business,

including stock purchases under section 338 of the Internal Revenue Code of 1986, as amended through December 31, 1987, where the surviving, newly formed, or acquiring corporation conducts substantially the same activities as the predecessor corporation, regardless of whether or not the survivor corporation also conducts additional activities, and the predecessor corporation would not otherwise qualify for this exclusion if it had continued to conduct those activities;

(4) any change in identity or form of business where the original business entity would have been subject to Minnesota's taxing jurisdiction, as provided in section 290.015, at least five taxable years before the taxable year in which this exclusion is claimed;

(5) a corporation, the primary business activity of which is the providing of professional services as defined in section 319A.02, operation as a financial institution, as defined in section 290.01, subdivision 4a; sales or management of real estate; or operation as an insurance agency, as defined in section 60A.03; or

(6) a corporation the affairs of which the commissioner finds were arranged as they were primarily to reduce taxes.

Sec. 16. Minnesota Statutes 1987 Supplement, section 290.092, subdivision 5, is amended to read:

Subd. 5. [IMPOSITION OF TAX AFTER 1989.] For taxable years beginning after December 31, 1989, in addition to the taxes computed under this chapter ~~without regard to this section~~, the franchise tax imposed on corporations includes a tax equal to the excess, if any, of:

(1) 40 percent of the tax imposed upon the corporation under section 55(a) of the Internal Revenue Code of 1986, as amended through December 31, 1986, apportioned to Minnesota under section 290.191. In computing the amount of the liability under section 55(a) of the Internal Revenue Code of 1986, the regular federal tax liability under section 55(a)(2) of the Internal Revenue Code of 1986, must be determined using federal taxable income as modified by sections 290.01, subdivisions 19c and 19d, 290.095, and 290.21, and alternative minimum taxable income under section 56 of the Internal Revenue Code of 1986 must be computed as if the section 290.095 restrictions on net operating losses applied.

(2) ~~the amount of tax computed under this chapter without regard to this section.~~

Sec. 17. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 1, is amended to read:

Subdivision 1. [ALLOWANCE OF DEDUCTION.] (a) There shall be allowed as a deduction for the taxable year the amount of any net operating loss deduction as provided in section 172 of the Internal Revenue Code of 1986, as amended through December 31, 1986, subject to the limitations and modifications provided in this section.

(b) A net operating loss deduction shall be available under this section only to corporate taxpayers except that subdivisions 7, 9, and 11 hereof apply only to individuals, estates, and trusts.

(c) In the case of a regulated investment company or fund thereof, as defined in section 851(a) or 851(q) of the Internal Revenue code of 1986, as amended through December 31, 1987, the deduction provided by this section is not allowed.

Sec. 18. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss for any taxable year incurred in a taxable year: (i) beginning after December 31, 1986, shall be a net operating loss carryover to each of the 15 taxable years following the taxable year of such loss; (ii) beginning before January 1, 1987, shall be a net operating loss carryover to each of the five taxable years following the taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section 290.095; and (iii) beginning before January 1, 1987, shall be a net operating loss carryback to each of the three taxable years preceding the loss year subject to the provisions of Minnesota Statutes 1986, section 290.095.

(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 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 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 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to the extent of the apportionment ratio of the loss year.

(d) No additional net operating loss deduction is allowed in a subsequent taxable year for the portion of a net operating loss deduction incurred in any taxable year used to offset Minnesota income in a year in which the taxpayer is subject to the alternative minimum tax in section 290.092.

Sec. 19. Minnesota Statutes 1987 Supplement, section 290.095, is amended by adding a subdivision to read:

Subd. 12. [UNITARY GROUP; CARRYBACK; CARRYFORWARD.] (a) A taxpayer may elect a net operating loss carryback to each of the three taxable years preceding the taxable year of the loss and a net operating loss carryover to each of the five taxable years following the taxable year of the loss, notwithstanding subdivision 3, clause (a). The net operating loss carryback and carryover allowed under this subdivision is limited to the part of the net operating loss attributable to the deduction allowed for bad debts under section 166(a) of the Internal Revenue Code of 1986, as amended through December 31, 1987. The part of the net operating loss for any taxable year that is attributable to the deduction allowed for bad debts is the excess of the net operating loss for the taxable year, over the net operating loss for the taxable year determined without regard to the amount allowed as a deduction for bad debts for the taxable year. In applying the provisions of subdivision 3, clause (b), the part of the net operating loss for the loss year that is attributable to the deduction allowed for bad debts is considered a separate net operating loss for the year to be applied before the other part of the net operating loss. This subdivision applies only to taxpayers where a member of the unitary group meets the definition found in section 585(c)(2)(A) of the Internal Revenue Code of 1986, as amended through December 31, 1987, and includes all corporations included in the unitary group and required to be included on a combined report. A refund of tax that is the result of a net operating loss carryback under this subdivision must be paid after two years but before two years and 30 days after the claim for refund was filed.

(b) This subdivision is repealed effective for taxable years beginning after December 31, 1993.

Sec. 20. Minnesota Statutes 1987 Supplement, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

Notwithstanding any other provision of law, in computing the net income of a corporation no deduction shall in any case be allowed for expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, except that for corporations engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 1, and the provisions of section 298.031, this shall not prevent the deduction of expenses and other items to the extent that the expenses and other items are allowable under this chapter and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes

for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause.

Sec. 21. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 6, is amended to read:

Subd. 6. [DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS.] (a) For purposes of this section, the rules in this subdivision and subdivisions 7 and 8 apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market ~~transactions~~ instruments, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United States government agencies and corporations, obligations of state and political subdivisions, corporate stock and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Tangible personal property that is characteristically moving property, such as motor vehicles, rolling stock, aircraft, vessels, mobile equipment, and the like, is considered to be located in a state if:

(1) the operation of the property is entirely within the state; or

(2) the operation of the property is in two or more states, but the principal base of operations from which the property is sent out is in the state.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations not secured by real or tangible personal property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which the business applied for the loan. "Applied for" means initial inquiry (including customer assistance in preparing the loan application) or submission of a completed loan application, whichever occurs first there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) Interest income and other receipts from a participating financial institution's portion of participation loans must be attributed under paragraphs (e) to (h). A participation loan is a loan in which more than one lender is a creditor to a common borrower.

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

(k) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Receipts from the performance of fiduciary and other services must be attributed to the state in which the benefits of the services are consumed. If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state.

(m) Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

(n) Receipts from investments of a financial institution in securi-

ties of this state, its political subdivisions, agencies, and instrumentalities must be attributed to this state.

(o) Receipts from a financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), are not included in the numerator or the denominator of the receipts factor provided the financial institution's activities within this state with respect to any interest in such property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (n) and section 290.191, subdivision 7.

Sec. 22. Minnesota Statutes 1987 Supplement, section 290.191, subdivision 11, is amended to read:

Subd. 11. [FINANCIAL INSTITUTIONS; PROPERTY FACTOR.]

(a) For financial institutions, the property factor includes, as well as tangible property, intangible property as set forth in this subdivision.

(b) Intangible personal property must be included at its tax basis for federal income tax purposes.

(c) Goodwill must not be included in the property factor.

(d) Coin and currency located in this state must be attributed to this state.

(e) Lease financing receivables must be attributed to this state if and to the extent that the property is located within this state.

(f) Assets in the nature of loans that are secured by real or tangible personal property must be attributed to this state if and to the extent that the security property is located within this state.

(g) Assets in the nature of consumer loans and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan was made to a resident of this state.

(h) Assets in the nature of commercial loan and installment obligations that are unsecured or secured by intangible property must be attributed to this state if the loan proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the assets must be attributed to the state in which the business applied for the loan. "Applied for" means initial inquiry (including customer assistance in preparing the loan appli-

ation) or submission of a completed loan application, whichever occurs first there is located the office of the borrower from which the application would be made in the regular course of business. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) A participating financial institution's portion of a participation loan must be attributed under paragraphs (e) to (h).

(j) Financial institution credit card and travel and entertainment credit card receivables must be attributed to the state to which the credit card charges and fees are regularly billed.

(k) Receivables arising from merchant discount income derived from financial institution credit card holder transactions with a merchant are attributed to the state in which the merchant is located. In the case of merchants located within and without the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Assets in the nature of securities and money market instruments are apportioned to this state based upon the ratio that total deposits from this state, its residents, its political subdivisions, agencies and instrumentalities bear to the total deposits from all states, their residents, their political subdivisions, agencies and instrumentalities. In the case of an unregulated financial institution subject to this regulation, the receipts assets are apportioned to this state based upon the ratio that its gross business income earned from sources within this state bears to gross business income earned from sources within all states. For purposes of this subsection, deposits made by this state, its residents, its political subdivisions, agencies, and instrumentalities are attributed to this state, whether or not the deposits are accepted or maintained by the taxpayer at locations within this state.

(m) A financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is not included in the numerator or the denominator of the property factor provided the financial institution's activities within this state with respect to any interest in such property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the property factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (1).

Sec. 23. Minnesota Statutes 1987 Supplement, section 290.21, subdivision 3, is amended to read:

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

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

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

(c) to a fraternal society, order, or association, operating under the lodge system located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in clause (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 if the contribution or gift consists of real property located in Minnesota,

(e) to or for the use of a foundation if the foundation is organized and operated exclusively for a purpose in clause (b), and has no part of its net earnings inuring to the benefit of a private shareholder or individual, but does not carry on substantially all of its activities within this state. The deduction under this clause equals the amount of the corporation's contributions or gifts to the foundation within the taxable year multiplied by a fraction equal to the ratio of the foundation's total expenditures during the taxable year for the benefit of organizations described in clause (b) to the foundation's total expenditures during the taxable year.

(f) 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,

(g) in the case of a corporation reporting its taxable income on the accrual basis, if: (A) the board of directors authorizes a charitable contribution during any taxable year, and (B) payment of such contribution is made after the close of such taxable year and on or

before the fifteenth day of the third month following the close of such taxable year; then the taxpayer may elect to treat such contribution as paid during such taxable year. The election may be made only at the time of the filing of the return for such taxable year, and shall be signified in such manner as the commissioner shall by rules prescribe.

Sec. 24. Minnesota Statutes 1987 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) Eighty 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 the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. The remaining 20 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. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the remainder shall be allowed as a deduction. The proportion must be that which 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 amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their distribution. 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, 80 percent of 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, from income arising out of business done in this state by the corporation paying the dividends. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the dividends shall be allowed as a deduction. The proportion must be that which 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 amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their 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 1986, as amended through December 31, 1986.

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 1986, as amended through December 31, 1986.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1986, as amended through December 31, 1986.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 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) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1986.

Sec. 25. Minnesota Statutes 1987 Supplement, section 290.35, subdivision 2, is amended to read:

Subd. 2. [APPORTIONMENT OF TAXABLE NET INCOME.] The commissioner shall compute therefrom the taxable net income of such companies by assigning to this state that proportion thereof which the gross premiums collected by them during the taxable year from old and new business within this state bears to the total gross premiums collected by them during that year from their entire old and new business, including reinsurance premiums; provided, the commissioner shall add to the taxable net income so apportioned to

this state the amount of any taxes on premiums paid by the company by virtue of any law of this state (other than the surcharge on premiums imposed by sections 69.54 to 69.56) which shall have been deducted from gross income by the company in arriving at its total net income under the provisions of such act of congress.

(a) For purposes of determining the Minnesota apportionment percentage, premiums from reinsurance contracts ~~assumed from companies domiciled in Minnesota and premiums~~ in connection with property in or liability arising out of activity in, or in connection with the lives or health of Minnesota residents shall be assigned to Minnesota and premiums from reinsurance contracts ~~assumed from companies domiciled outside of Minnesota and premiums~~ in connection with property in or liability arising out of activity in, or in connection with the lives or health of non-Minnesota residents shall be assigned outside of Minnesota. Reinsurance premiums are presumed to be received for a Minnesota risk and are assigned to Minnesota, if:

(1) the reinsurance contract is assumed for a company domiciled in Minnesota; and

(2) the taxpayer, upon request of the commissioner, fails to provide reliable records indicating the reinsured contract covered non-Minnesota risks.

For purposes of this paragraph, "Minnesota risk" means coverage in connection with property in or liability arising out of activity in Minnesota, or in connection with the lives or health of Minnesota residents.

(b) The apportionment method prescribed by paragraph (a) shall be presumed to fairly and correctly determine the taxpayer's taxable net income. If the method prescribed in paragraph (a) does not fairly reflect all or any part of taxable net income, the taxpayer may petition for or the commissioner may require the determination of taxable net income by use of another method if that method fairly reflects taxable net income. A petition within the meaning of this section must be filed by the taxpayer on such form as the commissioner shall require.

Sec. 26. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 1, is amended to read:

Subdivision 1. [REPORT REQUIRED.] Every corporation that, during any calendar year or fiscal accounting year ~~ending beginning~~ after December 31, 1986, ~~carried on any activity or owned or maintained any property in this state, unless specifically exempted under subdivision 3,~~ obtained any business from within this state as described in section 290.015, subdivision 1, with the exception of:

(1) activity levels lower than those set forth in section 290.015, subdivision 2, paragraph (a), clause (2); or

(2) activities described in section 290.015, subdivision 3, paragraph (b); or

(3) corporations specifically exempted under subdivision 2 of this section

must file a notice of business activities report, as provided in this section. Filing of the report is not a factor in determining whether a corporation is subject to taxation under this chapter.

Sec. 27. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 3, is amended to read:

Subd. 3. [EXEMPTIONS.] A corporation is not required to file a notice of business activities report if:

(1) by the end of an accounting period for which it was otherwise required to file a notice of business activities report under this section, it had received a certificate of authority to do business in this state;

(2) a timely return or report has been filed under section 290.05, subdivision 4; or 290.37; or

(3) the corporation is exempt from taxation under this chapter pursuant to section 290.05, subdivision 1; or

(4) the corporation's activities in Minnesota, or the interests in property which it owns, consist solely of activities or property exempted from jurisdiction to tax under section 290.015, subdivision 3, paragraph (b).

Sec. 28. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 4, is amended to read:

Subd. 4. [ANNUAL FILING.] Every corporation not exempt under subdivision 3 must file annually a notice of business activities report, including such forms as the commissioner may require, with respect to ~~all or any part of~~ each of its calendar or fiscal accounting years beginning after December 31, 1986, on or before the 15th day of the fourth month after the close of the calendar or fiscal accounting year.

Sec. 29. Minnesota Statutes 1987 Supplement, section 290.371, subdivision 5, is amended to read:

Subd. 5. [FAILURE TO FILE TIMELY REPORT.] (a) Any corporation required to file a notice of business activities report does not have any cause of action upon which it may bring suit under Minnesota law unless the corporation has filed a notice of business activities report.

(b) The failure of a corporation to file a timely report prevents the use of the courts in this state, except regarding activities described in subdivision 3, clause (4), for all contracts executed and all causes of action that arose at any time before the end of the last accounting period for which the corporation failed to file a required report.

(c) The court in which the issues arise has the power to excuse the corporation for its failure to file a report when due, and restore the corporation's cause of action under the laws of this state, if the corporation has paid all taxes, interest, and civil penalties due the state for all periods, or provided for payment of them by adequate security or bond approved by the commissioner.

(d) Notwithstanding the provisions of section 290.61, the commissioner may acknowledge whether or not a particular corporation has filed with the commissioner reports or returns required by this chapter if the acknowledgment:

(1) is to a party in a civil action;

(2) relates to the filing status of another party in the same civil action; and

(3) is in response to a written request accompanied by a copy of the summons and complaint in the civil action.

Sec. 30. Minnesota Statutes 1986, section 290.50, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] This section shall not be construed so as to disallow:

(a) a net operating loss carryback to any taxable year authorized by section 290.095 or section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1985, but the refund or credit shall be limited to the amount of overpayment arising from the carryback;

(b) a capital loss carryback by a corporation under Minnesota Statutes 1986, section 290.16, provided that the claim for refund or credit is made prior to the expiration of the 15th day of the 45th month following the end of the taxable year of the net capital loss which results in the carryback, plus any extension of time granted for filing the return, but only if the return was filed within the

extended time, and the refund or credit is limited to the amount of overpayment arising from the carryback.

Sec. 31. Minnesota Statutes 1987 Supplement, section 290.9725, is amended to read:

290.9725 [ELECTION BY SMALL BUSINESS CORPORATION S CORPORATIONS.]

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1986, 1987. An S corporation shall not be subject to the taxes imposed by this chapter, except:

(1) the corporation is subject to the tax imposed under section 290.92; and

(2) the corporation is subject to the tax imposed under section 290.92 in any tax period in which it recognizes income for federal income tax purposes under Internal Revenue Code, section 1363(d), 1374, or 1375; the total amount of income recognized is the federal taxable income for the corporation within the meaning of section 290.01, subdivision 19; the provisions of sections 290.01, subdivisions 19a to 19f, and 290.17 to 290.20, must be employed to determine the taxable net income of the corporation; and the taxable net income of the corporation is its taxable income, except that any net operating loss carryforward that arose in a year when there was no election in effect under Section 1362 of the Internal Revenue Code is allowed as a deduction for taxes imposed under sections 290.92, 290.9727, 290.9728, and 290.9729.

Sec. 32. [290.9727] [TAX ON CERTAIN BUILT-IN GAINS.]

Subdivision 1. [TAX IMPOSED.] For a corporation electing S corporation status pursuant to section 1362 of the Internal Revenue Code of 1986, as amended through December 31, 1987, after December 31, 1986, and having a recognized built-in gain as defined in section 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, there is imposed a tax on the taxable income of such S corporation, as defined in this section, at the rate prescribed by section 290.06, subdivision 1. This section does not apply to any corporation having an S election in effect for each of its taxable years. An S corporation and any predecessor corporation must be treated as one corporation for purposes of the preceding sentence.

Subd. 2. [TAXABLE INCOME.] For purposes of this section, taxable income means taxable net income less the deduction for net operating loss carryforwards as provided by this section.

Subd. 3. [TAXABLE NET INCOME.] For purposes of this section, taxable net income means the lesser of:

(1) the recognized built-in gains of the S corporation for the taxable year, as determined under section 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the modifications provided in section 290.01, subdivisions 19e and 19f, that are allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Subd. 4. [NET OPERATING LOSS CARRYFORWARD.] A net operating loss carryforward, as determined under section 290.095, arising in a taxable year before the corporation elected S corporation status, shall be allowed as a deduction against the lesser of the amounts referred to in subdivision 3, clauses (1) and (2). For purposes of determining the amount of any such loss that may be carried to later taxable years, the lesser of the amounts referred to in subdivision 3, clauses (1) and (2) shall be treated as taxable income.

Sec. 33. [290.9728] [TAX ON CAPITAL GAINS.]

Subdivision 1. [TAX IMPOSED.] There is imposed a tax on the taxable income of a corporation that has:

(1) elected S corporation status pursuant to section 1362 of the Internal Revenue Code of 1954, as amended through December 31, 1987, before January 1, 1987;

(2) a net capital gain for the taxable year (1) in excess of \$25,000 and (2) exceeding 50 percent of the corporation's federal taxable income for the taxable year; and

(3) federal taxable income for the taxable year exceeding \$25,000.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. For purposes of this section, "federal taxable income" means federal taxable income determined under section 1374(4)(d) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This section does not apply to an S corporation which has had an election in effect under section 1362 of the Internal Revenue Code for the three immediately preceding taxable years.

This section does not apply to an S corporation that has been in existence for less than four taxable years and has had an election in effect under section 1362 of the Internal Revenue Code for each of the corporation's taxable years. For purposes of this section, an S corporation and any predecessor corporation are treated as one corporation.

Subd. 2. [TAXABLE INCOME.] For purposes of this section, taxable income means the lesser of:

(1) the amount of the net capital gain of the S corporation for the taxable year, as determined under sections 1222 and 1374 of the Internal Revenue Code of 1986, as amended through December 31, 1987, and subject to the modifications provided in section 290.01, subdivisions 19e and 19f, in excess of \$25,000 that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Sec. 34. [290.9729] [TAX ON PASSIVE INVESTMENT INCOME.]

Subdivision 1. [TAX IMPOSED.] There is imposed a tax for the taxable year on the taxable income of an S corporation, if for the taxable year an S corporation has:

(1) subchapter C earnings and profits at the close of such taxable year; and

(2) gross receipts more than 25 percent of which are passive investment income.

The tax is imposed at the rate prescribed by section 290.06, subdivision 1. The terms "subchapter C earnings and profits," "passive investment income," and "gross receipts" have the same meanings as when used in sections 1362(d)(3) and 1375 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Subd. 2. [TAXABLE INCOME.] For the purposes of this section, taxable income means the lesser of:

(1) the amount of the S corporation's excess net passive income, as determined under section 1375 of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20; or

(2) the amount of the S corporation's federal taxable income, as determined under section 1374(d)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, subject to the provisions of section 290.01, subdivisions 19c to 19f, that is allocable to this state under section 290.17, 290.191, or 290.20, less the deduction for charitable contributions in section 290.21, subdivision 3.

Subd. 3. [WAIVER OF TAX.] The tax imposed by this section shall be waived if the taxpayer receives a waiver for federal income tax purposes under section 1375(d) of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 35. [298.402] [NET OPERATING LOSSES.]

For purposes of the computation under section 298.40, subdivision 1, clause (b), a net operating loss incurred in a taxable year beginning after December 31, 1986, is a net operating loss carryover to each of the 15 taxable years following the taxable year of the loss, in accordance with section 290.095. A net operating loss incurred in a taxable year beginning after December 31, 1981, and before January 1, 1987, is a net operating loss carryover to taxable years beginning after December 31, 1986, not to exceed the five taxable years following the taxable year of the loss, in accordance with section 290.095. No net operating loss carryback is allowed for a net operating loss incurred in a taxable year beginning after December 31, 1986.

Sec. 36. Minnesota Statutes 1987 Supplement, section 299.01, subdivision 1, is amended to read:

Subdivision 1. There shall be levied and collected upon all royalty received during each calendar year for permission to explore, mine, take out and remove iron ore or taconites from land in this state, a tax of 15 percent before January 1, 1986, a tax of 14.5 percent after December 31, 1985, and before January 1, 1987, and a tax of 14 percent after December 31, 1986.

Sec. 37. Minnesota Statutes 1986, section 303.03, is amended to read:

303.03 [FOREIGN CORPORATIONS MUST HAVE CERTIFICATE OF AUTHORITY.]

No foreign corporation shall transact business in this state unless it holds a certificate of authority so to do; and no foreign corporation whose certificate of authority has been revoked or canceled pursuant to the provisions of this chapter shall be entitled to obtain a certificate of authority except in accordance with the provisions of section 303.19. This section does not establish standards for those

activities that may subject a foreign corporation to taxation under section 290.015 or to file a business activities report under section 290.371. Without excluding other activities which may not constitute transacting business in this state, and subject to the provisions of sections 303.13 and 543.19, a foreign corporation shall not be considered to be transacting business in this state for the purposes of this chapter solely by reason of carrying on in this state any one or more of the following activities:

(a) Maintaining or defending any action or suit or any administrative or arbitration proceeding, or effecting the settlement thereof or the settlement of claims or disputes;

(b) Holding meetings of its directors or shareholders or carrying on other activities concerning its internal affairs;

(c) Maintaining bank accounts;

(d) Maintaining offices or agencies for the transfer, exchange and registration of its securities, or appointing and maintaining trustees or depositaries with relation to its securities;

(e) Holding title to and managing real or personal property, or any interest therein, situated in this state, as executor of the will or administrator of the estate of any decedent, as trustee of any trust, or as guardian or conservator of the person or estate, or both, of any person;

(f) Making, participating in, or investing in loans or creating, as borrower or lender, or otherwise acquiring indebtedness or mortgages or other security interests in real or personal property;

(g) Securing or collecting its debts or enforcing any rights in property securing them; or

(h) Conducting an isolated transaction completed within a period of 30 days and not in the course of a number of repeated transactions of like nature.

Sec. 38. [REPEALER.]

(a) Minnesota Statutes 1986, section 298.401, is repealed.

(b) Minnesota Statutes 1986, section 299.013, is repealed.

(c) Minnesota Statutes 1987 Supplement, section 290.371, subdivision 2, is repealed.

Sec. 39. [EFFECTIVE DATES.]

Sections 1, 11, 16, 20, 23, and 24, are effective for taxable years beginning after December 31, 1987. Sections 2 and 37 are effective the day following final enactment. Sections 3 to 10, 12, 13, 15, 17, 21, 22, 25 to 34, and 38, paragraph (c) are effective for taxable years beginning after December 31, 1986. Section 14 is effective for taxable years beginning after December 31, 1986, except that the part relating to the apportionment of the exemption amount among members of a unitary group is effective for taxable years beginning after December 31, 1987. Section 18 is effective for taxable years beginning after December 31, 1986, except that the part relating to the allowance of a net operating loss for any taxable year to the extent of the apportionment ratio of the loss year is effective for taxable years beginning after December 31, 1987. Section 19 is effective for losses incurred in taxable years beginning after December 31, 1987, and is repealed effective for taxable years beginning after December 31, 1993. Section 35 is effective for ores mined after December 31, 1986, and before January 1, 1990. Section 36 is effective for ores mined after December 31, 1986. Section 38, paragraph (a), is effective for ores mined after December 31, 1989. Section 38, paragraph (b), is effective for ores mined after December 31, 1986, and supersedes the repealer in Laws 1987, chapter 268, article 9, section 43.

ARTICLE 3

FEDERAL UPDATE

Section 1. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 4, is amended to read:

Subd. 4. [CORPORATIONS.] The term "corporation" shall include every entity which is a corporation under section 7701(a)(3) or is treated as a corporation under section 851(q) or 7704 of the Internal Revenue Code of 1986, as amended through December 31, 1986 1987, and financial institutions. A corporation's franchise is its authorization to exist and conduct business, whether created by legislation, by executive order, by a governmental agency, by contract or other private action, or by some combination thereof. Every corporation is deemed to have a corporate franchise. An entity described in section 646(b) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be classified in the same manner for purposes of this chapter as it is for federal income tax purposes.

Sec. 2. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this

subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, shall be effective at the time they become effective for federal income tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19f mean the code in effect for purposes of determining net income for the applicable year.

Sec. 3. Minnesota Statutes 1987 Supplement, section 290.01, subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] For tax years beginning after December 31, 1986, The term "gross income" means the gross income as defined in section 61 of the Internal Revenue Code of 1986, as amended through the date named in subdivision 19 for the applicable taxable year, plus any additional items of income taxable under this chapter but not taxable under the Internal Revenue Code, less any items included in federal gross income but of a character exempt from state income tax under the laws of the United States. For tax years beginning before January 1, 1987, 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.

For tax years beginning before January 1, 1987, 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 Minnesota Statutes 1986, section 290.01, subdivisions 20a to 20f. For estates and trusts the adjusted gross income for purposes of the preceding sentence 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 Minnesota Statutes 1986, section 290.01, subdivisions 20a to 20f.

(i) 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(e) and (d), 102(a), (aa), (d)(4), (g), (j), (l), 103(e), 104(b)(3), 105, 305(d), 306(a)(9) of Public Law Number 97-448, sections 101 and 102 of Public Law Number 97-473, and section 243 of the Tax Reform Act of 1986, Public Law Number 99-514, 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.

(ii) The Internal Revenue Code of 1954, as amended through January 15, 1983, shall be in effect for taxable years beginning after December 31, 1982. The provisions of sections 905, 1708, and 1879(m) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1983, shall be in effect for taxable years beginning after December 31, 1983. The provisions of sections 13, 17, 25(b), 31, 32, 41 to 43, 52, 55, 56, 71 to 74, 77, 81, 82, 91, 92, 94, 101 to 103, 105 to 108, 111 to 113, 147(e), 171, 172, 174, 175, 179(a), 221, 223, 224, 421(b), 432, 481, 491, 512, 522 to 524, 554 to 557, 561, 611(a), 621 to 623, 626 to 628, 711(e), 712(d), 713(b), (e), (g), and (h), 721(a), (b), (d), (g), (i), (o), (p), (r), (t), and (w), 722(c), 1001, 1026, 1061 to 1064, 1066, 1076, 1078, and 2638(b) of the Deficit Reduction Act of 1984, Public Law Number 98-369, section 1 of Public Law Number 98-611, and sections 1801, 1802, 1805 to 1809, 1812, 1842, 1853 to 1855, 1866, 1869 to 1873, 1875, and 1878(g) and (h) of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.

(iv) The Internal Revenue Code of 1954, as amended through May 25, 1985, shall be in effect for taxable years beginning after December 31, 1984. The provisions of sections 101, 102, 103, 201, and 202 of Public Law Number 99-121 and sections 402, 403, 1803, 1804, 1852, and 1861 of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.

(v) The Internal Revenue Code of 1954, as amended through December 31, 1985, shall be in effect for taxable years beginning after December 31, 1985.

The provisions of sections 121 to 123, 201, 202, 241, 401, 405, 411 to 413, 653, 654, 804, 811, 822, 1001, 1003, 1122, 1162, 1164, 1166, 1301, 1401, 1402, 1707, 1826, 1827, 1843, 1867, 1868, 1879(f), and 1895 of the Tax Reform Act of 1986, Public Law Number 99-514, shall be effective at the same time that they become effective for federal income tax purposes.

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, 20c, and 20f mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 4. Minnesota Statutes 1987 Supplement, section 290.095, subdivision 3, is amended to read:

Subd. 3. [CARRYOVER.] (a) A net operating loss for any taxable year shall be a net operating loss carryover to each of the 15 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 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 taxable years to which such loss may be carried.

(c) Where a corporation does business both within and without Minnesota, and apports its income under the provisions of section 290.191, the net operating loss deduction shall be allowed to the extent of the apportionment ratio of the loss year.

(d) No additional net operating loss deduction is allowed in a subsequent taxable year for the portion of a net operating loss deduction used to offset Minnesota income in a year in which the taxpayer is subject to the alternative minimum tax in section 290.092.

(e) The provisions of sections 381, 382, and 384 of the Internal Revenue Code of 1986, as amended through December 31, 1987, apply to carryovers in certain corporate acquisitions and special limitations on net operating loss carryovers.

Sec. 5. Minnesota Statutes 1986, section 290.931, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENTS OF DECLARATION.] Every

corporation subject to taxation under this chapter (excluding section 290.92) shall make a declaration of estimated tax for the taxable year if its tax liability so computed can reasonably be expected to exceed ~~\$1,000~~ \$500, or in accordance with rules prescribed by the commissioner for an affiliated group of corporations electing to file one return as permitted by rules prescribed under section 290.37, subdivision 1.

Sec. 6. Minnesota Statutes 1986, section 290.934, subdivision 1, is amended to read:

Subdivision 1. [ADDITION TO THE TAX.] In case of any underpayment of estimated tax by a corporation, ~~except as provided in subdivision 4,~~ there shall be added to the tax for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment (determined under subdivision 2) for the period of the underpayment (determined under subdivision 3).

Sec. 7. Minnesota Statutes 1987 Supplement, section 290.934, subdivision 2, is amended to read:

Subd. 2. [AMOUNT OF UNDERPAYMENT.] For purposes of subdivision 1, the amount of the underpayment shall be the excess of

(1) ~~the amount of tax shown on the return for the tax year or, if no return is filed, the tax for the tax year~~ required installment, over

(2) the amount, if any, of the installment paid on or before the last date prescribed for payment.

Sec. 8. Minnesota Statutes 1986, section 290.934, subdivision 3, is amended to read:

Subd. 3. [PERIOD OF UNDERPAYMENT.] 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

(1) The 15th day of the third month following the close of the taxable year.

(2) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this paragraph, 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 subdivision 2(1) for such installment date credited against unpaid required installments in the order in which such installments are required to be paid.

Sec. 9. Minnesota Statutes 1986, section 290.934, is amended by adding a subdivision to read:

Subd. 3a. [REQUIRED INSTALLMENTS.] (1) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

(2) Except as otherwise provided in this subdivision, the term "required annual payment" means the lesser of:

(a) 90 percent of the tax shown on the return for the taxable year, or if no return is filed 90 percent of the tax for such year; or

(b) 100 percent of the tax shown on the return of the corporation for the preceding taxable year providing such return was for a full 12-month period, did show a liability, and was filed by the corporation.

(3) Except for determining the first required installment for any taxable year, paragraph (2), clause (b) does not apply in the case of a large corporation. The term "large corporation" means a corporation or any predecessor corporation that had taxable net income of \$1,000,000 or more for any taxable year during the testing period. The term "testing period" means the three taxable years immediately preceding the taxable year involved. A reduction allowed to a large corporation for the first installment that is allowed by applying paragraph (2), clause (b) must be recaptured by increasing the next required installment by the amount of the reduction.

(4) In the case of a required installment, if the corporation establishes that the annualized income installment is less than the amount determined in paragraph (1), the amount of the required installment is the annualized income installment and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.

(5) The "annualized income installment" is the excess, if any, of:

(a) an amount equal to the applicable percentage of the tax for the taxable year computed by placing on an annualized basis the taxable income:

(i) for the first two months of the taxable year, in the case of the first required installment;

(ii) for the first two months or for the first five months of the taxable year, in the case of the second required installment;

(iii) for the first six months or for the first eight months of the taxable year, in the case of the third required installment; and

(iv) for the first nine months or for the first 11 months of the taxable year, in the case of the fourth required installment, over;

(b) the aggregate amount of any prior required installments for the taxable year.

(c) For the purpose of this paragraph, the annualized income shall be computed by placing on an annualized basis the taxable income for the year up to the end of the month preceding the due date for the quarterly payment multiplied by 12 and dividing the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as the case may be) referred to in clause (a).

(d) The "applicable percentage" used in clause (a) is:

<u>In the case of the following</u> <u>required installments:</u>	<u>The applicable</u> <u>percentage is:</u>
<u>1st</u>	<u>22.5</u>
<u>2nd</u>	<u>45</u>
<u>3rd</u>	<u>67.5</u>
<u>4th</u>	<u>90</u>

(6)(a) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

(i) take the taxable income for all months during the taxable year preceding the filing month;

(ii) divide that amount by the base period percentage for all months during the taxable year preceding the filing month;

(iii) determine the tax on the amount determined under item (ii); and

(iv) multiply the tax computed under item (iii) by the base period percentage for the filing month and all months during the taxable year preceding the filing month.

(b) For purposes of this paragraph:

(i) the "base period percentage" for any period of months is the average percent which the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years;

(ii) the term "filing month" means the month in which the installment is required to be paid;

(iii) this paragraph shall only apply if the base period percentage for any six consecutive months of the taxable year equals or exceeds 70 percent; and

(iv) the commissioner may provide by rule for the determination of the base period percentage in the case of reorganizations, new corporations, and other similar circumstances.

(c) In the case of a required installment, determined under this paragraph, if the corporation determines that the installment is less than the amount determined in paragraph (1), the amount of the required installment is the amount determined under this paragraph and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.

Sec. 10. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1987.

Sec. 11. [REPEALER.]

Minnesota Statutes 1986, sections 290.07, subdivisions 3 and 6; 290.11; 290.12, as amended by Laws 1987, chapter 268, article 1, section 64; 290.131, as amended by Laws 1987, chapter 268, article 1, section 65; 290.132, as amended by Laws 1987, chapter 268, article 1, section 66; 290.133, as amended by Laws 1987, chapter 268, article 1, section 67; 290.134, as amended by Laws 1987, chapter 268, article 1, section 68; 290.135, as amended by Laws 1987, chapter 268, article 1, section 69; 290.136, as amended by Laws 1987, chapter 268, article 1, section 70; 290.138, as amended by Laws 1987, chapter 268, article 1, section 71; and 290.934, subdivision 4; and Minnesota Statutes 1987 Supplement, section 290.14, is repealed.

Sec. 12. [INSTRUCTION TO REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1986, as amended through December 31, 1987" for the phrase "Internal Revenue Code of 1986, as amended through December 31, 1986"

whenever that phrase occurs in chapter 290, except section 290.01, subdivision 19, and chapter 291.

Sec. 13. [EFFECTIVE DATES.]

Section 4 is effective for taxable years beginning after December 31, 1986. The repeal in section 11 of Minnesota Statutes 1986, section 290.07, subdivisions 3 and 6, are effective for taxable years beginning after December 31, 1986. The remainder of section 11 is effective for taxable years beginning after December 31, 1987. Except as provided in section 2, all other sections of this article are effective for taxable years beginning after December 31, 1987.

ARTICLE 4

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 3, is amended to read:

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

(a) the greater of federal adjusted gross income as defined in the Internal Revenue Code or zero; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) all nontaxable income;

(ii) the amount of a passive activity loss that is not disallowed as a result of section 469, paragraph (i) or (1) of the Internal Revenue Code and the amount of passive activity loss carryover allowed under section 469(b) of the Internal Revenue Code;

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

(iv) cash public assistance and relief;

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

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

(vii) workers' compensation;

(viii) nontaxable strike benefits;

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

(x) ~~the ordinary income portion of~~ a lump sum distribution under section 402(e)(3) of the Internal Revenue Code; ~~and~~

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

(xii) nontaxable scholarship or fellowship grants.

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; ~~or~~

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

(f) an amount of household income equal to (1) the number of the claimant's dependents multiplied by the federal exemption amount under section 151(d) of the Internal Revenue Code of 1986, as

amended through December 31, 1987; and (2) the federal exemption amount if the claimant or the claimant's spouse was disabled 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. The federal exemption amount is the exemption amount in effect for the taxable year for which the income is reported.

Sec. 2. Minnesota Statutes 1986, section 290A.03, subdivision 7, is amended to read:

Subd. 7. [DEPENDENT.] "Dependent" means any person who is under 18 years of age at the end of the calendar year who receives more than 50 percent of support from the claimant, or who is between 18 and 21 years of age and is a full time student who receives more than 50 percent of support from the claimant considered a dependent under sections 151 and 152 of the Internal Revenue Code of 1986, as amended through December 31, 1987. "Dependent" includes a parent of the claimant or spouse who lives in the claimant's homestead. "Dependent" includes a person over 18 years of age who lives in the claimant's homestead and who receives more than 50 percent of support from the claimant.

Sec. 3. Minnesota Statutes 1987 Supplement, 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 under sections 273.1323 and 273.1324, but after deductions made pursuant to under sections 273.132, 273.135, 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 274.19, 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 whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.13, subdivision 22 or 23 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. 4. Minnesota Statutes 1987 Supplement, section 290A.03, subdivision 14, is amended to read:

Subd. 14. [NET TAX.] "Net tax" means

(a) the property tax, exclusive of special assessments, interest, and penalties, and after reduction for any state paid property tax credits as required in subdivision 13 except for the reduction under sections 273.1323 and 273.1324, or

(b) the payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes,

for the calendar year in which the rent was paid. If a portion of the property is occupied as a homestead or is used for other than rental purposes, the net tax shall be the amount of tax reduced by the percentage that the nonrental use comprises of the total square footage of the building. If a portion of the property is used for purposes other than for residential rental and none of the property is occupied as a homestead, the net tax shall be the amount of the tax of the parcel multiplied by a fraction, the numerator of which is the assessed value of the residential rental portion and the denominator of which is the total assessed value of the parcel. If a portion of the property is used for other than rental residential purposes, the county treasurer shall list on the property tax statement the amount of net tax pertaining to the rental residential portion of the property.

The amount of the net tax shall not be reduced by an abatement or a court ordered reduction in the property tax on the property made after the certificate of rent constituting property tax has been provided to the renter.

Sec. 5. Minnesota Statutes 1987 Supplement, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant who is disabled or has attained the age of 65 by June 1 of the year in which a refund is payable or who, on the federal tax return filed for the prior year, claimed a personal exemption for a dependent pursuant to section 151 of the Internal Revenue Code, and 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 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 the amount of property taxes payable or rent constituting property taxes that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 999	1.0 percent	10 percent	\$1,100
1,000 to 1,999	1.0 percent	10 <u>11</u> percent	\$1,100
2,000 to 2,999	1.0 percent	10 <u>12</u> percent	\$1,100
3,000 to 3,499	1.0 percent	11 <u>13</u> percent	\$1,100
3,500 to 3,999	1.0 percent	11 <u>13</u> percent	\$1,100
4,000 to 4,499	1.0 percent	11 <u>14</u> percent	\$1,100
4,500 to 4,999	1.0 percent	12 <u>14</u> percent	\$1,100
5,000 to 5,999	1.0 percent	12 <u>15</u> percent	\$1,100
6,000 to 6,999	1.1 percent	12 <u>16</u> percent	\$1,100
7,000 to 7,999	1.1 percent	13 <u>17</u> percent	\$1,100
8,000 to 8,999	1.2 percent	13 <u>18</u> percent	\$1,100
9,000 to 9,999	1.2 percent	13 <u>19</u> percent	\$1,100
10,000 to 10,999	1.3 percent	14 <u>20</u> percent	\$1,075
11,000 to 11,999	1.4 percent	14 <u>22</u> percent	\$1,075
12,000 to 12,999	1.5 percent	14 <u>24</u> percent	\$1,075
13,000 to 13,999	1.5 percent	15 <u>26</u> percent	\$1,075
14,000 to 14,999	1.5 percent	16 <u>28</u> percent	\$1,075
15,000 to 15,999	1.6 percent	17 <u>30</u> percent	\$1,075
16,000 to 16,999	1.7 percent	18 <u>32</u> percent	\$1,075
17,000 to 17,999	1.8 percent	19 <u>34</u> percent	\$1,050
18,000 to 18,999	1.9 percent	20 <u>36</u> percent	\$1,050
19,000 to 19,999	2.0 percent	22 <u>38</u> percent	\$1,050
20,000 to 20,999	2.1 percent	24 <u>40</u> percent	\$1,050
21,000 to 21,999	2.2 percent	26 <u>42</u> percent	\$1,050

22,000 to 22,999	2.2 percent	28 <u>44</u> percent	\$1,050
23,000 to 23,999	2.2 percent	30 <u>46</u> percent	\$1,025
24,000 to 24,999	2.3 percent	32 <u>48</u> percent	\$1,025
25,000 to 25,999	2.3 percent	34 <u>50</u> percent	\$1,025
26,000 to 26,999	2.3 percent	36 <u>52</u> percent	\$1,025
27,000 to 27,999	2.4 percent	38 <u>54</u> percent	\$1,000
28,000 to 28,999	2.4 percent	40 <u>56</u> percent	\$ 900
29,000 to 29,999	2.4 percent	42 <u>58</u> percent	\$ 800
30,000 to 30,999	2.4 percent	44 <u>60</u> percent	\$ 700
31,000 to 31,999	2.5 percent	46 <u>60</u> percent	\$ 600
32,000 to 32,999	2.5 percent	48 <u>60</u> percent	\$ 500
33,000 to 33,999	2.5 percent	50 <u>60</u> percent	\$ 300
34,000 to 34,999	2.5 percent	50 <u>60</u> percent	\$ 100

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision less the homestead credit under section 273.1323, or 273.1324 and the alternative homestead credit under section 273.1326. No payment is allowed if the claimant's household income is \$35,000 or more.

Sec. 6. Minnesota Statutes 1987 Supplement, section 290A.06, is amended to read:

290A.06 [FILING TIME LIMIT, LATE FILING; INCOME TAX RETURN.]

Any claim for a refund based on property taxes payable shall be filed with the department of revenue on or before August 15 of the year in which the property taxes are due and payable. ~~A copy of the claimant's federal income tax return for the taxable year preceding the year in which the property taxes are payable must be filed with the claim if the claimant filed a federal income tax return for that year.~~

Any claim for rent constituting property taxes shall be filed with the department of revenue on or before August 15 of the year following the year in which the rent was paid. A copy of the claimant's federal income tax return for the taxable year in which the rent was paid must be filed with the claim if the claimant filed a federal income tax return for that year.

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 the commissioner's 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 canceled or reduced by the commissioner in the case of sickness, absence, or other disability, or when in the commissioner's judgment other good cause exists. In any event no claim shall be allowed if the initial claim is filed one year 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. 7. [290A.24] [FINANCIAL REPORTING.]

For financial reporting and accounting purposes and for purposes of the state budget, the refunds paid under this chapter must be recognized and accounted for as an adjustment in the total amount of withholding tax paid under section 290.92, and declarations of estimated tax under section 290.93.

Sec. 8. [REPEALER.]

Minnesota Statutes 1987 Supplement, section 290A.04, subdivision 2a, is repealed.

Sec. 9. [EFFECTIVE DATES.]

Sections 1, 3 to 5, and 8 are effective for claims based on rent paid in 1988 and subsequent years and claims based on property taxes payable in 1989 and subsequent years. Section 6 is effective for claims based on rent paid in 1987 and subsequent years and claims based on property taxes payable in 1988 and subsequent years.

ARTICLE 5

PROPERTY TAX REFORM AND TRUTH IN TAXATION

Section 1. Minnesota Statutes 1987 Supplement, section 124.155, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENT TO AIDS.] The amount specified in

subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) foundation aid as defined in section 124A.01;
- (b) secondary vocational aid authorized in section 124.573;
- (c) special education aid authorized in section 124.32;
- (d) secondary vocational aid for handicapped children authorized in section 124.574;
- (e) gifted and talented aid authorized in section 124.247;
- (f) aid for pupils of limited English proficiency authorized in section 124.273;
- (g) aid for chemical use programs authorized in section 124.246;
- (h) interdistrict cooperation aid authorized in section 124.272;
- (i) summer program aid authorized in section 124A.033;
- (j) transportation aid authorized in section 124.225;
- (k) community education programs aid authorized in section 124.271;
- (l) adult education aid authorized in section 124.26;
- (m) early childhood family education aid authorized in section 124.2711;
- (n) capital expenditure equalization aid authorized in section 124.245;
- (o) homestead credit ~~replacement~~ aid authorized in ~~section 273.1394~~ sections 273.1322 and 273.1324;
- (p) agricultural credit ~~replacement~~ aid authorized in section ~~273.1395~~ 273.132;
- (q) attached machinery aid authorized in section 273.138, subdivision 3; and
- (r) teacher retirement and F.I.C.A. aid authorized in sections 124.2162 and 124.2163.

The commissioner of education shall schedule the timing of the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible.

Sec. 2. Minnesota Statutes 1987 Supplement, section 124A.02, subdivision 11, is amended to read:

Subd. 11. [MINIMUM AID.] A qualifying district's minimum aid for each school year shall equal its minimum guarantee for that school year, minus the sum of:

(1) the amount of the district's ~~homestead credit replacement aid paid under section 273.1304 and its agricultural credit replacement aid under section 273.1395~~ 273.132 for that school year, ~~after any positive tax base adjustment but prior to any negative tax base adjustment under section 273.1396;~~

(2) the amount by which property taxes of the district for use in that school year are reduced by the homestead credit provisions in sections 273.1322 and 273.1324;

(3) the amount by which property taxes of the district for use in that school year are reduced by the taconite homestead credit provisions in section 273.135;

(4) the amount by which property taxes of the district for use in that school year are reduced by the attached machinery provisions in section 273.138, subdivision 6;

~~(3)~~ (5) the amount by which property taxes of the district for use in that school year are reduced by the state reimbursed disaster or emergency reassessment provisions in section 273.123; and

~~(4)~~ (6) the amount by which property taxes of the district for use in that school year are reduced by the metropolitan agricultural preserve provisions in section 473H.10.

Sec. 3. Minnesota Statutes 1987 Supplement, section 272.115, subdivision 4, is amended to read:

Subd. 4. No real estate sold on or after January 1, 1978, for which a certificate of value is required ~~pursuant to under~~ subdivision 1 shall receive the homestead ~~value exemption amount or credit under~~ sections 273.1323 and 273.1324, the agricultural ~~exemption amount computed in credit under section 275.081~~ 273.132; or the taconite homestead credit provided in sections 273.134 to 273.136, unless a certificate of value has been filed with the county auditor in accordance with this section.

This subdivision shall apply to any real estate taxes that are payable the year or years following the sale of the property.

Sec. 4. [273.1196] [STATE COMMERCIAL-INDUSTRIAL AND APARTMENT TAX RELIEF CREDITS.]

Subdivision 1. [STATE PAID CREDIT.] For property taxes payable in 1989 and subsequent years, commercial-industrial property and that portion of class 4 constituting apartment property may be eligible for a state paid commercial-industrial and apartment tax relief credit as provided in this section.

Subd. 2. [CLASS 3A COMMERCIAL-INDUSTRIAL CREDIT.] In the case of class 3a commercial-industrial property, the property is eligible for a credit if the current year's property taxes on the first \$100,000 market value of the property exceed two percent of the market value for the previous year's assessment. The credit is equal to 50 percent of the property tax amount which is in excess of two percent of market value. Only the first \$100,000 of market value of a qualifying parcel and the taxes attributable to the first \$100,000 of market value are eligible for the computation of this credit. Only a parcel that qualifies for the 60 percent assessment ratio contained in section 273.13, subdivision 24, paragraph (a), qualifies for the credit provided in this subdivision. Only the market value and property tax attributable to the part of the parcel that is class 3a must be used in computing the credit.

Subd. 3. [ADDITIONAL COMMERCIAL-INDUSTRIAL CREDIT.] Commercial-industrial property is eligible for an additional credit if the current year's property taxes on the total market value of the property exceed five percent of the market value for the previous year's assessment. The credit is equal to 50 percent of the net property tax amount which is in excess of five percent of market value. For purposes of this subdivision, "net property taxes" is after the reduction of the credit provided in subdivision 2. Only the market value and property tax attributable to the part of the parcel which is classified as commercial and industrial must be used in computing the credit.

Subd. 4. [CLASS 4 APARTMENTS.] In the case of class 4 apartment property containing four or more units, the property is eligible for a credit if the current year's property taxes on the first \$100,000 market value of the property exceed three percent of the market value for the previous assessment year. The credit is equal to 50 percent of the property tax amount which is in excess of three percent of market value. Only the first \$100,000 of market value of a qualifying parcel and the taxes attributable to the first \$100,000 of market value are eligible for the computation of this credit. Only the market value and property tax attributable to that portion of the class 4 parcel that is apartment property qualifies for the credit provided in this section.

Subd. 5. [APPROPRIATION.] There is annually appropriated from the general fund to the commissioners of revenue and education the amount necessary to replace the revenue lost to local units of government and school districts as a result of the reduction in property taxes provided in this section. The payment amounts must be determined and the installments paid under the provisions of sections 273.1325 and 273.1392.

Sec. 5. Minnesota Statutes 1987 Supplement, section 273.123, subdivision 4, is amended to read:

Subd. 4. [STATE REIMBURSEMENT.] The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 2 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January 2 assessed value and the tax actually payable based on the reassessed value determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions containing the property at the time distributions are made pursuant to under section ~~273.1394~~ 273.1325, in the same proportion that the ad valorem tax is distributed.

Sec. 6. Minnesota Statutes 1987 Supplement, section 273.123, subdivision 5, is amended to read:

Subd. 5. [COMPUTATION OF CREDITS.] The amounts of any credits or tax relief which reduce the gross tax shall be computed upon the reassessed value determined under subdivision 2. Payment shall be made pursuant to under section ~~273.1394~~ 273.1325. For purposes of the property tax refund, property taxes payable, as defined in section 290A.03, subdivision 13, and net property taxes payable, as defined in section 290A.04, subdivision 2d, shall be computed upon the reassessed value determined under subdivision 2.

Sec. 7. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 11, is amended to read:

Subd. 11. [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 class 1 or class 2a or the value of the first tier of assessment percentages provided under section 273.13, subdivision 22, or 23, paragraph (a) is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23, and the homestead exemption under section ~~275.081~~, subdivision 2. The limitation in this subdivision does not apply to buildings containing fewer than four residential units or to 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 under sections 273.1323 and 273.1324, and the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

Sec. 8. Minnesota Statutes 1987 Supplement, section 273.124, subdivision 13, is amended to read:

Subd. 13. [SOCIAL SECURITY NUMBER REQUIRED FOR HOMESTEAD APPLICATION.] Beginning with the January 2, 1987, assessment, every property owner applying for homestead classification must furnish to the county assessor that owner's social security or taxpayer identification number. If the social security or taxpayer identification number is not provided, the county assessor shall classify the property as nonhomestead. The social security numbers of the property owners are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue.

At the request of the commissioner, each county must give the commissioner a listing that includes the name and social security or taxpayer identification number of each property owner applying for homestead classification.

If, in comparing the lists supplied by the counties, the commissioner finds that a property owner is claiming more than one homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the homestead exemption amount provided under section 275.081 credit, taconite homestead credit, supplemental homestead credit, and the tax reduction resulting from the agricultural exemption amount provided in section 275.081 credit which is in excess of the credit which would be allowed if the property had been classified as nonhomestead property. The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead benefits plus a penalty equal to 25 percent of the homestead benefits. The property owners may appeal the county's determination by filing a notice of appeal with the Minnesota tax court within 60 days of the date of the notice from the county.

If the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount to the succeeding year's tax list to be collected as part of the property taxes.

Any amount of homestead benefits recovered from the property owner must be transmitted to the commissioner by the end of each calendar quarter. Any amount recovered attributable to taconite homestead credit shall be transmitted to the St. Louis county auditor to be deposited in the taconite property tax relief account. The amount of penalty collected must be deposited in the county general fund.

The commissioner will provide suggested homestead applications to each county. If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.

In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.

Sec. 9. Laws 1987, chapter 268, article 6, section 19, is amended to read:

Sec. 19. Minnesota Statutes 1986, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] Except as provided in subdivision 23, (a) real estate which is residential and used for homestead purposes is class 1. The market value of class 1 property must be determined based upon the value of the house, garage, and land.

The first \$68,000 of market value of class 1 property must be assessed at 37 percent of its market value. The homestead value of class 1 property that exceeds \$68,000 must be assessed at 60 percent of its value.

(b) Except for homesteads specified under section 273.1326, the tax to be paid on the first \$80,000 of market value of class 1 property, less any reduction received under sections 273.123 and 473H.10, shall be reduced by the amount of homestead credit determined under section 273.1323.

Sec. 10. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land

that is homesteaded, together with the house and garage. The first \$66,000 of market value of an agricultural homestead is valued at 30 percent. The remaining value of class 2a property is assessed at 40 percent of market value.

Noncontiguous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

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 2a. If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

The tax to be paid on class 2a property, less any reduction received pursuant to sections 273.123, 273.132, and 473H.10 shall be reduced by 52 percent of the tax. ~~The amount of the reduction shall not exceed \$700 the amount of homestead credit determined under section 273.1324.~~

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; and (2) real estate that is nonhomestead agricultural land. Class 2b property is assessed at 40 percent of market value.

Agricultural land as used in this section 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 the records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

Sec. 11. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Except as provided in paragraph (c), commercial and, industrial, and utility property is class 3a. It is assessed at 60 percent of the first \$80,000 of market value and 96 percent of the market value over \$80,000. In the case of state-assessed commercial or, industrial, or utility property owned by one person or entity, only one parcel may qualify for the 60 percent assessment. In the case of other commercial or, industrial, or utility property owned by one person or entity, only one parcel in each county may qualify for the 60 percent assessment.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and shall be valued and assessed at 45 percent of the first \$50,000 of market value and 50 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the first \$80,000 of market value shall be valued and assessed at 60 percent and the remainder shall be assessed and valued at 86 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 469.171, subdivision 1.

(c) "Class 3c" is tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings. Class 3c property is assessed at 77 percent of the highest assessment percentage applying to class 3a property.

Sec. 12. Minnesota Statutes 1987 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property is assessed at 70 percent of market value.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, recreational, and homesteads;

(2) 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;

(3) manufactured homes not classified under any other provision; and

(4) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4b property is assessed at 60 percent for taxes levied in 1988, payable in 1989 and thereafter.

(c) Class 4c property includes:

(1) a structure that is 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 rules 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. This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan;

(2) a structure that is:

(i) 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

(ii) 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. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter.

For all properties described in clauses (1) and (2) and in paragraph (d), clause (2), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

(3) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is 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 or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "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; and

(4) except as provided in paragraph (d), clause (1), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment. 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 the use. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c 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 4c property with which it is used. Class 4c property also includes the remainder of class 4d resorts; and

(5) 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 clause, 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 1986, as amended through December 31, 1986. For

purposes of this clause, "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 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property 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 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity; and

Class 4c property is assessed at 50 percent.

(d) Class 4d property includes:

(1) commercial use real property that 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, and that includes a portion used as a homestead by the owner. The area of the property that is classified as class 4d must 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; and

(2) any structure:

(i) 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;

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the farmers home administration. Property must be assessed under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The 30 percent and 50 percent assessment ratios apply to the properties described in paragraph (c), clauses (1) and (2) and this clause, only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is

located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. Classification under this clause is only available to property of a nonprofit or limited dividend entity; and

Class 4d property is assessed at 30 percent of market value.

~~(3)~~ (e) Class 4e property includes: the first \$34,000 of market value of real estate or manufactured homes used for the purposes of a homestead by

(i) (1) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or

~~(ii)~~ (2) any person, hereinafter referred to as "veteran," who:

(A) (i) served in the active military or naval service of the United States; and

~~(B)~~ (ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

~~(C)~~ (iii) 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 a homestead; or

~~(iii)~~ (3) any person who:

(A) (i) is permanently and totally disabled and

~~(B)~~ (ii) receives ~~90~~ 85 percent or more of total income from

(1) (A) aid from any state as a result of that disability; or

(2) (B) supplemental security income for the disabled; or

(3) (C) workers' compensation based on a finding of total and permanent disability; or

(4) (D) 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

(5) (E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(6) (F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability.

Property is classified and assessed pursuant to this clause only if the commissioner of ~~human services~~ revenue 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.~~

The remaining value of class ~~4d(3)~~ 4e property in excess of \$34,000 shall be valued and assessed under subdivision 22 or 23, as appropriate, provided that only the value in excess of \$34,000 but not in excess of \$68,000 is assessed at the rate provided for the first tier of value in subdivision 22 or only the value in excess of \$34,000 but not in excess of \$66,000 is assessed at the rate provided for the first tier of value in subdivision 23.

Class ~~4d~~ 4e property is assessed at ~~30~~ 10 percent of market value.

Sec. 13. Minnesota Statutes 1986, section 273.13, is amended by adding a subdivision to read:

Subd. 32. [VACANT LAND.] Real property that is not improved with a structure and that is not used as part of a commercial or industrial activity shall be classified and assessed according to its highest and best use permitted under the local zoning ordinance. If the ordinance permits more than one use, the land must be classified and assessed according to the highest and best use permitted under the ordinance. If no such ordinance exists, the assessor shall consider the most likely potential use of the vacant land based upon the use made of surrounding land or land in proximity to the vacant land.

Sec. 14. [273.132] [STATE AGRICULTURAL CREDIT.]

Subdivision 1. [AGRICULTURAL HOMESTEAD PROPERTY.] The county auditor shall reduce the tax on all property receiving the homestead credit under section 273.1324, by an amount equal to 36 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.

Subd. 2. [OTHER AGRICULTURAL PROPERTY.] The county auditor shall reduce the tax on all other agricultural lands classified under section 273.13, subdivision 23, including buildings and structures thereon but excluding all dwellings and an acre of land for each dwelling, and on timber land classified under section 273.13,

subdivision 23, paragraph (b) by an amount equal to 26 percent of the tax levy imposed on the property. The tax on timber land classified under section 273.13, subdivision 23 shall be reduced by an amount equal to 26 percent of the tax levy imposed on the property.

Subd. 3. [SEASONAL RESIDENTIAL RECREATIONAL PROPERTY.] The tax on 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 amount of the reduction provided under this subdivision which any taxpayer can receive shall not exceed \$100. 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.

Subd. 4. [ADMINISTRATION.] 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 and may make changes in the certification as deemed necessary or return a certification to the county auditor for corrections. For purposes of computing the credit pursuant to this section, the "tax levy" shall be the tax levy reduced by the credits provided by sections 273.123, 273.42, subdivision 2, and 473H.10.

Subd. 5. [APPROPRIATION.] There is appropriated from the general fund in the state treasury to the commissioners of revenue and education the amounts necessary to make these payments in fiscal year 1990 and thereafter.

Sec. 15. [273.1321] [DEFINITIONS.]

For the purpose of sections 273.1322 to 273.1325, the following definitions are established:

(1) "commissioner" means the commissioner of revenue unless specified otherwise;

(2) "taxing jurisdiction" means a county, city, town, school district, or special taxing district; and

(3) "homestead credit base value" means the maximum homestead market value eligible to receive homestead credit. The homestead credit base market value shall be \$80,000 for taxes payable in 1989 and subsequent years.

Sec. 16. [273.1322] [RESIDENTIAL HOMESTEAD CREDIT AID; APPROPRIATION LIMITATION.]

Subdivision 1. [BASE AMOUNT.] There shall be computed for each taxing jurisdiction in 1989 and subsequent years a residential homestead credit base amount determined under this section.

Subd. 2. [BASE DETERMINATION.] (a) The commissioner shall determine each jurisdiction's homestead credit base equal to the amount of homestead credit that would have been paid in 1988 to each taxing jurisdiction under Minnesota Statutes 1986, section 273.13, subdivision 15a, on residential homesteads if the homestead credit provided in Minnesota Statutes 1986, section 273.13, subdivision 22, had been 53 percent of the tax imposed on the first \$80,000 of market value with no credit maximum.

(b) For taxes payable in 1989, the commissioner shall multiply the amount determined in paragraph (a) by a fraction, the numerator of which is the ratio of the total assessed value of the homestead credit base value of all residential homesteads in the taxing jurisdiction to the total assessed valuation of the taxing jurisdiction for taxes payable in 1988. The denominator of the fraction is the ratio of the total assessed value of the homestead credit base value of all residential homesteads in the taxing jurisdiction to the total assessed valuation of the taxing jurisdiction for taxes payable in 1987. In addition, the commissioner shall further multiply the amount by the ratio of the number of residential homesteads in the jurisdiction for taxes payable in 1988 to the number of residential homesteads in the jurisdiction for taxes payable in 1987.

(c) For taxes payable in 1990 and subsequent years, the commissioner shall multiply the amount determined under paragraph (b) for the previous year by a fraction, the numerator of which is the ratio of the total assessed value of the homestead credit base value for taxes payable the preceding year for all residential homesteads in the taxing jurisdiction to the total assessed valuation of the taxing jurisdiction. The denominator of the fraction is the ratio of the total assessed value of the homestead credit base value for all residential homesteads in the taxing jurisdiction to the total assessed valuation of the taxing jurisdiction for the year immediately preceding the preceding year. In addition, the commissioner shall further multiply the amount by the ratio of the number of residential homesteads in the jurisdiction for taxes payable in the preceding year to the number of residential homesteads in the jurisdiction for taxes payable in the year immediately preceding the preceding year.

Subd. 3. [LIMITATION.] For taxes payable in 1989, the total statewide homestead credit base amount shall not exceed \$631,000,000. The commissioner shall make proportionally equal adjustments to the amounts determined for all taxing jurisdictions under subdivision 2 so that their sum does not exceed the limitation.

The commissioner shall certify the adjusted amounts to the county auditors on or before October 10, 1988.

Sec. 17. [273.1323] [RESIDENTIAL HOMESTEAD CREDIT.]

Subdivision 1. [CREDIT REDUCTION MILL RATE.] For taxes payable in 1989 and subsequent years, each county auditor shall divide the residential homestead credit aid certified under section 273.1322, subdivision 3 for a taxing jurisdiction by the total current year assessed value of the homestead credit base value for all residential homesteads in the taxing jurisdiction. The resultant mill rate is the residential homestead credit reduction mill rate for the taxing jurisdiction.

Subd. 2. [TAX REDUCTION.] For taxes payable in 1989 and subsequent years, the tax on the homestead credit base value shall be reduced by the product obtained by multiplying the taxing jurisdiction's homestead credit reduction mill rate by the assessed value of the homestead credit base value of the parcel.

Subd. 3. [PROPERTY TAX STATEMENT.] Each property tax statement mailed under section 276.04 to a taxpayer whose property tax is reduced under subdivision 2 must contain a statement of the amount of the reduction in dollars and must identify the reduction as "state paid homestead credit."

Sec. 18. [273.1324] [AGRICULTURAL HOMESTEAD CREDIT.]

Subdivision 1. [CREDIT.] For taxes payable in 1989 and subsequent years, the agricultural homestead gross tax, less any reductions received under section 273.132, shall be reduced by 53 percent. The amount of the agricultural homestead credit reduction must not exceed \$700.

Subd. 2. [APPROPRIATION.] A sum sufficient to pay the agricultural homestead credit under subdivision 1 is annually appropriated from the general fund.

Subd. 3. [PROPERTY TAX STATEMENT.] Each property tax statement mailed under section 276.04 to a taxpayer whose property tax is reduced under subdivision 1 must contain a statement of the amount of the reduction in dollars and must identify the reduction as "state paid homestead credit."

Sec. 19. [273.1325] [GENERAL FUND; REPLACEMENT OF REVENUE.]

(a) Payment from the general fund shall be made, as provided in this section, for the purpose of replacing revenue lost as a result of

the reduction of property taxes provided in sections 273.1323 and 273.1324.

(b) Each county auditor shall certify, not later than April 1 of each year to the commissioner of revenue, the amount of reduction resulting from sections 273.1323 and 273.1324 in the auditor's county. The certification must 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. The commissioner may make necessary changes in the certification or return a certification to the county auditor for corrections.

(c) Based on current year tax data reported in the abstract of tax lists, the commissioner of revenue shall annually determine the taxing district distribution of the amounts determined in section 273.1324 and certified under paragraph (b). The commissioner of revenue shall pay to each taxing district, other than school districts, its total homestead credit payment for the year determined under section 273.1322 and this paragraph in equal installments on or before July 20 and December 15 of each year. The commissioner of education shall make payments to each school district in accordance with section 124.195, based on the commissioner of revenue's certification.

Sec. 20. [273.1326] [ALTERNATIVE HOMESTEAD CREDIT.]

Subdivision 1. [QUALIFYING PROPERTY.] Effective for taxes levied in 1988 payable in 1989 and subsequent years, class 1 homestead property which has an equalized market value of \$200,000 or greater shall not receive the homestead credit reduction under section 273.1323 but shall be eligible for an alternative homestead credit as provided in this section.

The commissioner of revenue shall determine the residential median sales ratio for each municipality using the methodology prescribed under section 124.2131. If the commissioner deems that there are an insufficient number of sales in the study to determine a valid residential sales ratio for a given municipality, that municipality's sales ratio for purposes of this section will be the median residential sales ratio for the county in which the municipality is located. The commissioner shall certify to the county assessor the appropriate sales ratios for each municipality for use in determining the equalized market value of the homestead property.

The county assessor shall provide a list to the county auditor of the homesteads in the county whose equalized market value is \$200,000 or greater. The auditor shall notify the owner of each of these homes that the taxpayer may be eligible to receive an

alternative homestead credit under this section. A copy of the alternative homestead credit form shall be included with the property's tax statement prescribed under section 276.04. No homestead credit shall be deducted from the gross tax of these homestead parcels.

The commissioner of revenue shall prescribe a form for the "alternative homestead credit" return and shall distribute sufficient copies to the counties. The form shall contain space for the taxpayer to include the taxpayer's household income as defined in section 290A.03, subdivision 5, and any other information which the commissioner deems necessary for use in making the determination. A copy of the current year's property tax statement for the homestead must be submitted to the commissioner with the alternative homestead credit return. Any claim for the alternative homestead credit shall be filed with the department of revenue by May 15 of the year in which the property taxes are due and payable. The filing time limit, late filing, and penalties provided in section 290A.06 apply to alternative homestead credit returns filed under this paragraph.

Subd. 2. [BIENNIAL STUDY OF RELATIONSHIP BETWEEN TAX BURDEN AND WEALTH.] Beginning in 1988 and every two years thereafter, the commissioner shall conduct a study describing the relationship between net property tax burden and wealth for all homeowners in the state. The relationship shall be expressed in terms of a simple regression equation, with net property tax burden as the dependent variable.

For purposes of this section, the following terms shall have these meanings:

(a) "net property tax burden" means the gross tax on homestead property, minus the homestead credit received under section 273.1323, minus any property tax refund received under chapter 290A, and minus the reduction in the taxpayer's federal and state income tax liability resulting from the deduction of the homestead's property tax in the computation of the taxpayer's taxable income.

(b) "wealth" means the sum of the equalized market value of the homestead divided by 2.5 and the taxpayer's household income as defined in section 290A.03, subdivision 5.

Subd. 3. [DETERMINATION OF ALTERNATIVE HOMESTEAD CREDIT.] For all eligible homeowners, an alternative homestead credit shall be computed according to the following formula:

Credit = Ci, when W is less than \$180,000, and

Credit = $C_i \times (1 - (((W - \$180,000)/\$100,000) \times (B_w/B)))$, where the symbols have the following meanings:

(a) "C_i" means the full amount of homestead credit that the homestead would have qualified to receive for that year if the homestead had been allowed to receive homestead credit under section 273.1323.

(b) "W" means the total wealth of the homestead, defined as the sum of the equalized market value of the homestead divided by 2.5, plus the taxpayer's household income for the year in which the property tax is levied.

(c) "B_w" means the average tax burden for a homestead with total wealth equal to the homestead's wealth, determined according to the relationship determined in subdivision 2.

(d) "B" means the net property tax burden for the homestead, which is defined as the gross property tax, minus the commissioner's estimate of the reduction in the taxpayer's federal and state income taxes resulting from the deduction for property taxes on the homestead, minus the amount of homestead credit received in the previous year under section 273.13, minus the amount of any property tax refund received in the previous year under chapter 290A.

Subd. 4. [PAYMENT.] Based on the commissioner's determination in subdivision 3, if the taxpayer qualifies for an alternative homestead credit under this section, the taxpayer shall receive full payment of the amount of the alternative homestead credit after July 1 but prior to July 15 or 60 days after receipt of the application, whichever is later.

Subd. 5. [APPROPRIATION.] There is appropriated from the general fund in the state treasury to the department of revenue the amount necessary to make these payments in fiscal year 1990 and thereafter.

Sec. 21. Minnesota Statutes 1987 Supplement, section 273.135, subdivision 2, is amended to read:

273.135 [HOMESTEAD PROPERTY TAX RELIEF]

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, provided that the reduction shall not exceed the maximum amounts 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, provided that the reduction shall not exceed the maximum amounts specified in clause (c).

(c) The total maximum reduction of the net tax on property described in clause (a) is ~~\$490~~ \$253 for taxes payable in ~~1985~~ 1989. The total maximum reduction for the net tax on property described in clause (b) is ~~\$435~~ \$228 for taxes payable in ~~1985~~ 1989. These maximum amounts shall increase by ~~\$15~~ \$7.50 per year for taxes payable in ~~1986~~ 1990 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property before application of the credit payable under this section after deduction of any credit under sections 273.1323 and 273.1324.

Sec. 22. Minnesota Statutes 1987 Supplement, 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, provided that the amount of said reduction shall not exceed the maximum amounts 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, but not to exceed the maximums specified in clause (c).

(c) The total maximum reduction of the net tax is ~~\$435~~ \$228 for taxes payable in ~~1985~~ 1989. This total maximum amount shall increase by ~~\$15~~ \$7.50 per year for taxes payable in ~~1986~~ 1990 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property before application of the credit under this section after deduction of any credit under sections 273.1323, and 273.1324.

Sec. 23. Minnesota Statutes 1987 Supplement, section 273.1392, is amended to read:

273.1392 [PAYMENT; AIDS TO SCHOOL DISTRICTS.]

The amounts of ~~small business transition homestead credit under section 273.1195~~ sections 273.1322 and 273.1324; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; ~~homestead credit replacement aid under section 273.1394~~; agricultural credit replacement aid under section ~~273.1395~~ 273.132; commercial-industrial and apartment tax relief credit under section 273.1196; 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 section 124.195, subdivisions 6 and 10.

Sec. 24. Minnesota Statutes 1987 Supplement, section 273.1393, is amended to read:

273.1393 [COMPUTATION OF NET PROPERTY TAXES.]

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

(1) ~~small business property tax transition credit as provided in section 273.1195~~; commercial-industrial and apartment tax relief credit as provided in section 273.1196;

(2) disaster credit as provided in section 273.123;

(3) powerline credit as provided in section 273.42;

(4) agricultural preserves credit as provided in section 473H.10;

(5) enterprise zone credit as provided in section 469.171;

(6) agricultural credit as provided in section 273.132;

~~(6) (7) state paid homestead credit as provided in section 273.13, subdivision 23~~ sections 273.1323 and 273.1324;

~~(7) (8) taconite homestead credit as provided in section 273.135~~;

(8) (9) supplemental homestead credit as provided in section 273.1391.

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

Sec. 25. Minnesota Statutes 1987 Supplement, section 273.165, subdivision 2, is amended to read:

Subd. 2. [IRON ORE.] Unmined iron ore included in class 5 must be assessed with and as a part of the real estate in which it is located, but at the rate established in section 273.13, subdivision 30. The real estate in which iron ore is located, other than the ore, must be classified and assessed in accordance with the provisions of the appropriate classes. In assessing any tract or lot of real estate in which iron ore is known to exist, the assessable value of the ore exclusive of the land in which it is located, and the assessable value of the land exclusive of the ore must be determined and set down separately and the aggregate of the two must be assessed against the tract or lot.

Sec. 26. Minnesota Statutes 1987 Supplement, section 273.42, subdivision 2, is amended to read:

Subd. 2. Owners of land that is an agricultural or nonagricultural homestead, nonhomestead agricultural land, rental residential property, and both commercial and noncommercial seasonal residential recreational property, as those terms are defined in 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 transmission 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 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 ~~credit~~ credits received pursuant to section under 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. 27. [275.065] [LEVY ADOPTION PROCEDURE; NOTICE TO TAXPAYERS.]

Subdivision 1. [PROPOSED LEVY.] On or before August 1, a home rule charter or statutory city shall adopt a proposed city budget and certify to the county auditor the proposed city property tax levy for taxes payable in the following year.

Subd. 2. [MILL RATE COMPUTATION.] (a) The county auditor shall compute a city mill rate that when applied to the taxable assessed value on January 2 of the current year of taxable property within the city, excluding new construction, additions to structures, or property added to or deleted from the assessment rolls since the previous year's assessment, will provide the city the same ad valorem tax levy as the city levied the previous year. This mill rate is the "no-increase mill rate."

(b) The county auditor shall compute a mill rate that when applied to the taxable assessed value on January 2 of the current year of all taxable property within the city, including new construction, additions to structures, or property added to or deleted from the assessment rolls since the previous year's assessment, will provide the proposed city ad valorem tax levy for taxes levied in the current year. This mill rate is the "proposed mill rate."

(c) The county auditor shall notify the city of its no-increase mill

rate and its proposed mill rate on or before August 8. The city may amend its proposed levy but must certify to the county auditor by August 15 its final proposed levy and the date the city will hold a public hearing to adopt its budget and property tax levy.

(d) The county auditor shall recompute the city's proposed mill rate to reflect any adjustments made by the city under paragraph (c), and notify the city of the proposed mill rate and the percent, if any, by which the recomputed proposed mill rate exceeds the no-increase mill rate. That percent is the percentage increase in property taxes proposed by the city.

Subd. 3. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) If there is a percentage increase in property taxes proposed by the city, on or before September 15, the county auditor shall compute for each parcel of property on the assessment rolls the proposed city property tax for taxes levied in the current year. The tax shall be computed before the application of any property tax aids or credits. The county auditor shall prepare and deliver by first class mail to each taxpayer at the address listed on the city's current year's assessment roll, a notice of the taxpayer's proposed city property taxes.

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

The notice must contain:

(1) A heading that states:

"NOTICE OF PROPOSED CITY PROPERTY TAXES

DO NOT PAY - THIS IS NOT A BILL";

(2) The name of the city and the date the city will hold a public hearing to adopt its budget and property tax levy;

(3) A statement that the purpose of the hearing is to receive opinions from the public and answer questions on the proposed budget and tax levy before adopting them, and that the city may change its proposed budget and tax levy at the hearing;

(4) In columnar form, the following information applicable to each parcel of property: the name of the city, the city mill rate and city property tax payable on the property for taxes payable in the current year before the application of any aids or credits, the proposed city mill rate and proposed city property tax payable on the property for taxes payable in the following year before the application of any aids or credits, the no-increase mill rate and the city tax

that would be payable on the property before application of any aids or credits if the no-increase mill rate is applied;

(5) An explanation of each of the columns. The explanation of the proposed tax must include a statement that the amount is based on a proposed budget which is not final and may be amended at the public hearing. The explanation must state that the application of the no-increase mill rate is applied to the current year's assessed value, and that the difference between the proposed tax and the no-increase tax is the result of a proposed levy change by the city and not the result of higher assessed values;

(6) The person and address to which written comments may be submitted if the taxpayer cannot attend the hearing; and

(7) A clear statement that the tax is proposed for taxes payable in the following year, that the tax is only the tax levied by the city, and that school districts, counties, and special taxing jurisdictions also levy property taxes.

(c) The city shall pay the county for the reasonable cost of the county auditor's services and for the costs of preparing and mailing the notice required in this section.

Subd. 4. [PUBLIC ADVERTISEMENT.] (a) On or before September 15, the city shall advertise in a qualified newspaper a notice of its intent to adopt a budget and property tax levy at a public hearing.

The advertisement must be no less than one-quarter page in size of a standard-size or a tabloid-size newspaper, and the headline in the advertisement shall be in a type no smaller than 18 point. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in a newspaper of general paid circulation in the city. Whenever possible, the advertisement must appear in a newspaper that is published at least five days a week, unless the only newspaper in the city is published less than five days a week. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter.

(b) If a city proposes a percentage increase in property taxes, the advertisement must be in the following form:

"NOTICE OF TAX INCREASE

The ... (name of city) ... has tentatively adopted a measure to increase its property tax levy by ... (percentage of increase over no-increase rate) ... percent.

All concerned citizens are invited to attend a public hearing on the tax increase to be held on ... (date and time) ... at ... (meeting place)

A FINAL DECISION on the proposed tax increase and the budget will be made at this hearing."

(c) If there is not a percentage increase in property taxes proposed by the city, the advertisement must be in the following form:

"NOTICE OF BUDGET HEARING

The ... (name of the city) ... has tentatively adopted a budget for ... (fiscal year) A public hearing to make a FINAL DECISION on the budget AND PROPERTY TAXES will be held on ... (date and time) ... at ... (meeting place)"

(d) The advertisement required in paragraph (b) or (c) must notify taxpayers that if they cannot attend the meeting, they may submit comments in writing to the city clerk by the date of the proposed hearing. The address to which the comments may be mailed must be given.

Subd. 5. [PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.] Prior to October 10, the governing body of the city shall hold a public hearing to adopt its final budget and property tax levy for taxes payable in the following year. The hearing must be held not less than two days or more than five days after the day the notice is first published.

At the hearing the city may amend the proposed budget and property tax levy and must adopt a final budget and property tax levy. The property tax levy adopted may not exceed the final proposed levy determined under subdivision 2, paragraph (c).

At the hearing the percentage increase in property taxes proposed by the city, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions prior to adoption of any measures by the governing body. The governing body shall adopt its final property tax levy prior to adopting its final budget.

The hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No hearing may be held on a Sunday. The school board and county board shall not schedule public meetings on days scheduled for the hearing by the governing body of the city.

If the hearing is recessed, the city shall publish a notice in a qualified newspaper of general paid circulation in the city. The notice must state the time and place for the continuation of the hearing and must be published at least two days but not more than five days prior to the date the hearing will be continued.

Subd. 6. [CERTIFICATION OF COMPLIANCE.] At the time the city certifies its tax levy under section 275.07, it shall certify to the commissioner of revenue its compliance with this section. The certification must contain copies of the advertisement required under subdivision 4, the resolution adopting the final property tax levy under subdivision 5, and any other information required by the commissioner of revenue. If the commissioner determines that the city has failed to substantially comply with the requirements of this section, the commissioner of revenue shall notify the county auditor. When fixing rates under section 275.08 for a city that has not complied with this section, the county auditor must use the no-increase mill rate.

Sec. 28. Minnesota Statutes 1987 Supplement, section 275.50, subdivision 2, is amended to read:

Subd. 2. [GOVERNMENTAL SUBDIVISION.] (a) "Governmental subdivision" means a county, home rule charter city or statutory city.

(b) "Governmental subdivision" also includes any city or town that receives a distribution from the taconite municipal aid account in the levy year.

Sec. 29. Minnesota Statutes 1987 Supplement, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. [ADJUSTED LEVY LIMIT BASE.] (1) Except as adjusted by paragraph (2), for taxes levied in 1988 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to Laws 1987, article 5, section 12, or subdivision 3f, increased by:

(a) a percentage equal to the percentage growth in the implicit price deflator, or ~~three~~ five percent, whichever is ~~lesser~~ less;

(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 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 pur-

suant to section 275.50, subdivision 5, clause (m), if the special levy is discontinued;

(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 for the taxes payable in 1989, an 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 greater of the governmental subdivision's 1984, 1985 or 1986 federal revenue sharing, minus any adjustments made under this clause for the taxes payable years 1986 and 1987, as determined by the commissioner of revenue. No further adjustments to the levy limit base of a governmental subdivision shall be made under this clause after the adjustment that is made for the taxes payable 1989 base.

(2) A city's adjusted levy limit base under paragraph (1) shall be increased if the sum of the city's previous year levy amount and its previous year local government aid amount received under chapter 477A, divided by its population, is less than 80 percent of the average per capita levy plus local government aid amount for all cities within its city category as defined in this paragraph. The addition to the levy limit base allowable under this paragraph will be equal to the dollar amount of increase computed under paragraph (1), clause (a), provided that when this additional amount and the amount computed under paragraph (1), clause (a) are added to the city's levy and local government aid, and divided by its population, the total amount cannot exceed 80 percent of the average per capita levy plus local government aid amount for the cities in its city category. "City categories," for purposes of this paragraph, are defined as follows:

(a) cities of the first class;

(b) cities, other than cities of the first class, with population over 1,000 which are located outside the metropolitan area;

(c) cities with population under 1,000 which are located outside the metropolitan area; and

(d) cities, other than cities of the first class, located within the metropolitan area.

Sec. 30. Minnesota Statutes 1987 Supplement, section 276.04, is amended to read:

276.04 [NOTICE OF RATES; PROPERTY TAX STATEMENTS.]

Subdivision 1. [AUDITOR TO PUBLISH RATES.] On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose.

Subd. 2. [REQUIREMENTS OF TAX STATEMENTS.] (a) The treasurer shall, ~~whether or not directed by the county board, cause to be have printed~~ on all tax statements, or on an attachment, a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality and school district ~~shall must be separately stated but~~. The amounts due other taxing districts, if any, may be aggregated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The statement ~~shall must~~ include the following sentence, printed in upper case letters in boldface print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the market value, as defined in section 272.03, subdivision 8, used in determining the tax. The statement shall show the amount attributable to section 273.132 as "state paid agricultural credit," the amount attributable to sections 273.1323 and 273.1324 as "state paid homestead credit," and the amount attributable to section 273.1196 as "state paid commercial-industrial and apartment tax relief." The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) general education revenue under section 124A.23, and (ii) local government aid for cities, towns and counties under chapter 477A, including the county's income maintenance aid.

Subd. 3. [MAILING OF TAX STATEMENTS.] The county treasurer shall mail to taxpayers statements of their personal property

taxes due, such statements to be mailed not later than February 15 (except in the case of manufactured homes and sectional structures taxed as personal property), statements of the real property taxes due shall be mailed not later than January 31; provided, that the validity of the tax shall not be affected by failure of the treasurer to mail such statement. The taxpayer is defined as the owner who is responsible for the payment of the tax. Such real and personal property tax statements shall contain the market value, as defined in section 272.03, subdivision 8, used in determining the tax. The statement shall show the amount attributable to the decrease in tax under section 275.082 attributable to Minnesota Statutes 1986, section 124.2137 as "state paid agricultural credit amount" and the amount attributable to the decrease in tax under section 275.082 attributable to Minnesota Statutes 1986, section 273.13, subdivisions 22 and 23 as "state paid homestead credit amount." The statement must state the amount deducted under section 273.1195 and identify it as "state paid small business transition credit."

Subd. 4. [COLLECTION SITE.] If so directed by the county board, the treasurer shall visit places in the county as the treasurer deems expedient for the purpose of receiving taxes and the county board is authorized to pay the expenses of such visits and of preparing duplicate tax lists. Failure to mail the tax statement shall not be deemed a material defect to affect the validity of any judgment and sale for delinquent taxes.

Sec. 31. Minnesota Statutes 1987 Supplement, section 475.61, subdivision 3, is amended to read:

Subd. 3. [IRREVOCABILITY.] Tax levies so made and filed shall be irrevocable, except as provided in this subdivision.

In each year when there is on hand any excess amount in the debt redemption fund of a school district at the time the district makes its property tax levies, the amount of the excess shall be certified by the school board to the commissioner of education who shall compute the reduced tax levy, after adjustment for the homestead credit replacement aid paid pursuant to section 273.1394, the agricultural credit replacement aid paid pursuant to section 273.1395, and the tax base adjustment pursuant to section 273.1396. The commissioner of education shall certify the adjusted reduced tax levy to the county auditor and the auditor shall reduce the tax levy otherwise to be included in the rolls next prepared by the amount certified, unless the school board determines that the excess amount is necessary to ensure the prompt and full payment of the obligations and any call premium on the obligations, or will be used for redemption of the obligations in accordance with their terms. An amount shall be presumed to be excess for a school district in the amount that it, together with the levy required by subdivision 1, will exceed 106 percent of the amount needed to meet when due the principal and interest payments on the obligations due before the second following

July 1. This subdivision shall not limit a school board's authority to specify a tax levy in a higher amount if necessary because of anticipated tax delinquency or for cash flow needs to meet the required payments from the debt redemption fund.

If the governing body, including the governing body of a school district, in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

Sec. 32. Minnesota Statutes 1986, section 477A.011, subdivision 11, is amended to read:

Subd. 11. [EQUALIZED ADJUSTED ASSESSED VALUE.] For any calendar year aid distribution, a municipality's or county's equalized adjusted assessed value means its previous year taxable valuation, adjusted for the contributions and distributions required by chapter 473F in the case of a city or town municipality or county located within the metropolitan area and less the captured value in any tax increment district, divided by the municipality's or county's aggregate sales ratio covering the period ending two years prior to the year of aid distribution. Adjusted assessed value shall be determined using the same methodology as for school districts under section 124.2131.

Sec. 33. Minnesota Statutes 1986, section 477A.011, is amended by adding a subdivision to read:

Subd. 18. [INCOME MAINTENANCE PROGRAMS.] "Income maintenance programs" means the following human service programs:

- (1) medical assistance under chapter 256B;
- (2) general assistance medical care under section 256D.03;
- (3) aid to families with dependent children and the emergency payment under sections 256.72 to 256.871;
- (4) general assistance under section 256D.03;
- (5) work readiness under section 256D.051; and
- (6) Minnesota supplemental aid under section 256D.37.

For purposes of this chapter, the cost of income maintenance

programs shall exclude the county's administrative costs associated with these programs.

Sec. 34. Minnesota Statutes 1987 Supplement, section 477A.012, subdivision 1, is amended to read:

Subdivision 1. [AID AMOUNT.] In calendar year ~~1988~~ 1989 and calendar years thereafter, each county government shall receive a distribution equal to the total of (a) the aid amount certified for 1987 pursuant to this subdivision under this clause and (b) the county's income maintenance aid as determined in this subdivision. "Income maintenance aid" equals the county's unreimbursed local expenditures for income maintenance programs for the previous state fiscal year excluding any amounts for administration of the income maintenance programs, less the product of one and one-half mills times the county's adjusted assessed value. If this amount is less than zero, the county will receive no income maintenance aid under (b).

Subd. 2. [AID LIMITATION.] The total amounts available for distribution to counties under subdivision 1, clause (b), shall be \$17,800,000 for calendar year 1989. If the amount available for distribution is insufficient to make the aid payments to counties under subdivision 1, clause (b), the commissioner of revenue shall increase the number of mills used in determining the formula need so that there are sufficient funds to make the aid payments.

Sec. 35. [1987 ADJUSTED ASSESSED VALUES.]

The 1987 adjusted assessed values determined under section 124.2131, subdivision 1 shall be computed using the assessment classification ratios for property taxes payable in 1989 under Laws 1987, chapter 268, article 6.

Sec. 36. Laws 1987, chapter 268, article 6, section 53, is amended to read:

Sec. 53. [REPEALER.]

Minnesota Statutes 1986, sections ~~13.58~~; 124.2131, subdivision 4; 124.2137, 124.2139; ~~124A.031~~, subdivision 4; 273.112, subdivision 9; 273.115; 273.116; 273.13, subdivisions 26, 27, 28, and 29; and 273.1311; ~~273.1315~~; ~~273.135~~, subdivision 5; and ~~273.1391~~, subdivision 4, are repealed.

Sec. 37. [REPEALER.]

Minnesota Statutes 1986, section 273.13, subdivision 30; Minnesota Statutes 1987 Supplement, sections 273.13, subdivision 15a; ~~273.1394~~; ~~273.1395~~; ~~273.1396~~; ~~273.1397~~; ~~275.081~~; ~~275.082~~; ~~275.125~~,

subdivision 22; and 290A.04, subdivision 2b; and Laws 1987, chapter 268, article 5, section 4, are repealed.

Sec. 38. [REENACTMENT.]

Notwithstanding Minnesota Statutes, section 645.36, Minnesota Statutes, sections 13.58; 124A.031, subdivision 4; 273.1315; 273.135, subdivision 5; and 273.1391, subdivision 4, are reenacted and are effective as amended in this article for taxes levied in 1988 and thereafter, payable in 1989 and thereafter.

Sec. 39. [INSTRUCTION TO REVISOR.]

The revisor of statutes shall change the references in Minnesota Statutes, sections 13.58 and 273.1315 from class "1b" to class "4e" wherever they appear in those sections.

The revisor of statutes shall change the reference in Minnesota Statutes, section 124A.031, subdivision 4, from "section 124.2137" to "section 273.132."

Sec. 40. [EFFECTIVE DATE.]

This article is effective for taxes levied in 1988 and thereafter, payable in 1989 and thereafter, except that section 27 is effective for taxes levied in 1989 and thereafter, payable in 1990 and thereafter.

ARTICLE 6

PROPERTY TAX TECHNICAL AND ADMINISTRATION

Section 1. Minnesota Statutes 1986, section 270.075, subdivision 2, is amended to read:

Subd. 2. As soon as practicable and not later than ~~November~~ December 1 next following the levy of the tax, the commissioner shall give actual notice to the airline company of the assessed valuation and of the tax. The taxes imposed under sections 270.071 to 270.079 shall become due and payable on January 1 following the levy thereof. If any tax is not paid on the due date or, if an appeal is made pursuant to section 270.076, within 60 days after notice of an increased tax, a late payment penalty of ten percent of the unpaid tax shall be assessed. The unpaid tax and penalty shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid. All interest and penalties shall be added to the tax and collected as a part thereof.

Sec. 2. Minnesota Statutes 1987 Supplement, section 270.485, is amended to read:

270.485 [SENIOR ACCREDITATION.]

The legislature finds that the property tax system would be enhanced by requiring that every county assessor and senior appraiser in the department of revenue's property tax review local government services division obtain senior accreditation from the state board of assessors. By January 1, ~~1989~~ 1990, or in the case of a county assessor within one year of the first appointment under section 273.061, whichever is later, every county assessor and senior appraiser, including the department's regional representatives, must obtain senior accreditation from the state board of assessors. The board shall provide the necessary courses or training. If a department senior appraiser or regional representative fails to obtain senior accreditation by January 1, ~~1989~~ 1990, the failure shall be grounds for dismissal, disciplinary action, or corrective action. Except as provided in section 273.061, subdivision 2, paragraph (c), after December 30, 1988 1989, the commissioner must not approve the appointment of a county assessor who is not senior accredited by the state board of assessors. No employee hired by the commissioner as a senior appraiser or regional representative after June 30, 1987, shall attain permanent status until the employee obtains senior accreditation.

Sec. 3. Minnesota Statutes 1987 Supplement, 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 described in section 273.13, subdivision 25, paragraph (c), clause (1) or (2), or paragraph (d), clause (2);
- (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, 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, crude oil, 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; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures; 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, rules 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. On determining that property qualifies for exemption, the commissioner 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 the 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 1986, as amended through December 31, 1986, 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 hydro-

electric 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; and

(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.

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.

(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 lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Property used as a transitional housing facility which pro-

vides temporary housing services, a continuous self sufficiency program, and other support services, if the organization that owns and sponsors the transitional housing facility is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant thereto, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

Sec. 4. Minnesota Statutes 1987 Supplement, section 272.121, is amended to read:

272.121 [CURRENT TAX ON DIVIDED PARCELS.]

Subdivision 1. [CERTIFICATION OF PAYMENT.] Except as provided in subdivision 2, if a deed or other instrument conveys a parcel of land that is less than a whole parcel of land as described in the current tax list, the county auditor shall not transfer or divide the land in the auditor's official records, and the county recorder shall not file and record the instrument, unless the instrument of conveyance contains a certification by the county treasurer that the taxes due in the current tax year for the whole parcel have been paid. This certification is in addition to the certification for delinquent tax required by section 272.12.

Subd. 2. [EXCEPTIONS.] No certification of current tax paid is required when the land is being conveyed to the federal government, the state, or a home rule charter or statutory city or any other political subdivision for any sheriff's or referee's certificate of sale or other instrument if a certification of delinquent tax for the instrument is not required under section 272.12.

Sec. 5. Minnesota Statutes 1987 Supplement, section 273.061, subdivision 1, is amended to read:

Subdivision 1. [OFFICE CREATED; APPOINTMENT, QUALIFICATIONS.] Every county in this state shall have a county assessor. The county assessor shall be appointed by the board of county commissioners and shall be a resident of this state. The assessor shall be selected and appointed because of knowledge and training in the field of property taxation and appointment shall be approved by the commissioner of revenue before the same shall become effective. Upon receipt by the county commissioners of the commissioner of revenue's refusal to approve an appointment, the term of the appointee shall terminate at the end of that day. Notwithstanding any law to the contrary, a county assessor must have senior

accreditation from the state board of assessors by January 1, 1989 1990, or within one year of the assessor's first appointment under this section, whichever is later.

Sec. 6. Minnesota Statutes 1986, section 273.061, subdivision 2, is amended to read:

Subd. 2. [TERM; VACANCY.] (a) The terms of county assessors appointed under this section shall be four years. A new term shall begin on January 1 of every fourth year after 1973. When any vacancy in the office occurs, the board of county commissioners, within 30 days thereafter, shall fill the same by appointment for the remainder of the term, following the procedure prescribed in subdivision 1. The term of the county assessor may be terminated by the board of county commissioners at any time, on charges of inefficiency or neglect of duty by the commissioner of revenue. If the board of county commissioners does not intend to reappoint a county assessor who has been certified by the state board of assessors, the board shall present written notice to the county assessor not later than 90 days prior to the termination of the assessor's term, that it does not intend to reappoint the assessor. If written notice is not timely made, the county assessor will automatically be reappointed by the board of county commissioners.

(b) In the event of a vacancy in the office of county assessor, through death, resignation or other reasons, the deputy (or chief deputy, if more than one) shall perform the functions of the office. If there is no deputy, the county auditor shall designate a person to perform the duties of the office until an appointment is made as provided in clause (a). Such person shall perform the duties of the office for a period not exceeding 30 days during which the county board must appoint a county assessor. Such 30-day period may, however, be extended by written approval of the commissioner of revenue.

(c) In the case of the first appointment under paragraph (a) of a county assessor who does not have senior accreditation, an approval of the appointment by the commissioner shall be for a term of one year. A county assessor appointed to a one-year term under this paragraph must reapply to the commissioner at the end of the one-year term. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

Sec. 7. Minnesota Statutes 1986, section 273.112, subdivision 3, is amended to read:

Subd. 3. Real estate shall be entitled to valuation and tax deferment under this section only if it is:

(a) actively and exclusively devoted to golf, skiing or archery or

firearms range recreational use or uses and other recreational uses carried on at the establishment;

(b) five acres in size or more, except in the case of an archery or firearms range;

(c)(1) operated by private individuals and open to the public; or

(2) operated by firms or corporations for the benefit of employees or guests; or

(3) operated by private clubs having a membership of 50 or more, provided that the club does not discriminate in membership requirements or selection on the basis of sex; and

(d) made available, in the case of real estate devoted to golf, for use without discrimination on the basis of sex during the time when the facility is open to use by the public or by members, except that use for golf may be restricted on the basis of sex no more frequently than one, or part of one, weekend each calendar month for each sex and no more than two, or part of two, weekdays each week for each sex.

If a golf club membership allows use of golf course facilities by more than one adult per membership, the use must be equally available to all adults entitled to use of the golf course under the membership, except that use may be restricted on the basis of sex as permitted in this section. Memberships that permit play during restricted times may be allowed only if the restricted times apply to all adults using the membership.

A golf club may have or create an individual membership category which entitles a member for a reduced rate to play during restricted hours as established by the club. The club must have on record a written request by the member for such membership.

For purposes of this subdivision and subdivision 7a, discrimination means a pattern or course of conduct and not linked to an isolated incident.

Sec. 8. Minnesota Statutes 1986, section 273.112, subdivision 6, is amended to read:

Subd. 6. Application for deferment of taxes and assessment under this section shall be made at least 60 days prior to January 2 of each year. Such application shall be filed with the assessor of the taxing district in which the real property is located on such form as may be prescribed by the commissioner of revenue. The assessor may require proof by affidavit or other written verification that the property qualifies under subdivision 3. In the case of property operated by private clubs pursuant to subdivision 3, clause (c)(3), in

order to qualify for valuation and tax deferment under this section, the taxpayer must submit to the assessor proof by affidavit or other written verification that the bylaws or rules and regulations of the club meet the eligibility requirements provided under this section. The signed affidavit or other written verification shall be sufficient demonstration of eligibility for the assessor unless the county attorney determines otherwise.

The county assessor shall refer any question regarding the eligibility for valuation and deferment under this section to the county attorney for advice and opinion under section 388.051, subdivision 1. Upon request of the county attorney, the taxpayer shall furnish information that the county attorney considers necessary in order to determine eligibility under this section.

Real estate is not entitled to valuation and deferment under this section unless the county assessor has filed with the assessor's tax records prior to October 16 a statement that the application has been accepted.

Sec. 9. Minnesota Statutes 1987 Supplement, section 273.1195, is amended to read:

273.1195 [STATE PAID SMALL BUSINESS PROPERTY TAX TRANSITION CREDIT.]

For property taxes payable in 1988 only, class 3a commercial industrial property is eligible for a state paid small business transition property tax credit if the payable 1988 property taxes on the first \$120,000 of market value of the property exceed three percent of the January 2, 1987, market value. The credit is equal to 50 percent of the property tax amount which is in excess of three percent of market value. Only the first \$120,000 of market value of a qualifying parcel and the taxes attributable to the first \$120,000 of market value are eligible for the computation of this credit. Only a parcel that qualifies for the 28 percent assessment ratio contained in section 273.13, subdivision 24, paragraph (a), qualifies for the credit provided in this section. Only the market value and property tax attributable to the part of the parcel that is class 3a must be used in computing the credit provided in this section.

~~In the case of taxes paid in installments pursuant to section 279.01, subdivision 1, the credit under this section must be deducted from the second one-half installment payable October 15. The amount of the reduction must be reported to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29.~~

There is annually appropriated from the general fund to the commissioners of revenue and education the amount necessary to replace the revenue lost to local units of government and school

districts as a result of the reduction in property taxes provided in this section. The payment amounts must be determined and the installments paid under the provisions of sections 273.13, subdivision 15a, and 273.1392.

Sec. 10. Minnesota Statutes 1986, section 273.121, is amended to read:

273.121 [VALUATION OF REAL PROPERTY, NOTICE.]

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be assessed or reclassified that year if the person's address is known to the assessor, otherwise the occupant of the property. ~~In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor shall not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility.~~ The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of review or equalization. It shall contain the amount of the valuation in terms of market value, the new classification, the assessor's office address, and the dates, places, and times set for the meetings of the local board of review or equalization and the county board of equalization. If the assessment roll is not complete, the notice shall be sent by ordinary mail at least ten days prior to the date on which the board of review has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

Sec. 11. Minnesota Statutes 1986, section 273.124, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a homestead. Dates for establish-

ment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

The assessor shall require proof, by affidavit or otherwise, of the facts upon which classification as a homestead may be determined.

For purposes of this section, homestead property 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.

In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor must not deny homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility.

If an individual is purchasing property with the intent of claiming it as a homestead, and is required by the terms of the financing agreement to have one or both parents shown on the deed as coowners, the assessor shall allow a full homestead classification and extend full homestead credit. This provision only applies to first time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

Sec. 12. Minnesota Statutes 1986, section 273.124, subdivision 6, is amended to read:

Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the social security numbers of those members. To qualify for the treatment

provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under sections 308.05 to 308.18; (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years; (c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Sec. 13. Minnesota Statutes 1987 Supplement, section 273.1397, subdivision 2, is amended to read:

Subd. 2. [AID TO COUNTY.] A county whose preliminary aid amount is greater than zero shall receive a payment equal to the lesser of (1) the preliminary aid amount, or (2) 95 percent of the unreimbursed local share. The commissioner of revenue shall annually determine the amounts pursuant to this section and shall notify the county of the resulting income maintenance tax disparity aid amount. The commissioner of revenue shall pay to each affected county treasurer the county's total payment for the year in equal installments on or before July 15 20 and December 15 of each year.

Sec. 14. Minnesota Statutes 1986, 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, nonprofit, 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~~ the percentage 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, subdivision 24.

Sec. 15. Minnesota Statutes 1987 Supplement, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities and towns shall be certified by the proper authorities to the county auditor on or before October 10 in each year. ~~The taxes of a school district must be certified to the commissioner of education by October 10 in each year. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year. If the local unit notifies the commissioner of revenue, or the commissioner of education in the case of a school district, before October 10 of its inability to certify its levy by that date, and the commissioner is satisfied that the delay is unavoidable and is not due to the negligence of the local unit's officials or staff, the commissioner shall extend the time within which the local unit shall certify its levy up to 15 calendar days beyond the date of request for extension. For 1988 only, the commissioner may extend the certification time to November 7 if the requirements of this subdivision are met.~~

The taxes voted by school districts must be certified by the proper authorities to the county auditor on or before October 25 of each year. If a school district fails to certify its levy by that date, its levy must be the amount it levied for the preceding year.

Sec. 16. Minnesota Statutes 1987 Supplement, section 279.01, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3, on May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified as class 4d or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the 16th first day of each month, up to and including October 16 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so

paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the 16th day of each month up to and including December 16 first day of November and December following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the 16th day of each month up to and including December 16 first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

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

Sec. 17. Minnesota Statutes 1986, section 279.01, subdivision 3, is amended to read:

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

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

property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 provided that at least 50 percent of the property's market value is classified class 1b agricultural, class 2a, or class 2c agricultural.

Sec. 18. Minnesota Statutes 1986, section 375.192, subdivision 1, is amended to read:

Subdivision 1. Notwithstanding section 270.07, upon written application by the owner of the property, the county board may grant a reduction, for the current year, of the assessed valuation of any real property in that county which erroneously has been classified, for tax purposes, as nonhomestead property, as is necessary to give it the assessed valuation which it would have received if it had been classified correctly. The application shall be made on a form prescribed by the commissioner of revenue. It shall include the social security number of the applicant and a statement of facts of ownership and occupancy. The social security number of the property owner is private data on individuals as defined by section 13.02, subdivision 12. It shall be sworn to by the owner of the property before an officer authorized to take acknowledgments. Before it is acted upon by the county board, the application shall be referred to the county assessor, or if the property is located in a city of the first class having a city assessor, to the city assessor, who shall investigate the facts and attach a report of the investigation to the application.

With respect to abatements relating to the current year's tax processed through June 30, the county auditor shall notify the commissioner of revenue on or before July 31 of that same year of all applications granted pursuant to this subdivision. With respect to abatements relating to the current year's tax processed after June 30 through the balance of the year, the county auditor shall notify the commissioner of revenue on or before the following January 31 of all applications granted pursuant to this subdivision. The form submitted by the county auditor shall be prescribed by the commissioner of revenue and shall contain the information which the commissioner deems necessary.

Sec. 19. Minnesota Statutes 1986, section 375.83, is amended to read:

375.83 [ECONOMIC AND AGRICULTURAL DEVELOPMENT.]

A county board may appropriate not more than \$50,000 annually out of the general revenue fund of the county ~~to be paid to~~ for any incorporated development society or organization of this state which, in the board's opinion, will use the money for the best interests of the county in promoting, advertising, improving, or developing the economic and agricultural resources of the county. The limitation on annual appropriations under this section does not prohibit accumu-

lation of amounts in excess of the annual appropriation amount in a fund to be used for purposes of this section, provided that the amount of accumulation in the fund may not exceed \$300,000.

Sec. 20. Minnesota Statutes 1986, section 477A.015, is amended to read:

477A.015 [PAYMENT DATES.]

The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in two installments on July 15 20 and December 15 annually.

The commissioner may pay all or part of the payment due on December 15 at any time after August 15 upon the request of a city that requests such payment as being necessary for meeting its cash flow needs.

Sec. 21. [ADJUSTMENT FOR CREDITS.]

A county auditor may make a final certification of prior year adjustments not previously claimed for wetlands credit and reimbursement, native prairie credit and reimbursement, and the small business credit in the 1989 abstract of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy and make changes as are deemed necessary. After they have been reviewed, the commissioner shall include these prior year adjustments in the 1989 aid payments.

Sec. 22. [COUNTY ASSESSORS; SENIOR ACCREDITATION.]

Notwithstanding Minnesota Statutes, section 273.061, the commissioner of revenue's approval on January 1, 1989, of appointments of assessors who are not senior accredited on January 1, 1989, shall be for a term of one year. A county assessor appointed for a one-year term must reapply to the commissioner by January 1, 1990, to obtain the approval of the commissioner for the remainder of the four-year term.

Sec. 23. [REPEALER.]

Minnesota Statutes 1986, section 275.035 and Minnesota Statutes 1987 Supplement, section 273.1195 are repealed.

Sec. 24. Laws 1987, chapter 268, article 6, section 54, is amended to read:

Sec. 54. [EFFECTIVE DATE.]

Except where provided otherwise, sections 1 to 13, and 15 to 53 are effective for taxes levied in 1988, payable in 1989, and thereafter. Section 14 is effective for taxes payable in 1987 and thereafter.

Sec. 25. Laws 1987, chapter 268, article 8, section 9, is amended to read:

Sec. 9. [EFFECTIVE DATE.]

Sections 1 to 7 are effective beginning for property taxes assessed in 1987 and payable in 1988; except that for property taxes payable after 1988 and before 1994, section 1 is effective only for leases executed or renewed after May 28, 1987.

Sec. 26. [EFFECTIVE DATE.]

Sections 4 and 24 are effective the day following final enactment. Sections 7 and 8 are effective for assessment year 1988 and thereafter, taxes payable in 1989 and thereafter. Notwithstanding Minnesota Statutes, section 273.112, subdivision 6, in order to qualify for the valuation and tax deferment for the 1988 assessment, the taxpayer of the property operated by private clubs under Minnesota Statutes, section 273.112, subdivision 3, clause (c)(3), must submit an affidavit or other written verification to the assessor by September 1, 1988, showing that the bylaws or rules and regulations of the private club meet the eligibility requirements of section 7 by September 1, 1988.

Section 9 is effective only for taxes payable in 1988. Sections 3, 11, 12, 14 to 17, 23, and 25 are effective for the 1988 assessment and thereafter, taxes payable in 1989 and thereafter.

ARTICLE 7

ASSESSORS

Section 1. Minnesota Statutes 1986, section 270.41, is amended to read:

270.41 [BOARD OF ASSESSORS.]

(a) A board of assessors is hereby created. The board shall be for the purpose of establishing, conducting, reviewing, supervising, coordinating or approving courses in assessment practices, and establishing criteria for determining assessor's qualifications. The board shall also have authority and responsibility to consider other matters relating to assessment administration brought before it by the commissioner of revenue. The board may grant, renew, suspend,

or revoke an assessor's license. The board shall consist of nine members, who shall be appointed by the commissioner of revenue, in the manner provided herein.

1. Two from the department of revenue,
2. Two county assessors,
3. Two assessors who are not county assessors, one of whom shall be a township assessor, and
4. One from the private appraisal field holding a professional appraisal designation,
5. Two public members as defined by section 214.02.

The appointment provided in 2 and 3 may be made from two lists of not less than three names each, one submitted to the commissioner of revenue by the Minnesota association of assessing officers or its successor organization containing recommendations for the appointment of appointees described in 2, and one by the Minnesota association of assessors, inc. or its successor organization containing recommendations for the appointees described in 3. The lists must be submitted 30 days before the commencement of the term. In the case of a vacancy, a new list shall be furnished to the commissioner by the respective organization immediately. A member of the board who shall no longer be engaged in the capacity listed above shall automatically be disqualified from membership in the board.

The board shall annually elect a chair and a secretary of the board.

(b) The board may refuse to grant or renew, or may suspend or revoke, a license of an applicant or licensee for any of the following causes or acts:

- (1) failure to complete required training;
- (2) inefficiency or neglect of duty;
- (3) "unprofessional conduct" which means knowingly neglecting to perform a duty required by law, or violation of the laws of this state relating to the assessment of property or unlawfully exempting property or knowingly listing property on the tax list at less than its market value; or
- (4) conviction of a crime involving moral turpitude; or
- (5) any other cause or act that in the board's opinion warrants a refusal to issue or suspension or revocation of a license.

(c) The board of assessors may adopt rules under chapter 14, defining or interpreting grounds for refusing to grant or renew, and for suspending or revoking a license under this section. An action of the board of assessors in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.

Sec. 2. Minnesota Statutes 1986, section 273.05, subdivision 1, is amended to read:

Subdivision 1. [APPOINTMENT OF TOWN AND CITY ASSESSORS.] Notwithstanding any other provision of law all town assessors shall be appointed by the town board, and notwithstanding any charter provisions to the contrary, all city assessors shall be appointed by the city council or other appointing authority as provided by law or charter. Such assessors shall be residents of the state but need not be a resident of the town or city for which they are appointed. They shall be selected and appointed because of their knowledge and training in the field of property taxation. All town and statutory city assessors shall be appointed for indefinite terms. The term of the town or city assessors may be terminated at any time by the town board or city council on charges by the commissioner of revenue of inefficiency or neglect of duty. Vacancies in the office of town or city assessor shall be filled within 90 days by appointment of the respective appointing authority indicated above. If the vacancy is not filled within 90 days, the office shall be terminated. When a vacancy in the office of town or city assessor is not filled by appointment, and it is imperative that the office of assessor be filled, the county auditor shall appoint some resident of the county as assessor for such town or city. The county auditor may appoint the county assessor as assessor for such town or city, in which case the town or city shall pay to the county treasurer the amount determined by the county auditor to be due for the services performed and expenses incurred by the county assessor in acting as assessor for such town or city. The term of any town or statutory city assessor in a county electing in accordance with section 273.052 shall be terminated as provided in section 273.055.

The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

Sec. 3. Minnesota Statutes 1986, section 273.061, subdivision 2, is amended to read:

Subd. 2. [TERM; VACANCY.] (a) The terms of county assessors appointed under this section shall be four years. A new term shall begin on January 1 of every fourth year after 1973. When any vacancy in the office occurs, the board of county commissioners, within 30 days thereafter, shall fill the same by appointment for the remainder of the term, following the procedure prescribed in subdi-

vision 1. The term of the county assessor may be terminated by the board of county commissioners at any time, on charges of inefficiency or neglect of duty by the commissioner of revenue. If the board of county commissioners does not intend to reappoint a county assessor who has been certified by the state board of assessors, the board shall present written notice to the county assessor not later than 90 days prior to the termination of the assessor's term, that it does not intend to reappoint the assessor. If written notice is not timely made, the county assessor will automatically be reappointed by the board of county commissioners.

The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

(b) In the event of a vacancy in the office of county assessor, through death, resignation or other reasons, the deputy (or chief deputy, if more than one) shall perform the functions of the office. If there is no deputy, the county auditor shall designate a person to perform the duties of the office until an appointment is made as provided in clause (a). Such person shall perform the duties of the office for a period not exceeding 30 days during which the county board must appoint a county assessor. Such 30-day period may, however, be extended by written approval of the commissioner of revenue.

Sec. 4. Minnesota Statutes 1987 Supplement, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of review except in cities whose charters provide for a board of equalization. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting. The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation may be made by the county assessor after the board of review or the county board of equalization has adjourned. This restriction does not apply to corrections of clerical or administrative errors.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the

assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) If a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review file written objections to an assessment or classification with the county assessor. The objections

must be presented to the board of review at its meeting by the county assessor for its consideration.

Sec. 5. [APPROPRIATION.]

There is appropriated to the state board of assessors from the general fund the amount of \$10,000 to be used in fiscal year 1989 for adopting rules as required by section 1.

ARTICLE 8

MILL RATE LEVY LIMITATIONS

Section 1. Minnesota Statutes 1987 Supplement, section 124A.02, subdivision 3a, is amended to read:

Subd. 3a. [ADJUSTED ASSESSED VALUATION.] "Adjusted assessed valuation" means the assessed valuation of the taxable property ~~notwithstanding the provisions of section 275.49 of the school district as adjusted by the commissioner of revenue under section 124.2131.~~ The adjusted assessed valuation for any given calendar year shall be used to compute levy limitations for levies certified in the succeeding calendar year and aid for the school year beginning in the second succeeding calendar year.

Sec. 2. [275.011] [MILL RATE LEVY LIMITATIONS; CONVERSION FROM MILLS TO DOLLARS.]

Subdivision 1. The property tax levied for any purpose subject to a mill rate limitation imposed by statute or special law that is presently in effect, excluding levies subject to mill rate limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, must not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of the applicable mill rate limitation imposed by statute or special law multiplied by the total assessed valuation of all taxable property subject to the tax as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property subject to the tax divided by the assessment year 1987 total market valuation of all taxable property subject to the tax; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the property tax levy limitation for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property subject to the tax for the current assessment year divided by the total market valuation of all taxable property subject to the tax for the previous assessment year.

For the purpose of determining the property tax levy limitation for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property subject to the tax without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

Subd. 2. A mill rate levy limitation imposed by statute or special law that is presently in effect, excluding those mill rate levy limitations that use adjusted assessed values determined by the commissioner of revenue under section 124.2131, shall be construed to allow no more and no less property taxes than the amount determined under this section.

Sec. 3. Minnesota Statutes 1986, section 473.167, subdivision 2, is amended to read:

Subd. 2. [LOANS FOR ACQUISITION.] The council may make loans to counties, towns, and statutory and home rule charter cities within the metropolitan area for the purchase of property within the right-of-way of a state trunk highway shown on an official map adopted pursuant to section 394.361 or 462.359 or for the purchase of property within the proposed right-of-way of a principal or intermediate arterial highway designated by the council as a part of the metropolitan highway system plan and approved by the council pursuant to subdivision 1. The loans shall be made by the council, from the fund established pursuant to this subdivision, for purchases approved by the council. The loans shall bear no interest. The council shall make loans only: (1) to accelerate the acquisition of primarily undeveloped property when there is a reasonable probability that the property will increase in value before highway construction, or (2) to avert the imminent conversion or the granting of approvals which would allow the conversion of property to uses which would jeopardize its availability for highway construction. The council shall not make loans for the purchase of property at a price which exceeds the fair market value of the property or which includes the costs of relocating or moving persons or property. A private property owner may elect to receive the purchase price either in a lump sum or in not more than four annual installments without interest on the deferred installments. If the purchase agreement provides for installment payments, the council shall make the loan in installments corresponding to those in the purchase agreement.

The recipient of an acquisition loan shall convey the property for the construction of the highway at the same price which the recipient paid for the property. Upon notification by the council that the plan to construct the highway has been abandoned or the anticipated location of the highway changed, the recipient shall sell the property at market value in accordance with the procedures required for the disposition of the property. All rents and other money received because of the recipient's ownership of the property and all proceeds from the conveyance or sale of the property shall be paid to the council. The proceeds of the tax authorized by subdivision 3, all money paid to the council by recipients of loans, and all interest on the proceeds and payments shall be maintained as a separate fund. For administration of the loan program the council may expend from the fund each year an amount no greater than three percent of the amount that a metropolitan area tax levy of 5/100 of a mill would raise in of the authorized levy for that year.

Sec. 4. Minnesota Statutes 1986, section 473.167, subdivision 3, is amended to read:

Subd. 3. [TAX.] The council may levy a tax on all taxable property in the metropolitan area, as defined in section 473.121, to provide funds for loans made pursuant to subdivisions 2 and 2a. The This tax for the right-of-way acquisition loan fund shall be certified by the council, levied, and collected in the manner provided by section 473.13. The tax shall be in addition to that authorized by section 473.249 and any other law and shall not affect the amount or rate of taxes which may be levied by the council or any metropolitan agency or local governmental unit. The amount of the levy shall be as determined and certified by the council, except as otherwise provided in this subdivision. The tax shall not be levied at a rate higher than 5/100 of one mill. The tax shall not be levied at a rate higher than that determined by the council to be sufficient, considering the other anticipated revenues of and disbursements from the loan fund, to produce a balance in the loan fund at the end of the next calendar year equal to twice the amount that a tax levy of 5/100 of a mill would raise in that year.

The property tax levied by the metropolitan council for the right-of-way acquisition loan fund shall not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of 5/100 of one mill multiplied by the total assessed valuation of all taxable property located within the metropolitan area as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, except as provided in section 6, the product of (1) the metropolitan council's property tax levy limitation for the right-of-way acquisition loan fund for the taxes payable year

1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property located within the metropolitan area divided by the assessment year 1987 total market valuation of all taxable property located within the metropolitan area; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the metropolitan council's property tax levy limitation for the right-of-way acquisition loan fund for the previous year determined pursuant to this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current assessment year divided by the total market valuation of all taxable property located within the metropolitan area for the previous assessment year.

For the purpose of determining the metropolitan council's property tax levy limitation for the right-of-way acquisition loan fund for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

The property tax levied under this subdivision for taxes payable in 1988 and subsequent years shall not be levied at a rate higher than that determined by the metropolitan council to be sufficient, considering the other anticipated revenues of and disbursements from the right-of-way acquisition loan fund, to produce a balance in the loan fund at the end of the next calendar year equal to twice the amount of the property tax levy limitation for taxes payable in the next calendar year determined under this section.

Sec. 5. Minnesota Statutes 1986, section 473.167, is amended by adding a subdivision to read:

Subd. 4. [STATE REVIEW.] The commissioner of revenue shall annually determine whether the property tax for the right-of-way acquisition loan fund certified by the metropolitan council for levy following the adoption of its budget is within the levy limitation imposed by this section. To the extent practicable, the determination must be completed prior to November 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculation.

Sec. 6. Minnesota Statutes 1986, section 473.167, is amended by adding a subdivision to read:

Subd. 5. [LEVY INCREASE.] For the purpose of determining the levy limitation for taxes payable in 1989 under subdivision 3, the levy limitation for taxes payable in 1988 shall be multiplied by two. The levy limitation so determined for taxes payable in 1989 shall be the basis for determining levy limitations for taxes payable in 1990 and subsequent years under subdivision 3.

Sec. 7. Minnesota Statutes 1986, section 473.249, subdivision 1, is amended to read:

Subdivision 1. The metropolitan council may levy a tax on all taxable property in the metropolitan area defined in section 473.121 to provide funds for the purposes of sections 473.121 to 473.249 and for the purpose of carrying out other responsibilities of the council as provided by law. The tax shall not exceed 8/30 of one mill on the total assessed valuation of all such taxable property located in the metropolitan area, and This tax for general purposes shall be levied and collected in the manner provided by section 473.13.

The property tax levied by the metropolitan council for general purposes shall not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of 8/30 of one mill multiplied by the total assessed valuation of all taxable property located within the metropolitan area as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the metropolitan council's property tax levy limitation for general purposes for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property located within the metropolitan area divided by the assessment year 1987 total market valuation of all taxable property located within the metropolitan area; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the metropolitan council's property tax levy limitation for general purposes for the previous year determined under this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current assessment year divided by the total market valuation of all taxable property located within the metropolitan area for the previous assessment year.

For the purpose of determining the metropolitan council's property tax levy limitation for general purposes for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable

property within the metropolitan area without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

Sec. 8. Minnesota Statutes 1986, section 473.249, is amended by adding a subdivision to read:

Subd. 3. [LEVY LIMIT.] Notwithstanding any other provision of this section, effective for property taxes payable in 1989 and subsequent years, the total amount of dollars levied by the council for general purposes under this section in any year may not increase over the amount levied in the preceding year by a percentage greater than the percentage increase during the most recent 12-month period in the implicit price deflator for state and local government purchases of goods and services.

Sec. 9. Minnesota Statutes 1987 Supplement, section 473.446, subdivision 1, is amended to read:

Subdivision 1. [TAXATION WITHIN TRANSIT TAXING DISTRICT.] For the purposes of sections 473.401 to 473.451 and the metropolitan transit system, except as otherwise provided in this subdivision the regional transit board shall levy each year upon all taxable property within the metropolitan transit taxing district, defined in subdivision 2, a transit tax consisting of:

(a) ~~an amount up to two mills times the assessed value of all such property, based upon the level of transit service provided for the property, the proceeds of which shall be used for payment of the expenses of operating transit and paratransit service and to provide for payment of obligations issued by the commission under section 473.436, subdivision 6;~~

(b) an additional amount, if any, as the board determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1985, to which property taxes under this section have been pledged; and

(c) an additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council or board has specifically pledged tax levies under this clause.

The property tax levied by the regional transit board for general

purposes under clause (a) must not exceed the following amount for the years specified:

(1) for taxes payable in 1988, the product of two mills multiplied by the total assessed valuation of all taxable property located within the metropolitan transit taxing district as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(2) for taxes payable in 1989, the product of (i) the regional transit board's property tax levy limitation for general purposes for the taxes payable year 1988 determined under clause (1) multiplied by (ii) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property located within the metropolitan transit taxing district divided by the assessment year 1987 total market valuation of all taxable property located within the metropolitan transit taxing district; and

(3) for taxes payable in 1990 and subsequent years, the product of (i) the regional transit board's property tax levy limitation for general purposes for the previous year determined under this subdivision multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan transit taxing district for the current assessment year divided by the total market valuation of all taxable property located within the metropolitan transit taxing district for the previous assessment year.

For the purpose of determining the regional transit board's property tax levy limitation for general purposes for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan transit taxing district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive full peak service and limited off-peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.5 mills on the property. The county auditor shall reduce the tax levied pursuant to this subdivision on all property within statutory and home rule charter cities and towns that receive limited peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.75 mills on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner shall review the certifica-

tions to determine their accuracy and may make changes in the certification as necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the regional transit board the amounts certified by the county auditors on the dates provided in section ~~273.1394~~ 273.1325. There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments in fiscal year 1987 and thereafter.

For the purposes of this subdivision, "full peak and limited off-peak service" means peak period regular route service, plus weekday midday regular route service at intervals longer than 60 minutes on the route with the greatest frequency; and "limited peak period service" means peak period regular route service only.

Sec. 10. Minnesota Statutes 1986, section 473.446, subdivision 3, is amended to read:

Subd. 3. [CERTIFICATION AND COLLECTION.] On or before October 10 in each year the regional transit board shall certify the total amount of the tax levied pursuant to subdivision 1 to the auditor of each metropolitan county. Each county auditor shall then assess and extend upon the tax rolls in the county that proportion of the tax which the assessed value of taxable property in the county bears to the assessed value of all taxable property in the metropolitan area. Each county treasurer shall collect and make settlement of ~~such~~ the taxes levied under subdivisions 1 and 1a with the treasurer of the board. The levy of transit taxes pursuant to this section shall not affect the amount or rate of taxes which may be levied by any county or municipality or by the board for other purposes authorized by law and shall be in addition to any other property tax authorized by law.

Sec. 11. Minnesota Statutes 1986, section 473.446, is amended by adding a subdivision to read:

Subd. 8. [STATE REVIEW.] The commissioner of revenue shall annually determine whether the property tax for general purposes certified by the regional transit board for levy following the adoption of its budget is within the levy limitation imposed by subdivision 1. The commissioner shall also annually determine whether the transit tax imposed on all taxable property within the metropolitan transit area but outside of the metropolitan transit taxing district is within the levy limitation imposed by subdivision 1a. To the extent practicable, the determination must be completed prior to November 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculations.

Sec. 12. Minnesota Statutes 1986, section 473.711, subdivision 2, is amended to read:

Subd. 2. The metropolitan mosquito control commission shall prepare an annual budget. The budget may provide for expenditures in an amount not exceeding six-tenths of one mill times the current assessed valuation of the district the property tax levy limitation determined in this subdivision. The commission may levy a tax on all taxable property in the district as defined in section 473.702 to provide funds for the purposes of sections 473.701 to 473.716. The tax shall not exceed six-tenths of one mill the property tax levy limitation determined in this subdivision. A participating county may agree to levy an additional tax to be used by the commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and commission's taxes may not exceed six-tenths of one mill in any county the county's proportionate share of the property tax levy limitation determined under this subdivision based on the ratio of its total assessed valuation to the total assessed valuation of the entire district as adjusted by section 270.12, subdivision 3. The auditor of each county in the district shall add the amount of the levy made by the district to other taxes of the county for collection by the county treasurer with other taxes. When collected, the county treasurer shall make settlement of the tax with the district in the same manner as other taxes are distributed to political subdivisions. No county shall levy any tax for mosquito and black gnat (Simuliidae) control except under sections 473.701 to 473.716. The levy shall be in addition to other taxes authorized by law and shall be disregarded in the calculation of limits on taxes imposed by chapter 275.

The property tax levied by the metropolitan mosquito control commission shall not exceed the following amount for the years specified:

(a) for taxes payable in 1988, the product of six-tenths on one mill multiplied by the total assessed valuation of all taxable property located within the district as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, the product of (1) the commission's property tax levy limitation for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property located within the district divided by the assessment year 1987 total market valuation of all taxable property located within the district; and

(c) for taxes payable in 1990 and subsequent years, the product of (1) the commission's property tax levy limitation for the previous year determined under this subdivision multiplied by (2) an index

for market valuation changes equal to the total market valuation of all taxable property located within the district for the current assessment year divided by the total market valuation of all taxable property located within the district for the previous assessment year.

For the purpose of determining the commission's property tax levy limitation for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property within the district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

Sec. 13. Minnesota Statutes 1986, section 473.711, is amended by adding a subdivision to read:

Subd. 5. [STATE REVIEW.] The commissioner of revenue shall annually determine whether the property tax certified by the metropolitan mosquito control commission for levy following the adoption of its budget is within the levy limitation imposed by subdivision 2. To the extent practicable, the determination must be completed prior to November 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculation.

Sec. 14. Minnesota Statutes 1987 Supplement, section 475.53, subdivision 4, is amended to read:

Subd. 4. [SCHOOL DISTRICTS.] Except as otherwise provided by law, no school district shall be subject to a net debt in excess of ten percent of the actual market value of all taxable property and of exempt property referred to in section 275.49, situated within its corporate limits, as computed in accordance with this subdivision. The county auditor of each county containing taxable real or personal property situated within any school district shall certify to the district upon request the market value of all such property. The county auditor of each county containing exempt property referred to in section 275.49, situated within any school district, shall certify to the district upon request the total market value of all such property as determined under section 275.49. The commissioner of revenue shall certify to the district upon request the market value of railroad property within the district as most recently determined under section 270.87. Whenever the commissioner of revenue, in accordance with section 124.2131, subdivision 1, has determined that the assessed valuation of any district furnished by county auditors is not based upon the market value of taxable property in the district, the commissioner of revenue shall certify to the district upon request the ratio most recently ascertained to exist between

such value and the actual market value of property within the district. The actual market value of property within a district, on which its debt limit under this subdivision is based, is (a) the value certified by the county auditors and, where applicable, by the commissioner of revenue under section 270.87, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value.

Sec. 15. [REPEALER.]

Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49, are repealed.

Sec. 16. [APPLICABILITY.]

Sections 3 to 13 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 17. [EFFECTIVE DATE.]

This article is effective for property taxes levied in 1988 and thereafter, payable in 1989 and thereafter.

ARTICLE 9

PARK TRAILERS

Section 1. Minnesota Statutes 1986, section 168.011, subdivision 8, is amended to read:

Subd. 8. [MANUFACTURED HOME AND, HOUSE TRAILER, AND PARK TRAILER.] (a) "Manufactured home" means any trailer or semitrailer which is designed, constructed, and equipped for use as a human dwelling place, living abode, or living quarters except house trailers and park trailers.

(b) "House trailer" means any trailer or semitrailer which is not more than eight feet in width and not more than 35 feet in length and which is designed, constructed, and equipped for use as a human dwelling place, living abode, or living quarters.

(c) "Park trailer" means a trailer or manufactured home that:

(1) exceeds eight feet in width but is no larger than 400 square feet when the collapsible components are fully extended, or at maximum horizontal width;

(2) is built on a single chassis, self-propelled or permanently towable; and

(3) is used as a temporary living abode or living quarters.

Sec. 2. Minnesota Statutes 1986, section 168.012, subdivision 9, is amended to read:

Subd. 9. Manufactured homes and park trailers shall not be taxed as motor vehicles using the public streets and highways and shall be exempt from the motor vehicle tax provisions of this chapter. Except as provided in section 274.19, manufactured homes and park trailers shall be taxed as personal property. The provisions of Minnesota Statutes 1957, section 272.02 or any other act providing for tax exemption shall be inapplicable to manufactured homes, except such manufactured homes as are held by a licensed dealer and exempted as inventory. House trailers not used on the highway during any calendar year shall be taxed as manufactured homes if occupied as human dwelling places.

Sec. 3. Minnesota Statutes 1987 Supplement, section 274.19, subdivision 1, is amended to read:

Subdivision 1. [VALUATION; NOTICE.] Subdivisions 1 to 7 apply to manufactured homes and park trailers that are assessed under subdivision 8, ~~paragraph~~ paragraphs (c) and (e). Each manufactured home and park trailer must be valued each year by the assessor and assessed with reference to its value on January 2 of that year. Notice of the value must be mailed to the person to be assessed at least ten days before the meeting of the local board of review or equalization. The notice must contain the amount of valuation in terms of market value, the assessor's office address, and the date, place, and time set for the meeting of the local board of review or equalization and the county board of equalization.

Sec. 4. Minnesota Statutes 1987 Supplement, section 274.19, subdivision 2, is amended to read:

Subd. 2. [RETURN ASSESSMENT BOOKS; SET TAX.] On or before May 1, the assessor shall return to the county auditor the assessment books relating to the assessment of manufactured homes and park trailers. After receiving the assessment books, the county auditor shall determine the tax to be due by applying the rate of levy of the preceding year and shall send a list of the taxes to the county treasurer not later than May 30.

Sec. 5. Minnesota Statutes 1987 Supplement, section 274.19, subdivision 3, is amended to read:

Subd. 3. [TAX STATEMENTS; PENALTIES; COLLECTIONS.]

Not later than July 15 in the year of assessment the county treasurer shall mail to the taxpayer a statement of tax due on a manufactured home and park trailers. The taxes are due on the last day of August. Taxes remaining unpaid after the due date are delinquent, and a penalty of eight percent must be assessed and collected as part of the unpaid taxes. On September 30 the county treasurer shall make a list of taxes remaining unpaid and shall certify the list immediately to the court administrator of district court. The court administrator shall issue warrants to the sheriff for collection.

Sec. 6. Minnesota Statutes 1987 Supplement, section 274.19, subdivision 4, is amended to read:

Subd. 4. [PETITIONS OF GRIEVANCE.] A person who claims that the person's manufactured home or park trailer has been unfairly or unequally assessed, or that the property has been assessed at a valuation greater than its real or actual value, or that the tax levied against it is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of the claim, defense, or objection determined in court. The determination must be made by the district court of the county in which the tax is levied or by the tax court. A person can request the determination by filing a petition for it in the office of the court administrator of the district court on or before September 1 of the year in which the tax becomes payable. A petition for determination under this section may be transferred by the district court to the tax court.

Sec. 7. Minnesota Statutes 1987 Supplement, section 274.19, subdivision 6, is amended to read:

Subd. 6. [CORRECTING TAX.] If the local board of review or equalization or the county board of equalization changes the assessor's valuation of a manufactured home or park trailer, the change must be sent to the county auditor. The auditor shall immediately recompute the tax and advise the treasurer of the corrected tax. If the property is entitled to homestead classification, the auditor shall reduce the tax accordingly.

Sec. 8. Minnesota Statutes 1987 Supplement, section 274.19, subdivision 7, is amended to read:

Subd. 7. [PERSONAL PROPERTY.] The tax assessed on manufactured homes and park trailers is a personal property tax. Laws relating to assessment, review, and collection of personal property taxes apply to this tax, if consistent with this section.

Sec. 9. Minnesota Statutes 1987 Supplement, section 274.19, subdivision 8, is amended to read:

Subd. 8. [MANUFACTURED HOMES; SECTIONAL STRUCTURES; PARK TRAILERS.] (a) In this section, "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air conditioning, and electrical systems in it. "Manufactured home" includes any accessory structure that is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.

In this section, "park trailer" has the meaning given to it in section 168.011, subdivision 8. Notwithstanding section 168.012, subdivision 9, it must be taxed under this section regardless of whether or not it is registered as a motor vehicle under chapter 168. The county assessor shall determine if the trailer is a park trailer and is subsequently taxable under this section. Proof must be furnished to the county assessor by the owner of the trailer if the owner deems otherwise. If an agreement cannot be reached between the owner of the trailer and the county assessor, the commissioner of revenue shall make the final determination.

(b) A manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

(1) the owner of the unit holds title to the land on which it is situated;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the manufactured home building code in sections 327.31 to 327.34, and rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(c) A manufactured home that meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property, and the valuation is subject to review and the taxes payable in the manner provided in this section:

(1) the owner of the unit is a lessee of the land under the terms of a lease;

(2) the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the manufactured homes building code contained in sections 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like other real property in the taxing district; and

(3) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) If the owner of the park trailer, as defined in section 168.011, subdivision 8, holds title to the land upon which it is situated, the park trailer must be valued and assessed as an improvement to real property and the appropriate real property classification shall apply and the valuation is subject to review and taxes payable in the manner for real property.

(e) If the owner of the park trailer, as defined in section 168.011, subdivision 8, is a lessee of the land pursuant to the terms of a lease, the park trailer must be assessed at the rate provided by the appropriate real property classification but must be treated as personal property and the valuation is subject to review and the taxes payable in the manner provided in this section.

(f) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land on which it is located or is a qualifying lessee of the land under section 273.19. In this paragraph "sectional structure" means a building or structural unit that has been in whole or substantial part manufactured or constructed at an off-site location to be wholly or partially assembled on-site alone or with other units and attached to a permanent foundation.

(g) The commissioner of revenue may adopt rules under the administrative procedure act to establish additional criteria for the classification of manufactured homes and, sectional structures, and park trailers under this subdivision.

Sec. 10. Minnesota Statutes 1986, section 297A.02, subdivision 4, is amended to read:

Subd. 4. [MANUFACTURED HOUSING AND PARK TRAILERS.] Notwithstanding the provisions of subdivision 1, for sales at retail of manufactured homes used for residential purposes and park trailers defined in section 168.011, subdivision 8, clause (c), the excise tax is imposed upon 65 percent of the sales price of the home or park trailer provided that if, in the case of park trailers, property taxes are not levied on the park trailer, the excise tax shall be recomputed based upon 100 percent of the original sales price and the owner shall pay the amount of difference to the state before being granted a permit to move the trailer under section 169.86.

Sec. 11. Minnesota Statutes 1986, section 297A.25, subdivision 27, is amended to read:

Subd. 27. [MANUFACTURED HOMES AND PARK TRAILERS.] The gross receipts from the sale of a manufactured home, as defined in section 327.31, subdivision 6, and park trailers as defined in section 168.011, subdivision 8, clause (c), to be used by the purchaser for residential purposes are exempt, unless the sale is the first retail sale of the manufactured home or park trailer in this state.

Sec. 12. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 37. [PARK TRAILERS.] The gross receipts from the sale of any lease or contract for the space to park a "park trailer" as defined in section 168.011, subdivision 8, provided that the park trailer is subject to property taxes for that same time period.

Sec. 13. [EFFECTIVE DATE.]

Sections 1 to 12 are effective January 1, 1989.

ARTICLE 10

TAXES ON GAMBLING

Section 1. Minnesota Statutes 1986, section 240.01, is amended by adding a subdivision to read:

Subd. 12. [AVERAGE DAILY HANDLE.] "Average daily handle" means the total amount bet in all pari-mutuel pools at a licensed racetrack during the racing meeting divided by the number of days that horse racing was conducted at the racetrack during the racing meeting.

Sec. 2. Minnesota Statutes 1986, section 240.13, subdivision 4, is amended to read:

Subd. 4. [TAKEOUT; DISTRIBUTION OF WINNINGS.] A licensee conducting pari-mutuel betting must deduct from a straight pari-mutuel pool, before payments to holders of winning tickets, an amount equal to not more than 17 percent of the total money in that pool. The licensee must deduct from a multiple pari-mutuel pool, before payments to the holders of winning tickets, an amount equal to not more than 23 percent of the total money in that pool. The remaining money in each pool must be distributed among the holders of winning tickets in a manner the commission by rule prescribes for each type of pool. Breakage must be computed on the

basis of payoffs rounded down to the next lowest increment of 20 cents, with a minimum payoff of \$2.20 on a \$2 ticket, except that the licensee may reduce the minimum payoff to \$2.10 on a \$2 ticket if there is not a sufficient amount in a pool to make a minimum payoff of \$2.20.

Sec. 3. Minnesota Statutes 1987 Supplement, section 240.13, subdivision 5, is amended to read:

Subd. 5. [PURSES.] (a) From the amounts deducted from all pari-mutuel pools by a licensee, an amount equal to not less than five percent the following percentages of all money in all pools must be set aside by the licensee and used for purses for races conducted by the licensee, provided that a licensee may agree by contract with an organization representing a majority of the horsepersons racing the breed involved to set aside amounts in addition to the following percentages:

(1) For a licensee conducting a racing meeting with an average daily handle of \$500,000 or less, four percent of the average daily handle times the number of racing days in that meeting.

(2) For a licensee conducting a racing meeting with an average daily handle of more than \$500,000 but not more than \$750,000, six percent of the average daily handle times the number of racing days in that meeting.

(3) For a licensee conducting a racing meeting with an average daily handle of more than \$750,000, eight percent of the first \$1,000,000 in average daily handle times the number of racing days in that meeting.

The commission may by rule provide for the administration and enforcement of this subdivision.

(b) From the money set aside for purses, the licensee shall pay to the horseperson's organization representing the majority of the horsepersons racing the breed involved and contracting with the licensee with respect to purses and the conduct of the racing meetings and providing representation, benevolent programs, benefits, and services for horsepersons and their on-track employees, an amount, sufficient to perform these services, as may be determined by agreement by the licensee and the horseperson's organization. The amount paid may be deducted only from the money set aside for purses to be paid in races for the breed represented by the horseperson's organization. With respect to racing meetings where more than one breed is racing, the licensee may contract independently with the horseperson's organization representing each breed racing.

(c) Notwithstanding sections 325D.49 to 325D.66, a horseperson's

organization representing the majority of the horsepersons racing a breed at a meeting, and the members thereof, may agree to withhold horses during a meeting.

Sec. 4. Minnesota Statutes 1986, section 240.13, subdivision 6, is amended to read:

Subd. 6. [TELEVISED RACES.] The commission may by rule permit a class B or class D licensee to conduct on the premises of the licensed racetrack pari-mutuel betting on horse races run in other states and broadcast by television on the premises. All provisions of law governing pari-mutuel betting apply to pari-mutuel betting on televised races except as otherwise provided in this subdivision or in the commission's rules. Pari-mutuel pools conducted on such televised races may consist only of money bet on the premises and may not be commingled with any other pool off the premises, except that:

(a) the licensee may pay a fee to the person or entity conducting the race for the privileges of conducting pari-mutuel betting on the race, and

(b) the licensee may pay the costs of transmitting the broadcast of the race.

Pari-mutuel betting on a televised race may be conducted only on a racing day assigned by the commission. The takeout and taxes on pari-mutuel pools on televised races are as provided for other pari-mutuel pools. All televised races under this subdivision must comply with the Interstate Horse Racing Act of 1978 as found in United States Code, title 15, section 3001 and the following relevant sections. In lieu of the purse requirement established by subdivision 5, the licensee shall set aside for purses one-half of the takeout from the amount bet on televised races after the payment of fees and taxes. For the purposes of purse distribution under subdivision 5, the average daily handle shall not include amounts bet in pari-mutuel pools on televised races.

Sec. 5. Minnesota Statutes 1986, section 240.15, subdivision 1, is amended to read:

Subdivision 1. [TAXES IMPOSED.] (a) There is imposed on the total amount bet on all pari-mutuel pools on each racing day a tax at the following rates:

(1) For each racing day in a calendar year on which the total amount bet, together with the total amount bet at the same licensed racetrack in all previous racing days in the same calendar year does not exceed \$48,000,000, 1¾ percent of the total amount bet in all pari-mutuel pools.

(2) For each racing day in a calendar year after the racing day on which the total amount bet in all pari-mutuel pools at the same licensed racetrack in the same calendar year exceeds \$48,000,000, six percent of the total amount bet in all pari-mutuel pools rate of six percent of the total amount withheld from all pari-mutuel pools by the licensee, including breakage and amounts withheld under section 240.13, subdivision 4.

In addition to the above tax, the licensee must designate and pay to the commission a tax of one percent of the total amount bet on each racing day, for deposit in the Minnesota breeders fund, at the following rates:

(1) For racing days on which the state tax under clause (a)(1) is $1\frac{3}{4}$ percent, one-half percent of the total amount bet in all pari-mutuel pools.

(2) For racing days on which the state tax under clause (a)(2) is six percent, one percent of the total amount bet in all pari-mutuel pools.

The taxes imposed by this clause must be paid from the amounts permitted to be withheld by a licensee under section 240.13, subdivision 4.

(b) The commission shall impose on each paid admission to each licensed racetrack on a racing day a tax of 40 cents. It may impose an additional admissions tax of not more than ten cents on each paid admission at any a licensed racetrack on a racing day if:

(1) the additional tax is requested by a local unit of government within whose borders the track is located;

(2) a public hearing is held on the request; and

(3) the commission finds that the local unit of government requesting the additional tax is in need of its revenue to meet extraordinary expenses caused by the racetrack.

Sec. 6. Minnesota Statutes 1986, section 240.15, subdivision 2, is amended to read:

Subd. 2. [PAYMENT.] The licensee must remit the tax to the commission or its representative within seven days of the day on which it was collected. ~~In addition to the tax and at that time the licensee must pay to the commission or its representative a sum equal to one-half the total breakage for each racing day during the period for which the tax is paid.~~ The payments must be accompanied by a detailed statement of the remittance on a form the commission prescribes. The commission may by rule provide for the direct deposit of required payments in the commission's account in a

financial institution within the state and for determining the time of applicability of different tax rates under subdivision 1.

Sec. 7. Minnesota Statutes 1986, section 240.15, subdivision 3, is amended to read:

Subd. 3. [TAX EXCLUSIVE.] The tax imposed by subdivision 1 is in lieu of any tax or license fee, other than taxes on real property, imposed by a political subdivision and in lieu of any other sales or excise tax imposed by the state on racetrack admissions or pari-mutuel pools or pari-mutuel ticket sales.

Sec. 8. Minnesota Statutes 1986, section 240.15, subdivision 6, is amended to read:

Subd. 6. [DISPOSITION OF PROCEEDS.] The commission shall distribute all money received under this section, and all money received from license fees and fines it collects, as follows: all money designated for deposit in the Minnesota breeders fund must be paid into that fund for distribution under section 240.18. Revenue from an additional admissions tax imposed under subdivision 1 must be paid to the local unit of government at whose request it was imposed, at times and in a manner the commission determines. All other revenues received under this section by the commission, and all license fees, fines, and other revenue it receives, must be paid to the state treasurer for deposit in the general fund.

Sec. 9. Minnesota Statutes 1986, section 240.18, is amended to read:

240.18 [BREEDERS' FUND.]

The commission shall establish a Minnesota breeders' fund with the money paid to it under section 240.15, subdivision 1. The commission, after paying the current costs of administering the fund, shall apportion the remaining net proceeds into categories corresponding with the various breeds of horses which are racing at licensed Minnesota racetracks in proportion to each category's contribution to the fund and distribute the available net proceeds in each such category as follows:

(1) With respect to the available money apportioned in the thoroughbred and quarterhorse categories, twenty percent of the available money in the fund must be expended as grants for equine research and related education at public institutions of post-secondary learning within the state.

(2) After deducting the amount for (1), the balance of the available proceeds shall be apportioned into categories corresponding with the various breeds of horses which are racing at licensed Minnesota

racetracks, in proportion to each category's contribution to the fund. The available funds in each such category may be expended by the commission to:

(a) supplement purses for races held exclusively for Minnesota-bred, Minnesota-foaled, or Minnesota-owned horses until January 1, 1988, and for Minnesota-bred and Minnesota-foaled horses after that date in that category;

(b) pay breeders' or owners' awards to the breeders or owners of Minnesota-bred horses in that category which win money at licensed racetracks in the state; and

(c) provide other financial incentives to encourage the horse breeding industry in Minnesota.

(3) With respect to the available money apportioned in the standardbred category, 20 percent must be expended as follows:

(a) one-half of that amount to supplement purses for standardbreds at non-pari-mutuel racetracks in the state;

(b) one-fourth of that amount for the development of non-pari-mutuel standardbred tracks in the state; and

(c) one-fourth of that amount as grants for equine research and related education at public institutions of post-secondary learning in the state.

(4) After deducting the amount for clause (3) the balance of the available proceeds in the standardbred category must be expended by the commission to:

(a) supplement purses for races held exclusively for Minnesota-bred and Minnesota-foaled standardbreds;

(b) pay breeders or owners awards to the breeders or owners of Minnesota-bred standardbreds which win money at licensed racetracks in the state; and

(c) provide other financial incentives to encourage the horse breeding industry in Minnesota.

The commission shall adopt rules governing the distribution of the fund. The commission may establish advisory committees to advise it on the distribution of money under this section, provided that the members of an advisory committee shall serve without compensation.

Sec. 10. Minnesota Statutes 1986, section 349.12, subdivision 18, is amended to read:

Subd. 18. [DEAL.] "Deal" means each separate package, or series of packages, consisting of one game of pull-tabs or tipboards with the same serial number purchased from a distributor.

Sec. 11. Minnesota Statutes 1986, section 349.12, is amended by adding a subdivision to read:

Subd. 19. [IDEAL GROSS.] "Ideal gross" means the total amount of receipts that would be received if every individual ticket in the pull-tab or tipboard deal was sold at its face value.

Sec. 12. Minnesota Statutes 1986, section 349.12, is amended by adding a subdivision to read:

Subd. 20. [IDEAL NET.] "Ideal net" means the pull-tab or tipboard deal's ideal gross, as defined under subdivision 19, less the total predetermined prize amounts available to be paid out. When the prize is not a monetary one, the ideal net is 50 percent of the ideal gross.

Sec. 13. Minnesota Statutes 1987 Supplement, section 349.212, subdivision 1, is amended to read:

Subdivision 1. [RATE.] There is hereby imposed a tax on all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, conducted by organizations licensed by the board at the rate specified in this subdivision. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 4.

On all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, the tax is ten percent of the gross receipts of a licensed organization from lawful gambling less prizes actually paid out, payable by the organization.

Sec. 14. Minnesota Statutes 1987 Supplement, section 349.212, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) There is imposed a tax on the sale of each deal of pull-tabs and tipboards sold by a licensed distributor to a licensed organization, or to an organization holding an exemption identification number. The rate of the tax is ten percent of the face resale value of all the pull-tabs in each deal

less the total prizes which may be paid out on all the pull-tabs in that ideal net of the pull-tab and tipboard deal. The tax is payable to the commissioner of revenue in the manner prescribed in section 349.2121 and the rules of the commissioner. The commissioner shall pay the proceeds of the tax to the state treasurer for deposit in the general fund. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the licensed distributor to an organization is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A if the tax imposed by this subdivision has been paid and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 4.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the licensed or exempt organization, to a common or contract carrier for delivery to the organization, or when received by the organization's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

If a licensed organization or any organization holding an exemption number receives pull-tabs directly from the manufacturer and the manufacturer is not a licensed distributor, the distributor from whom the pull-tabs were purchased is liable for tax when the manufacturer delivers the pull-tabs to the organization, or to a contract or common carrier for delivery to the organization, or when the pull-tabs are received by the organization's authorized representative at the manufacturer's place of business, regardless of the manufacturer's or the distributor's method of accounting or the terms of the sale.

(c) The exemptions contained in section 349.214, subdivision 2, paragraph (b), do not apply to the tax imposed in this subdivision.

Sec. 15. Minnesota Statutes 1986, section 349.2121, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION AND ISSUANCE.] Every distributor licensed by the board who sells pull-tabs and tipboards to organizations authorized to sell pull-tabs and tipboards under this chapter must file with the commissioner of revenue an application, on a form the commissioner prescribes, for a gambling tax identification number and gambling tax permit. The commissioner, when satisfied that the applicant has a valid license from the board, shall issue the applicant a permit and number. A permit is not assignable and is valid only for the distributor in whose name it is issued.

Sec. 16. Minnesota Statutes 1986, section 349.2121, subdivision 2, is amended to read:

Subd. 2. [RECORDS.] The commissioner may by rule require a licensed distributor holding a permit under this section to keep such books, papers, documents, and records as the commissioner deems necessary to the enforcement of this chapter. The commissioner may examine, or cause to be examined, any books, papers, records, or other documents relevant to making a determination, whether they are in the possession of a distributor or another person or corporation. The commissioner may require the attendance of any persons having knowledge or information in the premises; to compel the production of books, papers, records, or memoranda by persons so required to attend; to take testimony on matters material to a determination, and to administer oaths or affirmations. A distributor shall keep at each licensed place of business complete and accurate records for that place of business, including itemized invoices of pull-tabs and tipboards held, purchased, manufactured, or brought in or caused to be brought in from without this state, and of all sales of pull-tabs and tipboards. The records must show the names and addresses of purchasers; the inventory at the close of each period for which a return is required of all pull-tab and tipboard deals on hand, and other pertinent papers and documents relating to the purchase, sale, or disposition of pull-tab and tipboard deals. Books, records, and other papers and documents required by this section must be kept for a period of at least 3½ years after the date of the documents, or the date of the entries appearing in the records, unless the commissioner authorizes in writing their destruction or disposal at an earlier date. At any time during usual business hours, the commissioner, executive secretary of the charitable gambling control board, or any of their duly authorized agents or employees, may enter a place of business of a distributor, charitable organization, or any site from which pull-tabs or tipboards are being sold and inspect the premises and the records required to be kept under this section to determine whether or not all the provisions of this section are being fully complied with. If the commissioner, executive secretary, or their duly authorized agents or employees are denied free access to or are hindered or interfered with in making an inspection of the distributor's place of business, the permit of the distributor may be revoked by the commissioner, and the license of the distributor may be revoked by the charitable gambling control board.

Sec. 17. Minnesota Statutes 1986, section 349.2121, is amended by adding a subdivision to read:

Subd. 2a. A distributor who sells pull-tabs and tipboards to persons other than the ultimate consumer shall give with each sale an itemized invoice showing the distributor's name and address, the purchaser's name and address, the date of the sale, description of the deals including the ideal net amounts, and all prices and discounts, and shall keep legible copies of all the itemized invoices for 3½ years from the date of sale.

Sec. 18. Minnesota Statutes 1987 Supplement, section 349.2121, subdivision 4a, is amended to read:

Subd. 4a. [REFUND.] If any deal of pull-tabs or tipboards registered with the board and upon which the tax imposed by section 349.212, subdivision 4, has been paid is returned unplayed to the distributor, the commissioner of revenue shall allow a refund of the tax paid.

In the case of a defective deal registered with the board and upon which the taxes have been paid is returned to the manufacturer, the distributor shall submit to the commissioner of revenue certification from the manufacturer that the deal was returned and in what respect it was defective. The certification must be in a form prescribed by the commissioner and must contain additional information the commissioner requires.

The commissioner may require that no refund under this subdivision be made unless the returned pull-tabs or tipboards have been set aside for inspection by the commissioner's employee.

Reductions in previously paid taxes authorized by this subdivision shall be made at the time and in the manner prescribed by the commissioner.

Sec. 19. Minnesota Statutes 1986, section 349.2121, subdivision 5, is amended to read:

Subd. 5. [PUBLIC INFORMATION CONFIDENTIAL.] Neither the commissioner nor any other public official or employee may divulge or otherwise make known in any manner any particulars disclosed in any report or return required by this section, or any information concerning the affairs of the distributor making the return acquired from its records, officers, or employees while examining or auditing under the authority of this chapter, except in connection with a proceeding involving taxes due under this chapter. Nothing herein prohibits the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and their contents. Any person violating the provisions of this section is guilty of a gross misdemeanor.

Notwithstanding the provisions of this section, the commissioner may furnish information on a reciprocal basis to the taxing officials of another state or the board in order to implement the purposes of this chapter.

In order to facilitate processing of returns and payments of taxes required by this chapter, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed must be administered by the vendor

consistent with this section. All records concerning the administration of the pull-tab and tipboard taxes are classified as public information.

Sec. 20. Minnesota Statutes 1987 Supplement, section 349.2121, subdivision 10, is amended to read:

Subd. 10. [UNTAXED PULL-TABS OR TIPBOARDS.] It is a gross misdemeanor for any person to possess pull-tabs or tipboards for resale in this state that have not been registered with the board, for which a registration stamp has not been affixed to the flare, and upon which the taxes imposed by section 349.212, subdivision 4, or chapter 297A have not been paid. The executive secretary of the charitable gambling control board or the commissioner of revenue or their designated inspectors and employees may seize in the name of the state of Minnesota any unregistered or untaxed pull-tabs or tipboards.

Sec. 21. Minnesota Statutes 1987 Supplement, section 349.2122, is amended to read:

349.2122 [MANUFACTURERS; REPORTS TO THE COMMISSIONER; PENALTY.]

A manufacturer registered with the board who sells pull-tabs and tipboards to a distributor licensed by the board must file with the commissioner of revenue, on a form prescribed by the commissioner, a report of pull-tabs and tipboards sold to licensed distributors. The report must be filed monthly on or before the 25th day of the month succeeding the month in which the sale was made. Any person violating this section shall be guilty of a misdemeanor.

Sec. 22. Minnesota Statutes 1987 Supplement, section 349.2123, is amended to read:

349.2123 [CERTIFIED PHYSICAL INVENTORY.]

The commissioner of revenue may, upon request, require a pull-tab licensed distributor to furnish a certified physical inventory of the pull-tabs and tipboards in stock. The inventory must contain the information required by the commissioner.

Sec. 23. [349.2125] [CONTRABAND.]

Subdivision 1. [CONTRABAND DEFINED.] The following are contraband:

(1) all pull-tab or tipboard deals that do not have stamps affixed to them as provided in section 349.162;

(2) all pull-tab or tipboard deals in the possession of any unlicensed organization whether stamped or unstamped;

(3) any container used for the storage and display of any contraband pull-tab or tipboard deals as defined in clauses (1) and (2);

(4) any cash drawer, cash register, or any other container used for illegal pull-tab or tipboard transactions including its contents; and

(5) any device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used, with the knowledge of the owner or of a person operating with the consent of the owner, for the storage or transportation of more than five pull-tab or tipboard deals that are contraband under this subdivision. When pull-tabs and tipboards are being transported in the course of interstate commerce, or from one distributor to another, the pull-tab and tipboard deals are not contraband, notwithstanding the provisions of clause (1).

Subd. 2. [SEIZURE.] Pull-tabs or tipboards or other property made contraband by subdivision 1 may be seized by the commissioner of revenue or the executive secretary of the charitable gambling control board or their authorized agents or by any sheriff or other police officer, hereinafter referred to as the seizing authority, with or without process, and shall be subject to forfeiture as provided in subdivisions 3 and 4.

Subd. 3. [INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.] Within two days after the seizure of any alleged contraband, the person making the seizure shall deliver an inventory of the property seized to the person from whom the property was seized, if known, and file a copy with the commissioner or the executive secretary of the charitable gambling control board. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an interest in the property may file with the seizing authority a demand for judicial determination of whether the property was lawfully subject to seizure and forfeiture. Within 30 days after the date of filing of the demand, the seizing authority must bring an action in the district court of the county where seizure was made to determine the issue of forfeiture. The action must be brought in the name of the state and be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and determine the issues of fact and laws involved. When a judgment of forfeiture is entered, the seizing authority may, unless the judgment is stayed pending an appeal, either (1) cause the forfeited property to be destroyed; or (2) cause it to be sold at a public auction as provided by law.

If demand for judicial determination is made and no action is commenced as provided in this subdivision, the property must be

released by the seizing authority and delivered to the person entitled to it. If no demand is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the seizing authority as provided where there has been a judgment of forfeiture. When the seizing authority is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by section 349.2121, subdivision 4, the seizing authority shall release the property seized without further legal proceedings.

Subd. 4. [DISPOSAL.] The property described in subdivision 1, clauses (4) and (5), must be confiscated after conviction of the person from whom it was seized, upon compliance with the following procedure: the seizing authority shall file with the court a separate complaint against the property, describing it and charging its use in the specific violation, and specifying substantially the time and place of the unlawful use. A copy of the complaint must be served upon the defendant or person in charge of the property at the time of seizure, if any. If the person arrested is acquitted, the court shall dismiss the complaint against the property and order it returned to the persons legally entitled to it. Upon conviction of the person arrested, the court shall issue an order directed to any person known or believed to have any right, title or interest in, or lien upon, any of the property, and to persons unknown claiming any right, title, interest, or lien in it, describing the property and (1) stating that it was seized and that a complaint against it, charging the specified violation, has been filed with the court, (2) requiring the persons to file with the court administrator their answer to the complaint, setting forth any claim they may have to any right or title to, interest in, or lien upon the property, within 30 days after the service of the order, and (3) notifying them in substance that if they fail to file their answer within the time, the property will be ordered sold by the seizing authority. The court shall cause the order to be served upon any person known or believed to have any right, title, interest, or lien as in the case of a summons in a civil action, and upon unknown persons by publication, as provided for service of summons in a civil action. If no answer is filed within the time prescribed, the court shall, upon affidavit by the court administrator, setting forth the fact, order the property sold by the seizing authority. The proceeds of the sale, after deducting the expense of keeping the property and fees and costs of sale, must be paid into the state treasury and credited to the general fund. If answer is filed within the time provided, the court shall fix a time for a hearing, which shall be not less than ten nor more than 30 days after the time for filing answer expires. At the time fixed for hearing, unless continued for cause, the matter shall be heard and determined by the court, without a jury, as in other civil actions.

If the court finds that the property, or any part of it, was used in the violation specified in the complaint, it shall order the property unlawfully used, sold as provided by law, unless the owner shows to

the satisfaction of the court that the owner had no notice or knowledge or reason to believe that the property was used or intended to be used in the violation. The officer making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established at the hearing as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation specified in the order of the court, and shall pay the balance of the proceeds into the state treasury to be credited to the general fund. A sale under this section shall free the property sold from any and all liens on it. Appeal from the order of the district court will lie as in other civil cases. At any time after seizure of the articles specified in this subdivision, and before the hearing provided for, the property must be returned to the owner or person having a legal right to its possession, upon execution of a good and valid bond to the state, with corporate surety, in the sum of not less than \$100 and not more than double the value of the property seized, to be approved by the court in which the case is triable, or a judge of it, conditioned to abide any order and the judgment of the court, and to pay the full value of the property at the time of the seizure. The seizing authority may dismiss the proceedings outlined in this subdivision when the seizing authority considers it to be in the best interests of the state to do so.

Sec. 24. [349.2127] [PROHIBITIONS.]

Subdivision 1. [COUNTERFEITING.] No person shall with intent to defraud the state, make, alter, forge, or counterfeit any license or stamp provided for in this chapter, or have in possession any forged, spurious, or altered stamps, with the intent, or with the result of, depriving the state of the tax imposed by this chapter.

Subd. 2. [PROHIBITION AGAINST POSSESSION.] No person, other than a licensed distributor, shall sell, offer for sale, or have in possession with intent to sell or offer for sale, a pull-tab or tipboard deal not stamped in accordance with the provisions of this chapter.

Subd. 3. [FALSIFICATION OF RECORDS.] No person required by section 349.2121, subdivision 2, to keep records or to make returns shall falsify or fail to keep the records or falsify or fail to make the returns.

Subd. 4. [TRANSPORTING UNSTAMPED DEALS.] No person shall transport into, or receive, carry, or move from place to place in this state, any deals of pull-tabs or tipboards not stamped in accordance with this chapter except in the course of interstate commerce, unless the deals are moving from one distributor to another.

Sec. 25. Minnesota Statutes 1986, section 349.22, subdivision 1, is amended to read:

Subdivision 1. [GROSS MISDEMEANOR.] Any other violation of A person who in any manner violates sections 349.11 to 349.214 is to evade the tax imposed by this chapter, or who aids and abets evasion of the tax, or hinders or interferes with a seizing authority when a seizure is made as provided by section 349.2125, is guilty of a gross misdemeanor.

Sec. 26. Minnesota Statutes 1986, section 349.22, is amended by adding a subdivision to read:

Subd. 3. [FELONY.] (a) A person violating section 349.2127, subdivision 1 or 3, is guilty of a felony.

(b) A person violating section 349.2127, subdivisions 2 and 4, by possessing, receiving, or transporting more than ten pull-tab or tipboard deals not stamped in accordance with this chapter is guilty of a felony.

Sec. 27. Minnesota Statutes 1986, section 349.22, is amended by adding a subdivision to read:

Subd. 4. [SALES AFTER REVOCATION.] A person selling pull-tabs or tipboards after the person's license or permit has been revoked is guilty of a felony.

Sec. 28. [REPEALER.]

Minnesota Statutes 1986, section 240.15, subdivision 5, is repealed.

Sec. 29. [EFFECTIVE DATE.]

Sections 1 to 9, and 28 are effective the day following final enactment. Sections 10 to 13 and 15 to 27 are effective July 1, 1988. Section 14 is effective for deals of tipboards purchased and placed into inventory after June 30, 1988.

ARTICLE 11

SALES TAX

Section 1. Minnesota Statutes 1987 Supplement, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing or processing;

(c) The furnishing, preparing or serving for a consideration of food, meals or drinks, not including meals or drinks served to patients or persons residing at hospitals, sanatoriums, nursing homes or senior citizens homes, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, non-profit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, except meals furnished at no charge to employees of hospitals, nursing homes, boarding care homes, sanitariums, or group homes who are required to eat with the patients or residents residing in them and the value of the meals not payed by employees. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

(ii) sandwiches prepared by the retailer;

(iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;

(iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;

(v) soft drinks and other beverages prepared or served by the retailer;

(vi) gum;

(vii) ice;

(viii) all food sold in vending machines;

(ix) party trays prepared by the retailers; and

(x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, massage parlors, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale;

(g) The furnishing for a consideration of cable television services, including charges for basic monthly service, charges for monthly premium service, and charges for any other similar television services;

(h) Notwithstanding subdivision 4, and section 297A.25, subdivision 9, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies to sales and fees with respect to a horse to be used for racing whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association;

(i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply,

cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services, but not including the portion of maintenance contracts that provide for repairs to real property if the price of the repairs is separately stated;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services;

(v) pet grooming services; and

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub planting, pruning, bracing, spraying, and surgery; and tree trimming for public utility lines.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a ~~corporation~~, partnership, or association for another ~~corporation~~, partnership, or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(1) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, for educational and social activities for young people primarily age 18 and under. ~~The provisions of this paragraph do not apply to an association incorporated under section 315.44.~~

Sec. 2. Minnesota Statutes 1986, section 297A.15, subdivision 1, is amended to read:

Subdivision 1. Liability for the payment of the use tax is not extinguished until the tax has been paid to Minnesota. However, a receipt from a retailer ~~maintaining a place of business in Minnesota, or from a retailer who is authorized by the commissioner under such rules as the commissioner may prescribe, to collect the tax, given to the purchaser pursuant to section 297A.16~~ relieves the purchaser of further liability for the tax to which the receipt refers, unless the purchaser knows or has reason to know that the retailer did not have a permit to collect the tax.

Sec. 3. Minnesota Statutes 1986, section 297A.15, subdivision 5, is amended to read:

Subd. 5. [REFUND; APPROPRIATION.] Notwithstanding the provisions of sections 297A.02, subdivision 2, and 297A.257 the tax on sales of capital equipment, and construction materials and supplies under section 297A.257, shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the rates under section 297A.02, subdivision 2, or the exemption under section 297A.257 shall be paid to the purchaser. In the case of building materials qualifying under section 297A.257 where the tax was paid by a contractor, application must

be made by the owner for the sales tax paid by all the contractors, subcontractors, and builders for the project. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section 297A.02, subdivision 2, or capital equipment or construction materials and supplies under section 297A.257. No more than two applications for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of section 297A.34 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 4. Minnesota Statutes 1986, section 297A.16, is amended to read:

297A.16 [COLLECTION OF TAX AT TIME OF SALE.]

Any corporation authorized to do business in Minnesota, any retailer as defined in who is required under section 297A.21, or any other retailer as the commissioner shall authorize pursuant to section 297A.15, or authorized by the commissioner to collect the use tax upon making retail sales of any items enumerated in this chapter not exempted under sections 297A.01 to 297A.44, to which the use tax applies shall at the time of making such sales collect the use tax from the purchaser and give to the purchaser a receipt therefor in the form of a notation on the sales slip or receipt for the sales price or in such other form as prescribed by the commissioner. Any such corporation or retailer shall not collect the tax from a purchaser who furnishes to such corporation or retailer a copy of a certificate issued by the commissioner authorizing such purchaser to pay any sales or use tax due on purchases made by such purchaser directly to the commissioner. The tax collected by such corporation or retailer pursuant to the provisions of this section shall be remitted to the commissioner as provided in other sections of this chapter.

Any corporation or any retailer required to collect the use tax and remit such tax to the commissioner pursuant to this section shall file with the commissioner an application for a permit pursuant to section 297A.04. Every such corporation or retailer shall furnish the commissioner with the name and address of all its agents operating in Minnesota and the location of each of its distribution or sales houses or offices or other places of business in this state.

Sec. 5. Minnesota Statutes 1986, section 297A.17, is amended to read:

297A.17 [TAX TO BE COLLECTED; STATUS AS DEBT.]

The use tax required to be collected by the retailer constitutes a debt owed by the retailer to Minnesota and shall be a debt from the purchaser to the retailer recoverable at law in the same manner as other debts. A retailer who does not maintain a place of business within this state shall not be indebted to Minnesota for amounts of use tax which it was required to collect but did not collect unless the retailer knew or had been advised by the commissioner of its obligation to collect the use tax.

Sec. 6. Minnesota Statutes 1986, section 297A.21, is amended to read:

297A.21 [REGISTRATION; INFORMATION RELATING TO BUSINESS LOCATION TO COLLECT USE TAX.]

Subdivision 1. Every retailer making retail sales for storage, use or other consumption in Minnesota shall register with the commissioner and give the name and address of all agents operating in Minnesota, the location of all distribution or sales houses, offices or other places of business in Minnesota, and such other information as the commissioner may require. When, in the opinion of the commissioner, it is necessary for the efficient administration of sections 297A.14 to 297A.25 to regard any salesperson, representative, trucker, peddler, or canvasser as the agent of the dealer, distributor, supervisor, employer, or other person under whom that person operates or from whom the person obtains the tangible personal property sold, whether making sales personally or in behalf of such dealer, distributor, supervisor, employer, or other person, the commissioner may regard the salesperson, representative, trucker, peddler, or canvasser as such agent, and may regard the dealer, distributor, supervisor, employer, or other person as a retailer for the purposes of sections 297A.14 to 297A.25.

Subd. 2. [RETAILER MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] "Retailer maintaining a place of business in this state", or any like term, shall mean any retailer having or maintaining within this state, directly or by a subsidiary, an office, distribution house, sales house, warehouse, or other place of business, or any agent operating within this state under the authority of the retailer or its subsidiary, whether such place of business or agent is located in the state permanently or temporarily, or whether or not such retailer or subsidiary is authorized to do business within this state.

Subd. 2. [DESTINATION.] The destination of a sale is the location to which the retailer makes delivery of the property sold, or causes

the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser by any means of delivery, including the United States Postal Service, a common carrier, or a contract carrier.

Subd. 3. [OUT-OF-STATE RETAILER MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] A retailer making retail sales from outside this state to a destination within this state and maintaining a place of business in this state shall file an application for a permit pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16.

Subd. 4. [REQUIRED REGISTRATION BY OUT-OF-STATE RETAILER NOT MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] (a) A retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall file an application for a permit pursuant to section 297A.04 and shall collect and remit the use tax as provided in section 297A.16 if the retailer engages in the regular or systematic soliciting of sales from potential customers in this state by:

(1) the distribution, by mail or otherwise, without regard to the state from which such distribution originated or in which the materials were prepared, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition in which this state is included of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements broadcast on a radio or television station located in Minnesota; or

(7) any other solicitation by telegraphy, telephone, computer data base, cable, optic, microwave, or other communication system.

(b) The location within or without this state of vendors independent of the retailer which provide products or services to the retailer in connection with its solicitation of customers within this state,

including such products and services as creation of copy, printing, distribution, and recording, is not to be taken into account in the determination of whether the retailer is required to collect use tax. Furthermore, paragraph (a) shall be construed without regard to the state from which the distribution of the materials originated or in which they were prepared.

(c) A retailer not maintaining a place of business in this state is presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it engages in any of the activities in paragraph (a) and makes 100 or more retail sales from outside this state to destinations within this state during a period of 12 consecutive months.

(d) A retailer not maintaining a place of business in this state is not required to collect use tax imposed by a local governmental unit or subdivision of this state. This section does not subject a retailer to regulation by a local unit of government or subdivision of this state.

Subd. 5. [VOLUNTARY REGISTRATION BY OUT-OF-STATE RETAILER NOT MAINTAINING PLACE OF BUSINESS IN MINNESOTA.] A retailer making retail sales from outside this state to a destination within this state who is not required to collect and remit use tax may nevertheless voluntarily file an application for a permit pursuant to section 297A.04. If the application is granted, the retailer shall collect and remit the use tax as provided in section 297A.16 until the permit is canceled or revoked.

Subd. 6. [COMMISSIONER'S DISCRETION.] (a) The commissioner may decline to issue a permit to any retailer not maintaining a place of business in this state, or may cancel a permit previously issued to the retailer, if the commissioner believes that the use tax can be collected more effectively from the persons using the property in this state. A refusal to issue or cancellation of a permit on such grounds does not affect the retailer's right to make retail sales from outside this state to destinations within this state.

(b) When, in the opinion of the commissioner, it is necessary for the efficient administration of sections 297A.14 to 297A.25 to regard a salesperson, representative, trucker, peddler, or canvasser as the agent of the dealer, distributor, supervisor, employer, or other person under whom that person operates or from whom the person obtains the tangible personal property sold, whether making sales personally or in behalf of that dealer, distributor, supervisor, employer, or other person the commissioner may regard the salesperson, representative, trucker, peddler, or canvasser as such agent, and may regard the dealer, distributor, supervisor, employer, or other person as a retailer for the purposes of sections 297A.14 to 297A.25.

Sec. 7. Minnesota Statutes 1987 Supplement, section 297A.212, is amended to read:

297A.212 [RAILROAD ROLLING STOCK.]

Railroad rolling stock used by a railroad operating in this state that is licensed as a common carrier by the Interstate Commerce Commission and used to transport persons or property in interstate or foreign commerce is subject to taxation under this chapter only to the extent provided in this section. The tax must be computed using the ratio of intrastate mileage to interstate or foreign mileage traveled by the carrier during the previous fiscal year of the carrier revenue ton miles of passengers, mail, express, and freight carried by the railroad within this state to the total number of revenue ton miles carried by the railroad within and without this state. This ratio must be determined at the close of the carrier's previous fiscal year. This ratio must be applied each month to the purchase price total amount of purchases of total purchases of rolling stock that are used in within and without this state by the railroad to establish that portion of the total used and consumed in intrastate movement and subject to tax under this chapter: "Railroad rolling stock" means all portable or moving apparatus and machinery of a railroad company and includes engines, cars, tenders, coaches, sleeping cars, and parts necessary for the repair and maintenance of the rolling stock.

Sec. 8. Minnesota Statutes 1987 Supplement, section 297A.25, subdivision 3, is amended to read:

Subd. 3. [MEDICINES; MEDICAL DEVICES.] The gross receipts from the sale of prescribed drugs, prescribed medicine and insulin, intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings are exempt, together with prescription glasses, therapeutic, and prosthetic devices. Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicycid acid, ibuprofen, or a combination thereof are exempt.

Sec. 9. Minnesota Statutes 1986, section 297A.25, subdivision 5, is amended to read:

Subd. 5. [OUTSTATE TRANSPORT OR DELIVERY.] The gross receipts from the following sales of tangible personal property are exempt:

(1) property 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~~

(2) property 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 are exempt.

Sec. 10. Minnesota Statutes 1986, section 297A.25, subdivision 8, is amended to read:

Subd. 8. [CLOTHING.] The gross receipts from the sale of clothing and wearing apparel are exempt, except the following:

(1) all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semiprecious 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 hollowware and silver-plated hollowware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars;

(2) 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;

(3) 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 chapter shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the case of babies;

(4) 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, salespeople's sample and display cases, purses, handbags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases.

Clothing and wearing apparel includes bullet-resistant soft body armor that is flexible, concealable, and custom-fitted to provide the wearer with ballistic and trauma protection. The bullet resistant soft body armor must meet or exceed the requirements of standard 0101.01 of the National Institute of Law Enforcement and Criminal Justice in effect on December 30, 1986, or meet or exceed the requirements of the standard except wet armor conditioning.

Sec. 11. Minnesota Statutes 1987 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] 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, the University of Minnesota, state universities, community colleges, technical institutes, state academies, and political subdivisions of the state are exempt. Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, clause (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.

Sec. 12. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 37. [YMCA AND YWCA MEMBERSHIPS.] The gross receipts from the sale of memberships, including both one-time initiation fees and periodic membership dues, to an association incorporated under section 315.44 are exempt. However, all separate charges made for the privilege of having access to and the use of the association's sports and athletic facilities are taxable.

Sec. 13. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 38. [USED MOTOR OILS.] Used motor oils are exempt.

Sec. 14. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 39. [CROSS COUNTRY SKI PASSES.] The gross receipts from the sale of cross country ski passes issued under sections 85.40 to 85.43 are exempt.

Sec. 15. Minnesota Statutes 1986, section 297A.25, is amended by adding a subdivision to read:

Subd. 40. [STATE FAIR ADMISSIONS.] The gross receipts from the sale of tickets to the premises of or events sponsored by the state or county agricultural society and conducted on the state or county fairgrounds during the period of the annual state or county fair are exempt, provided that:

(1) the tax forgone under this subdivision is used exclusively for the purpose of making capital improvements to public buildings and facilities on the fairgrounds; and

(2) the tax forgone under this subdivision is matched in equal amount by proceeds from special assessments levied against commercial exhibits, concessions and rentals, and from other special user fees specifically designated for capital improvements.

Sec. 16. Minnesota Statutes 1986, section 297A.256, is amended to read:

297A.256 [EXEMPTIONS FOR CERTAIN NONPROFIT GROUPS.]

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

(a) (1) 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.

(2) A club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit. This paragraph does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123.38, subdivision 2 or be recorded in the same

manner as other revenues or expenditures of the school district under section 123.38, subdivision 2b.

(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 16. 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 section is limited to no more than 24 days a year. Fundraising events conducted on premises leased or occupied for more than four days but less than 30 days do not qualify for this exemption.

Sec. 17. Minnesota Statutes 1986, 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 specified in section 270.76 from the date such excess was paid or collected until the date it is refunded or credited, unless otherwise specified in this chapter. 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 a 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. 18. Minnesota Statutes 1986, section 329.11, is amended to read:

329.11 [LICENSE; APPLICATION, ISSUANCE; FEE; BOND; AGENT FOR SERVICE OF PROCESS.]

Any transient merchant desiring to engage in, do, or transact business by auction or otherwise, in any county in this state shall file an application for a license for that purpose with the auditor of the county in which the desired business is to be conducted, which application shall state the name of the applicant, the proposed place of business, the kind of business proposed to be conducted, and the length of time desired to do business. Such transient merchant shall pay to the treasurer of such county a license fee of \$150, any personal property taxes payable by the merchant pursuant to Minnesota Statutes 1949, Sections 288.01 to 288.03, and shall give bond to the county in an amount to be determined by the county treasurer, which shall be not less than \$1,000 nor more than \$3,000 which bond shall be approved by the treasurer and be conditioned that the merchant will in all things conform to the laws relating to transient merchants and further conditioned on full compliance with all material oral or written statements and representations made by the seller, the seller's agents, representatives, or auctioneers with reference to merchandise sold or offered for sale and on faithful performance under all warranties made with reference thereto. The treasurer of such county shall issue to such person receipts therefor, and such transient merchant shall thereupon file such receipts with the auditor of such county, who shall thereupon issue to such transient merchant a license to do business as such at the place described in the application; and the kind of business to be done

shall be described therein. No license shall be good for more than one person unless such person shall be a member of a copartnership, nor for more than one place, and shall not be good outside of the county in which it was issued. Such license shall be good for a period of one year from the date of its issuance. The auditor shall keep a record of such licenses in a book provided for that purpose, which shall at all times be open for public inspection. No license shall be issued unless the merchant produces evidence that the merchant is the holder of a valid seller's permit issued under section 297A.04, or a written statement from the merchant that the merchant is not offering for sale any item that is taxable under chapter 297A.

The application shall further contain the applicant's residence and business address for the prior two year period; the type of business engaged in during the previous two years; and the name and address of the auctioneer who will conduct the sale. No such sale shall be conducted in the name of any person other than the bona fide owner of the merchandise.

The applicant shall attach to the application an itemized list of merchandise to be offered for sale reciting as to each item a description thereof including serial number if any, the owner's actual cost thereof, and a designation by number corresponding with a number to be affixed to each item by a tag which shall be kept fastened to the item at all times until sold.

Prior to the issuance of the license and approval of bond, the applicant shall in writing appoint the county auditor as the applicant's agent to accept service of process in any action commenced against the applicant arising out of the sale for which the license is sought. Such action shall be brought in the county where the sale was held.

Sec. 19. Minnesota Statutes 1987 Supplement, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

- (1) Purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18.

- (2) Purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who

subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota.

(3) Purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211.

(4) Purchase or use of any motor vehicle previously registered in the state of Minnesota by any corporation or partnership when such transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code of 1954, as amended through December 31, 1974.

(5) Purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales or motor vehicle excise tax on motor vehicles used in interstate commerce.

(6) Purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution.

Sec. 20. [REPEALER.]

Minnesota Statutes 1986, section 297A.15, subdivision 2, is repealed.

Sec. 21. [TODD COUNTY.]

For purposes of the designation of distressed counties under Minnesota Statutes, section 297A.257, the city of Staples is deemed to be located entirely in Todd county.

Sec. 22. [EFFECTIVE DATE.]

Section 1, paragraph (c), is effective for all meals furnished on or after October 15, 1987. Sections 1, paragraphs (j) and (l), 8, 10 to 14, 16 and 19 are effective for retail sales made after June 30, 1988 except, as otherwise provided. Sections 2, and 4 to 6 and 20 are effective June 1, 1988. Section 18 is effective July 1, 1988. Sections 3 and 17 are effective for all refund claims filed after June 30, 1988. Section 7 and the provisions of section 11 exempting utility services purchased by governmental units and all purchases by the University of Minnesota hospitals are effective for all sales made after May 31, 1987, but do not apply to sales of tangible personal property made pursuant to bona fide written contracts that were enforceable before June 1, 1987, and delivery is made on or before December 31, 1987. Section 9 is effective for all sales made after June 30, 1988, but

does not apply to sales of tangible personal property made pursuant to bona fide written contracts that were enforceable before July 1, 1988, and delivery is made on or before December 31, 1988. Section 15 is effective for sales made after December 31, 1988. Section 21 is effective beginning with the designation of distressed counties in calendar year 1987.

ARTICLE 12

CIGARETTE AND LIQUOR TAXES

Section 1. Minnesota Statutes 1987 Supplement, section 297.01, subdivision 7, is amended to read:

Subd. 7. "Distributor" means any and each of the following:

(1) any person engaged in the business of selling cigarettes in this state and who manufactures or who brings, or causes to be brought, into this state from without the state any packages of cigarettes for sale to subjobbers or retailers;

(2) any person who makes, manufactures, or fabricates cigarettes in this state for sale in this state;

(3) any person engaged in the business without this state who ships or transports cigarettes to retailers in this state, to be sold by those retailers;

(4) (3) any person who is on direct purchase from a cigarette manufacturer and applies cigarette stamps or indicia on at least 50 percent of cigarettes sold by that person.

A distributor who also sells at retail must maintain a separate inventory, substantiated with invoices for cigarettes that were acquired for retail sale.

A distributor may transfer another state's stamped cigarettes to another distributor for the purpose of resale in the other state.

Sec. 2. Minnesota Statutes 1987 Supplement, section 297.01, subdivision 14, is amended to read:

Subd. 14. "Subjobber" means any person who acquires stamped cigarettes or other state's stamped cigarettes for the primary purpose of resale to retailers, and any licensed distributor who delivers to and sells or distributes stamped cigarettes from a place of business other than that licensed in the distributor's license. The definition of subjobber does not include the occasional sale of stamped cigarettes from one retailer to another. Notwithstanding the foregoing, "subjobber" shall also mean any person who is a vending machine operator. A vending machine operator is any person whose principal business is operating, or owning and leasing to operators, machines for the vending of merchandise or service.

For the purpose of this section, any subjobber that sells at retail must maintain a separate inventory, substantiated with invoices, that reflect the cigarettes were acquired for retail sale.

Sec. 3. Minnesota Statutes 1986, section 297.01, is amended by adding a subdivision to read:

Subd. 15. "Prior continuous compliance taxpayer" means a person who is licensed under section 297.04 and who, having been a licensee for a continuous period of five years, the commissioner determines has not been either delinquent or deficient in the payment of tax liability during that period or otherwise in violation of this chapter. Any taxpayer who has, as verified by the commissioner, continuously complied with the condition of a bond or other security under provisions of this chapter for a period of five consecutive years is considered a "prior continuous compliance taxpayer." A continuous period of time of qualifying compliance immediately prior to August 1, 1988, is credited to any licensee who became licensed on or before that date.

Sec. 4. Minnesota Statutes 1986, section 297.03, is amended by adding a subdivision to read:

Subd. 5a. [REVOLVING ACCOUNT.] A heat applied cigarette tax stamp revolving account is created. The commissioner shall use the amounts in this fund to purchase heat applied stamps for resale. The commissioner shall charge the purchasers for the costs of the stamps along with the tax value plus shipping costs. The costs recovered along with shipping costs must be deposited into this revolving account and are available to the commissioner for further purchases and shipping costs. The revolving account must be funded by reducing the stamping discounts allowed in subdivision 5 for the first three months of fiscal year 1989. The stamping discounts are 0.75 percent of the face amount of any stamps purchased in the first three months for the first \$1,500,000 of the stamps and 0.50 percent on the remainder of the stamps purchased.

At the end of each of the first three months of fiscal year 1989, the commissioner shall notify the commissioner of finance of the amount of reduced stamping discounts that have accrued to the tobacco tax revenue fund. The commissioner of finance shall then transfer the amounts to the heat applied cigarette tax stamp revolving account from the tobacco tax revenue fund.

Sec. 5. Minnesota Statutes 1987 Supplement, section 297.03, subdivision 6, is amended to read:

Subd. 6. [TAX METER MACHINES.] (4) (a) Before January 1, 1990, the commissioner may authorize any person licensed as a distributor to stamp packages with a tax meter machine, approved by the commissioner, which shall be provided by the distributor. The

commissioner may provide for the use of such a machine by the distributor, supervise and check its operation, provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5; and ~~in that connection~~. Except as provided in paragraph (d), the commissioner may require the furnishing of a corporate surety bond, check guarantee bond, or certified check in a suitable amount to guarantee the payment of the tax.

(2) (b) Before January 1, 1990, the commissioner may authorize, and after December 31, 1989, the commissioner shall require any person licensed as a distributor whose stamp meter machine is no longer operational to stamp packages with a heat-applied tax stamping machine, approved by the commissioner, which shall be provided by the distributor. The commissioner shall supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 5. The commissioner may sell heat-applied stamps on a credit basis under conditions prescribed by the commissioner, and in that connection. Except as provided in paragraph (d), the commissioner may require the furnishing of a corporate surety bond, check guarantee bond, or certified check in an amount suitable to guarantee payment of the tax stamps so purchased by a distributor. The stamps shall be sold by the commissioner at a price which includes the tax after giving effect to the discount provided in subdivision 5. The commissioner shall recover the actual costs of the stamps from the distributor.

(3) (c) If the commissioner finds that a stamping machine is not printing or affixing a legible stamp on the package, the commissioner may order the distributor to immediately cease the stamping process until the machine is functioning properly.

(d) Every prior continuous compliance taxpayer is exempt from all requirements under this chapter concerning the furnishing of a bond. This exemption continues for the taxpayer until the commissioner determines that the taxpayer (1) is delinquent in the filing of any return, or (2) is delinquent or deficient in the payment of any uncontested tax liability under this chapter. At that time that taxpayer is subject to the bond requirements of this chapter and, as a condition of being allowed to continue to engage in the business licensed under this chapter, is required to furnish bond to the commissioner as provided in this chapter. The taxpayer shall furnish the bond for a period of two years, after which, if the taxpayer has not been delinquent in the filing of any returns, or delinquent or deficient in the paying of any tax under this chapter, the commissioner may reinstate the person as a prior continuous compliance taxpayer. A taxpayer who fails to pay an uncontested tax liability under this chapter may be required to post bond or other acceptable security with the commissioner guaranteeing the payment of the uncontested tax liability. The commissioner on an annual basis shall establish the maximum amount of heat applied

stamps or meter units that may be purchased each month. Notwithstanding any other provisions of this chapter, the tax due on the return shall be paid with certified funds and will be based upon actual heat applied stamps or meter units purchased during the reporting period.

Sec. 6. Minnesota Statutes 1986, section 297.03, subdivision 12, is amended to read:

Subd. 12. [SETTING OF TAX METERS.] The commissioner may designate the county treasurer of any county or any banking institution as defined by section 48.01, or any banking institution as defined by any states' statutes as the representative of the commissioner in the setting of a tax meter machine of any particular distributor and the collection of the cigarette tax upon such setting. The county treasurer or banking institution so designated shall be required to set tax meter machines following the method prescribed by the commissioner of revenue and to transmit the amount of tax collected and to report the setting of each tax meter to the commissioner on or before the next business day. For purposes of this paragraph, a business day shall not include Saturday. Such duties shall be within the coverage of the official bond of the county treasurer. The commissioner shall prescribe the form and amount of a surety bond which shall be furnished by a banking institution designated pursuant to this subdivision. The commissioner shall have the right to withdraw this designation without cause.

Sec. 7. Minnesota Statutes 1986, section 297.041, subdivision 1, is amended to read:

Subdivision 1. [WHOLESALEERS.] Any wholesaler who furnishes a surety bond in a sum satisfactory to the commissioner shall be permitted to set aside, without affixing the stamps required by this chapter, that part of the wholesaler's stock necessary for the conduct of business in making sales to the established governing body of any Indian tribe recognized by the United States Department of Interior. The unstamped stock shall be kept separate and apart from stamped stock. Every wholesaler shall, at the time of shipping or delivering any of the unstamped stock to an Indian tribal organization, make a true duplicate invoice which shall show the complete details of the sale or delivery and shall transmit the duplicate to the commissioner not later than the ~~fifteenth~~ 18th day of the following calendar month. Failure to comply with the requirements of this section shall cause the commissioner to revoke the permission granted to the wholesaler to maintain a stock of goods which may be unstamped. ~~The commissioner may also revoke this permission to maintain a stock of unstamped goods for sale to a specific Indian tribal organization when it appears that sales of unstamped cigarettes to persons who are not enrolled members of a recognized Indian tribe are taking place, or have taken place, within the exterior boundaries of the reservation occupied by that tribe.~~

Sec. 8. Minnesota Statutes 1986, section 297.06, subdivision 1, is amended to read:

Subdivision 1. [DISTRIBUTOR TO KEEP RECORDS.] Every distributor shall keep at each licensed place of business complete and accurate records, for that place of business, including itemized invoices, of cigarettes held, purchased, manufactured, or brought in or caused to be brought in from without the state, and of all sales of cigarettes made, except sales to the ultimate consumer. These records shall show the names and addresses of purchasers, the inventory at the close of each period for which a return is required of all cigarettes on hand, and of all stamps, affixed and unaffixed, and other pertinent papers and documents relating to the purchase, sale, or disposition of cigarettes. When a licensed distributor sells cigarettes exclusively to the ultimate consumer at the address given in the license, no invoice of those sales shall be required, but itemized invoices shall be made of all cigarettes transferred to other retail outlets owned or controlled by that licensed distributor. All books, records, and other papers and documents required by sections 297.01 to 297.13 to be kept shall be preserved for a period of at least one year three years after the date of the documents, as aforesaid, or the date of the entries thereof appearing in the records, unless the commissioner, in writing, authorizes their destruction or disposal at an earlier date. At any time during usual business hours the commissioner, or duly authorized agents or employees, may enter any place of business of a distributor, without a search warrant, and inspect the premises, the records required to be kept under sections 297.01 to 297.13, and the packages of cigarettes and the vending devices contained therein, to determine whether or not all the provisions of these sections are being fully complied with. If the commissioner, or any such agent or employee, is denied free access or is hindered or interfered with in making such examination, the license of the distributor at such premises shall be subject to revocation by the commissioner.

Sec. 9. Minnesota Statutes 1986, section 297.06, subdivision 2, is amended to read:

Subd. 2. [DISTRIBUTOR TO PRESERVE COPIES OF INVOICES.] Every person who sells cigarettes to persons other than the ultimate consumer shall render with each sale itemized invoices showing the seller's name and address, the purchaser's name and address, the date of sale, and all prices and discounts and shall preserve legible copies of all such invoices for one year three years from the date of sale.

Sec. 10. Minnesota Statutes 1986, section 297.06, subdivision 3, is amended to read:

Subd. 3. [RETAILER AND SUBJOBBER TO PRESERVE PURCHASE INVOICES.] Every retailer and subjobber shall procure

itemized invoices of all cigarettes purchased. The invoices shall show the name and address of the seller and the date of purchase. The retailer and subjobber shall preserve a legible copy of each such invoice for one year from the date of purchase. Invoices shall be available for inspection by the commissioner or authorized agents or employees at the retailer's or subjobber's place of business.

At any time during normal business hours, the commissioner or the commissioner's agents may enter any place of business of a retailer or subjobber and inspect the premises, the records required to be kept for this subdivision, and the packages of cigarettes, tobacco products, and vending devices contained on the premises to determine whether all provisions of chapter 297 and sections 325D.30 to 325D.40 are being fully complied with.

Sec. 11. Minnesota Statutes 1986, section 297.06, is amended by adding a subdivision to read:

Subd. 4. [PHYSICAL INVENTORY.] The commissioner of revenue or the commissioner's authorized agents may, upon request but not more than twice annually, require a cigarette or tobacco distributor to furnish a physical inventory of all cigarettes in stock. The inventory must contain the information that the commissioner requests and must be certified by an officer of the corporation.

Sec. 12. Minnesota Statutes 1986, section 297.08, subdivision 1, is amended to read:

Subdivision 1. [CONTRABAND DEFINED.] The following are declared to be contraband:

(1) All packages which do not have stamps affixed to them as provided in sections 297.01 to 297.13 and all devices for the vending of cigarettes in which such unstamped packages are found, including all contents contained within the devices.

(2) Any device for the vending of cigarettes and all packages of cigarettes contained therein, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp or imprint required by sections 297.01 to 297.13, it shall be presumed that all packages contained in the device are unstamped and contraband.

(3) Any device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(4) Any device for the vending of cigarettes which does not carry

the name and address of the owner, plainly marked and visible from the front of the machine.

(5) Any device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (1).

Sec. 13. Minnesota Statutes 1987 Supplement, section 297.11, subdivision 5, is amended to read:

Subd. 5. [TRANSPORTING UNSTAMPED PACKAGES.] No person shall transport into, or receive, carry, or move from place to place in this state, any packages of cigarettes not stamped in accordance with the provisions of this act except in the course of interstate commerce, unless the cigarettes are moving from a public warehouse to a distributor upon orders from the manufacturer or distributor. This subdivision shall not apply to a person carrying for personal use not more than 200 cigarettes when those cigarettes have had the individual packages or seals thereof broken and are intended for personal use by that person and not to be sold or offered for sale.

Common carriers and contract carriers transporting cigarettes into this state shall file with the commissioner reports of all such shipments other than those which are delivered to public warehouses of first destination in this state which are licensed under the provisions of chapter 231. Such reports shall be filed monthly on or before the 10th day of each month and shall show with respect to deliveries made in the preceding month: the date, point of origin, point of delivery, name of consignee, the quantity of cigarettes delivered and such other information as the commissioner may require.

All common carriers and contract carriers transporting cigarettes into Minnesota shall permit examination by the commissioner of their records relating to the shipment of cigarettes.

Any person who fails or refuses to transmit to the commissioner the required reports or whoever refuses to permit the examination of the records by the commissioner shall be guilty of a gross misdemeanor.

Sec. 14. Minnesota Statutes 1986, section 297.12, subdivision 1, is amended to read:

Subdivision 1. [FELONY.] (a) Any person violating section 297.11, subdivision 1, shall be guilty of a felony.

(b) Any person violating section 297.11, subdivisions 2 or 5 by possessing, receiving, or transporting more than 20,000 cigarettes not stamped in accordance with the provisions of sections 297.01 to 297.13 shall be guilty of a felony.

(c) A person selling cigarettes after the person's license has been revoked is guilty of a felony.

Sec. 15. Minnesota Statutes 1986, section 297.35, is amended by adding a subdivision to read:

Subd. 10. A manufacturer of tobacco products as defined by section 297.31, shall report on a form prescribed by the commissioner all sales of tobacco products to Minnesota-licensed distributors, subjobbers, retailers, or to any locations within the state. The report is due on the 18th of the month following the reporting period.

Anyone violating this section is guilty of a gross misdemeanor.

Sec. 16. [297.44] [TIME LIMITATIONS.]

Subdivision 1. [TIME FOR ASSESSMENT; NOTICE.] Except as otherwise provided in this chapter, the amount of taxes assessable with respect to a taxable period must be assessed within three years after the return for the period is filed. The taxes are considered assessed within the meaning of this section when the commissioner has prepared a notice of tax assessment and mailed it to the person required to file a return to the post office address given in the return. The record of the mailing is presumptive evidence of the giving of the notice, and the records must be preserved by the commissioner.

Subd. 2. [OMISSION OVER 25 PERCENT.] If the person required to file the return omits from the return a dollar amount properly includable in it that is in excess of 25 percent of the dollar amount reported in the return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun, at any time within five years after the return was filed.

Subd. 3. [DATE OF FILING.] For purposes of this section and section 297.36, a return filed before the last day prescribed by law for its filing is considered filed on the last day.

Subd. 4. [FRAUD; FAILURE TO FILE.] In the case of a false or fraudulent return with intent to evade tax or failure with the same intent to file a return, the tax may be assessed at any time, and a

proceeding in court for the collection of the tax must be begun within five years after the assessment.

Subd. 5. [COLLECTION.] Where the assessment of any tax is made within the period of limitation properly applicable to it, the tax may be collected by a proceeding in court, but only if begun within five years after the date of assessment.

Subd. 6. [SUSPENSION OF TIME; BANKRUPTCY PROCEEDINGS.] The time during which a tax must be assessed or collection proceedings commenced under this chapter is suspended during the period from the date of a filing of a petition in bankruptcy until 30 days after notice to the commissioner of revenue that the bankruptcy proceedings have been closed or dismissed, or that the automatic stay has been terminated or has expired.

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

Sec. 17. Minnesota Statutes 1986, section 297C.02, subdivision 3, is amended to read:

Subd. 3. [TAX CREDIT.] A qualified brewer producing fermented malt beverages is entitled to a tax credit of ~~\$4~~ \$4.60 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the ~~15th~~ 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of (a) the liability for tax or (b) ~~\$100,000~~ \$115,000.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

Sec. 18. Minnesota Statutes 1986, section 297C.02, subdivision 4, is amended to read:

Subd. 4. [BOTTLE TAX.] A tax of one cent is imposed on each bottle or container of distilled spirits and wine. The wholesaler is responsible for the payment of this tax when the bottles of distilled spirits and wine are removed from inventory for sale, delivery, or shipment.

The following are exempt from the tax:

- (1) miniatures of distilled spirits and wines;
- (2) containers of fermented malt beverage;
- (3) containers of intoxicating liquor or wine holding less than 200 milliliters;
- (4) containers of wine intended exclusively for sacramental purposes;
- (5) containers of alcoholic beverages sold to qualified, approved military clubs;
- (6) containers of alcoholic beverages sold to common carriers engaged in interstate commerce;
- (7) containers of alcoholic beverages sold to authorized food processors or pharmaceutical firms for use exclusively in the manufacturing of food products or medicines;
- (8) containers of alcoholic beverages sold and shipped to dealers, wineries, or distillers in other states; and
- (9) containers of alcoholic beverages sold to other Minnesota wholesalers.

Sec. 19. Minnesota Statutes 1986, section 297C.03, is amended by adding a subdivision to read:

Subd. 6. [INFORMATIONAL RETURNS.] Manufacturers, wholesalers, and importers licensed to ship distilled spirits or wine into Minnesota shall file with the commissioner a monthly informational report on a form prescribed by the commissioner. No payment of any tax is required to be remitted with this report. The report must be filed on or before the tenth day following the end of each calendar month, regardless of whether or not any shipments were made into Minnesota during the previous month. A person failing to file this monthly report is subject to the provisions of section 297C.14, subdivision 8.

Sec. 20. Minnesota Statutes 1987 Supplement, section 297C.04, is amended to read:

297C.04 [PAYMENT OF TAX; MALT LIQUOR.]

The commissioner may by rule provide a reporting method for paying and collecting the excise tax on fermented malt beverages. The tax is imposed upon the first sale or importation made in this

state by a licensed brewer or importer. The rules must require reports to be filed with and the excise tax to be paid to the commissioner on or before the 18th day of the month following the month in which the importation into or the first sale is made in this state, whichever first occurs. The rules must also require payments in June of 1987 and subsequent years according to the provisions of section 297C.05, subdivision 2.

A distributor who has title to or possession of fermented malt beverages upon which the excise tax has not been paid and who knows that the tax has not been paid, shall file a return with the commissioner on or before the 18th day of the month following the month in which the distributor obtains title or possession of the fermented malt beverages. The return must be made on a form furnished and prescribed by the commissioner, and must contain all information that the commissioner requires. The return must be accompanied by a remittance for the full unpaid liability shown on it.

Sec. 21. Minnesota Statutes 1986, section 297C.07, is amended to read:

297C.07 [EXCEPTIONS.]

The following are not subject to the excise tax:

(1) Sales by a manufacturer, brewer, or wholesaler for shipment outside the state in interstate commerce.

(2) Sales of wine for sacramental purposes under section 340A.316.

(3) Fruit juices naturally fermented or beer naturally brewed in the home for family use.

(4) Malt beverages served by a brewery for on-premise consumption at no charge, or distributed to brewery employees for on-premise consumption under a labor contract.

(5) Alcoholic beverages sold to authorized manufacturers of food products or pharmaceutical firms. The alcoholic beverage must be used exclusively in the manufacture of food products or medicines. For purposes of this part, "manufacturer" means a manufacturer of food products intended for sale to wholesalers or retailers for ultimate sale to the consumer.

(6) Sales to common carriers engaged in interstate transportation of passengers and qualified approved military clubs, except as provided in section 297C.17.

(7) Alcoholic beverages sold or transferred between Minnesota wholesalers.

(8) Sales to a federal agency, that the state of Minnesota is prohibited from taxing under the constitution or laws of the United States or under the constitution of Minnesota.

Sec. 22. [297C.17] [COMMON CARRIERS.]

Common carriers engaged in interstate transportation of passengers must file monthly reports together with the tax payment on the sale of alcoholic beverages sold within the state of Minnesota. The report and payment must be filed by the 18th day of the month following the month in which the sale took place. A common carrier is permitted to use a formula for the allocation of the total sales of alcoholic beverages between states on the basis of passenger miles in each state or some other method of allocation if written approval is received from the commissioner.

Sec. 23. [REPEALER.]

Minnesota Statutes 1986, section 297C.03, subdivision 5, is repealed.

Sec. 24. [EFFECTIVE DATE.]

This article is effective July 1, 1988, except section 17 is effective for barrels sold after June 1, 1987, and sections 3 and 5 are effective January 1, 1989.

ARTICLE 13

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1987 Supplement, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists:

(1) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements and 20 percent of the buildings are structurally substandard and an additional 30 percent of the buildings are found to require substantial renovation or clearance in order to remove such existing conditions as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; or

(3) less than 70 percent of the parcels in the district are occupied by buildings, streets, utilities, or other improvements, but due to unusual terrain or soil deficiencies requiring substantial filling, grading, or other physical preparation for use at least 80 percent of the total acreage of such land has a fair market value upon inclusion in the redevelopment district which, when added to the estimated cost of preparing that land for development, excluding costs directly related to roads as defined in section 160.01 and local improvements as described in section 429.021, subdivision 1, clauses 1 to 7, 11 and 12, and 430.01, if any, exceeds its anticipated fair market value after completion of the preparation. No parcel shall be included within a redevelopment district pursuant to this paragraph unless the authority has concluded an agreement or agreements for the development of at least 50 percent of the acreage having the unusual soil or terrain deficiencies, which agreement provides recourse for the authority should the development not be completed the area consists of one or more parcels containing hazardous substances, pollutants or contaminants, as defined in section 115B.02, for which the pollution control agency has determined that removal or clean-up action is necessary and has taken action under section 115B.17 to request the responsible party to take action and has determined that the requested actions will not be taken by a known responsible party in the manner and within the time requested. Additional parcels may be added to the district if necessary to provide a site suitable for development or redevelopment. The parcels containing hazardous substances, pollutants or contaminants must comprise, at least, 75 percent of the district's total area and value; or

(4) the property consists of underutilized air rights existing over a public street, highway, or right-of-way; or

(5) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

(6) the district consists of an existing or proposed industrial park no greater in size than 250 acres, which contains a sewage lagoon contaminated with polychlorinated biphenyls.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

Sec. 2. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 1, is amended to read:

Subdivision 1. [TAX INCREMENT FINANCING PLAN.] A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent assessed value of taxable real property within the tax increment financing district;

(v) the estimated captured assessed value of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's existence; and

(6) a statement of the authority's estimate of the impact of tax increment financing on the assessed values of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of the statement, the authority shall assume that the estimated captured assessed value would be available to the other taxing jurisdictions without creation of the district;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district.

Sec. 3. Minnesota Statutes 1987 Supplement, section 469.175, is amended by adding a subdivision to read:

Subd. 1a. [INCLUSION OF COUNTY ROAD COSTS.] (a) The county board may require the authority to pay all or a portion of the cost of county road improvements out of increment revenues, if the following conditions occur:

(1) the proposed tax increment financing plan or an amendment to the plan contemplates construction of a development that will, in the judgment of the county, substantially increase the usage of county roads requiring construction of road improvements or other road costs; and

(2) the road improvements or other road costs, in the opinion of the county, would not reasonably be expected to be needed within the reasonably foreseeable future if the tax increment financing plan were not implemented.

(b) If the county elects to use increments to finance the road improvements, the county must notify the authority and municipality within 30 days after receipt of the information on the proposed tax increment district under subdivision 2. The notice must include the estimated cost of the road improvements and schedule for construction and payment of the cost. The authority must include the improvements in the tax increment financing plan. The improvements may be financed with the proceeds of tax increment bonds or the authority and the county may agree that the county will finance the improvements with county funds to be repaid in installments, with or without interest, out of increment revenues. If the cost of the road improvements and other project costs exceed the projected amount of the increment revenues, the county and authority shall negotiate an agreement, modifying the development plan or proposed road improvements that will permit financing of the costs before the tax increment financing plan may be approved.

Sec. 4. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 2, is amended to read:

Subd. 2. [CONSULTATIONS; COMMENT AND FILING.] Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax increment financing district. The information on the fiscal and economic implications of the plan must be provided to the county and school district boards at least 30 days before the public hearing required by subdivision 3. The 30-day requirement is waived if the county and school district submit written comments on the proposal and any modification of the proposal to the authority after receipt of the information. The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. ~~The county auditor shall not certify the original assessed value of a district pursuant to section 469.177, subdivision 1, until the county board of commissioners has presented its written comment on the proposal to the authority, or 30 days has passed from the date of the transmittal by the authority to the board of the information regarding the fiscal and economic implications, whichever occurs first.~~ Upon adoption of the tax increment financing plan, the authority shall file a copy of the plan with the commissioner of energy and economic development. The authority must also file with the commissioner a copy of the development plan for the project area.

Sec. 5. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original assessed value of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the

municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a mined underground space development district, a housing district, or an economic development district; if the proposed district is a redevelopment district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, clauses (a)(1) to (a)(6), shall be retained and made available to the public by the authority until the district has been terminated. If the authority files the statement of reasons and supporting facts along with the copies of the tax increment financing and development plans that are filed with the commissioner of trade and economic development under subdivision 2, the authority need not retain the statement of facts and supporting reasons beyond the end of the fifth calendar year following the year in which the district or the modifications to the district were approved.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

Sec. 6. Minnesota Statutes 1987 Supplement, section 469.175, subdivision 4, is amended to read:

Subd. 4. [MODIFICATION OF PLAN.] (a) A tax increment financing plan may be modified by an authority, provided that any reduction or enlargement of geographic area of the project or tax increment financing district, increase in amount of bonded indebtedness to be incurred, including a determination to capitalize interest on the debt if that determination was not a part of the original plan, or to increase or decrease the amount of interest on the debt to be capitalized, increase in the portion of the captured assessed value to be retained by the authority, increase in total estimated tax increment expenditures or designation of additional property to be acquired by the authority shall be approved upon the notice and after the discussion, public hearing, and findings required for approval of the original plan; provided that if an authority changes the type of district from housing, redevelopment, or economic development to another type of district, this change shall not be considered a modification but shall require the authority to follow the procedure set forth in sections 469.174 to 469.179 for adoption of a new plan, including certification of the assessed valuation of the district by the county auditor. If a redevelopment district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of section 469.174, subdivision 10, clauses (a)(1) to (a)(6), shall be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcels from the project or district and (2)(A) the current assessed value of the parcels eliminated from the district equals or exceeds the assessed value of those parcels in the district's original assessed value or (B) the authority agrees that, notwithstanding section 469.177, subdivision 1, the original assessed value will be reduced by no more than the current assessed value of the parcels eliminated from the district. The authority must notify the county auditor of any modification that reduces or enlarges the geographic area of a district or a project area.

(b) The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original assessed value by the county auditor or after August 1, 1984, for tax increment financing districts authorized prior to August 1, 1979, except that development districts created pursuant to Minnesota Statutes 1978, chapter 472A, prior to August 1, 1979, may be reduced but shall not be enlarged after five years following the date of designation of the district.

Sec. 7. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 1, is amended to read:

Subdivision 1. [DURATION OF TAX INCREMENT FINANCING DISTRICTS.] (a) Subject to the limitations contained in paragraphs (b) to (f), any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding.

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

(d) No tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original assessed value of the taxable real property in the district by the county auditor or after August 1, 1982, for tax increment financing districts authorized prior to August 1, 1979, unless within the three-year period (1) bonds have been issued pursuant to section 469.178, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to sections 469.152 to 469.165, prior to August 1, 1979, or (2) the authority has acquired property within the district, or (3) the authority has constructed or caused to be constructed public improvements within the district.

(e) No tax increment shall in any event be paid to the authority from a redevelopment district after 25 years from date of receipt by the authority of the first tax increment, after 25 years from the date of the receipt for a housing district, after 25 years from the date of the receipt for a mined underground space development district, and after eight years from the date of the receipt, or ten years from approval of the tax increment financing plan, whichever is less, for an economic development district.

For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after August 1, 2004, or the term of a nondefeased bond outstanding on April 1, 1988, secured by increments from the district or project area, whichever time is greater, but in no case after 30 years from August 1, 1979.

(f) Modification of a tax increment financing plan pursuant to section 469.175, subdivision 4, shall not extend the durational limitations of this subdivision.

Sec. 8. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 4, is amended to read:

Subd. 4. [LIMITATION ON USE OF TAX INCREMENT.] (a) All

revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (1) to pay the principal of and interest on bonds issued to finance a project; (2) by a rural development financing authority for the purposes stated in section 469.142, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.048 to 469.068, by an economic development authority to finance or otherwise pay the cost of redevelopment pursuant to sections 469.090 to 469.108, by a housing and redevelopment authority or economic development authority to finance or otherwise pay public redevelopment costs pursuant to sections 469.001 to 469.047, by a municipality or economic development authority to finance or otherwise pay the capital and administration costs of a development district pursuant to sections 469.124 to 469.134, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance or other security guaranteeing the payment when due of principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapter 462C, sections 469.152 to 469.165, or both, which revenues in the reserve shall not exceed, subsequent to the fifth anniversary of the date of issue of the first bond issue secured by the reserve, an amount equal to 20 percent of the aggregate principal amount of the outstanding and nondefeased bonds secured by the reserve. Tax increments may be used to pay county road costs as provided in section 469.175, subdivision 1a. Revenue derived from tax increment from a mined underground space development district may be used only to pay for the costs of excavating and supporting the space, of providing public access to the mined underground space including roadways, and of installing utilities including fire sprinkler systems in the space.

(b) All of the increment revenues derived from a district, classified as a housing district, must be used to finance the cost of housing projects as defined in section 469.174, subdivision 11. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the authority may be included in the cost of a housing project. A mixed use project does not qualify as a housing project for purposes of this paragraph if the fair market value of the improvements which are constructed for commercial or other non-low and moderate income housing uses consists of more than 25 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value.

(c) Revenues derived from tax increment may be used to finance the costs of an interest reduction program operated pursuant to

section 469.012, subdivisions 7 to 10, or pursuant to other law granting interest reduction authority and power by reference to those subdivisions only under the following conditions: (1) tax increments may not be collected for a program for a period in excess of 12 years after the date of the first interest rate reduction payment for the program, (2) tax increments may not be used for an interest reduction program, if the proceeds of bonds issued pursuant to section 469.178 after December 31, 1985, have been or will be used to provide financial assistance to the specific project which would receive the benefit of the interest reduction program, and (3) tax increments may not be used to finance an interest reduction program for owner-occupied single-family dwellings.

(e) (d) These revenues shall not be used to circumvent existing levy limit law. No revenues derived from tax increment from any district, whether certified before or after August 1, 1979, shall be used for the construction or, renovation, operation, or maintenance of a municipally owned building used, or for the acquisition of a building to be used, primarily and regularly for conducting the business of the municipality, county, school district, or any other local unit of government or the state or federal government. This provision shall not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure, a commons area used as a public park, or a facility used for social, recreational, or conference purposes and not primarily for conducting the business of the municipality.

Sec. 9. Minnesota Statutes 1987 Supplement, section 469.176, subdivision 6, is amended to read:

Subd. 6. [ACTION REQUIRED.] (a) If, after four years from the date of certification of the original assessed value of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including but excluding improvement of a street adjacent to a parcel but not and installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original assessed value of that parcel shall be excluded from the original assessed value of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the assessed value thereof as most recently certified by the commissioner of revenue and add it to the original assessed value of the tax increment financing district. The county auditor must enforce the provisions of

this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district.

(b) This subdivision applies to all tax increment projects and districts, whether created before or after August 1, 1979. The subdivision applies to projects and districts created before August 1, 1979, as follows. The four-year period is deemed to begin April 1, 1988. The authority must submit the evidence of activity or improvements for each parcel to the county auditor, as required by paragraph (a), by June 1, 1992. In the case of a district or a portion of a district for which no tax increment financing plan has been prepared, improvements are deemed to have been commenced "in accordance with the tax increment financing plan" when one of the following conditions is met, regardless of whether the condition or activity occurred before or after April 1, 1988:

(1) acquisition or improvement of the parcel was financed by the authority with increments, the proceeds of tax increment bonds or other authority funds, but excluding general city revenues or special assessments, after the inclusion of the parcel in the district;

(2) public improvements, excluding sewer and water improvements, were installed or constructed on the parcel or on land adjacent to the parcel after inclusion of the parcel in the district and the improvements were financed with increments, the proceeds of tax increment bonds or other authority funds, but excluding general city revenues or special assessments;

(3) construction of the improvements occurred on the parcel and the municipality passes a resolution stating that the improvements or other improvements of approximately equal (or greater) market value would not have occurred if the authority had not undertaken efforts of the type specified in clause (1) or (2) on other parcels in the district.

(c) In the case of tax increment projects for which certification was requested before August 1, 1979, and for which nondefeased bonds are outstanding on April 1, 1988, the provisions of paragraphs (a) and (b) apply as specified in this paragraph. Increments shall continue to be collected from parcels that fail to meet the requirements of paragraphs (a) and (b). The authority or other administering entity shall deposit these increments in a separate account in the debt service or other bond fund to defease bonds outstanding on April 1, 1988, for the project. The amount of funds in the separate account are pledged to payment of the bonds and for restoration of any reserve therefor, but may not be deducted from any other tax increments or other revenues derived from the project which are otherwise required to be deposited in the regular debt service fund

(including a reserve therefor) under the bond resolution, indenture, or other contract. When the sum of the amount in the regular debt service fund and the separate account are sufficient to fully defease the bonds outstanding on April 1, 1988, or when such bonds are fully defeased or paid by refunding or otherwise, increments may no longer be collected from a parcel that does not satisfy the requirements of paragraphs (a) and (b).

Sec. 10. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL ASSESSED VALUE.] Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original assessed value of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original assessed value has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to subdivision 4. In the case of a mined underground space development district the county auditor shall certify the original assessed value as zero, plus the assessed value, if any, previously assigned to any subsurface area included in the mined underground space development district pursuant to section 272.04. If property classified as agricultural land or vacant land under section 273.13, subdivision 23, is included within a tax increment district, the original assessed value of that property shall be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed. The amount to be added to the original assessed value of the district as a result of previously tax exempt real property within the district becoming taxable shall be equal to the assessed value of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the value assessed by the assessor at the time of the transfer. The amount to be added to the original assessed value of the district as a result of enlargements thereof shall be equal to the assessed value of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4. If the assessed value of a property increases because the property no longer qualifies under the Minnesota agricultural property tax law, section 273.111; the Minnesota open space property tax law, section 273.112; or the metropolitan agricultural preserves act, chapter 473H, the increase in assessed value must be added to the original assessed value. Each year the auditor shall also add to the original assessed value of each economic development district an amount equal to the original assessed value for the preceding year multiplied by the average percentage increase in the assessed valuation of all property in-

cluded in the economic development district during the five years prior to certification of the district. The amount to be subtracted from the original assessed value of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original assessed value initially attributed to the property becoming tax exempt or being removed from the district. If the assessed value of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original assessed value of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured assessed value of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

Sec. 11. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 1a. [ORIGINAL MILL RATE.] (a) At the time of the initial certification of the original assessed value for a tax increment financing district, the county auditor shall certify the original mill rate that applies to the district. The original mill rate is the sum of all the mill rates that apply to a property in the district for the taxes payable in the calendar year in which the initial certification of original assessed value is requested under subdivision 1. If the total mill rate applicable to properties in the tax increment financing district varies, the mill rate must be computed by determining the average total mill rate in the district, weighted on the basis of assessed value. The resulting mill rate is the original mill rate for the life of the district.

(b) In the case of districts certified during calendar year 1988, the original mill rate equals the amount calculated under paragraph (a) multiplied by 0.45.

Sec. 12. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 3, is amended to read:

Subd. 3. [TAX INCREMENT, RELATIONSHIP TO CHAPTER 473F.] (a) Unless the governing body elects pursuant to clause (b) the following method of computation shall apply:

(1) The original assessed value and the current assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. Where the original assessed value is equal to or greater than the current assessed value, there is no

captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district mill rates or (B) the original mill rate to the retained captured assessed value of the authority is the tax increment of the authority.

(b) The governing body may, by resolution approving the tax increment financing plan pursuant to section 469.175, subdivision 3, elect the following method of computation:

(1) The original assessed value shall be determined before the application of the fiscal disparity provisions of chapter 473F. The current assessed value shall exclude any fiscal disparity commercial-industrial assessed value increase between the original year and the current year multiplied by the fiscal disparity ratio determined pursuant to section 473F.08, subdivision 6. Where the original assessed value is equal to or greater than the current assessed value, there is no captured assessed value and no tax increment determination. Where the original assessed value is less than the current assessed value, the difference between the original assessed value and the current assessed value is the captured assessed value. This amount less any portion thereof which the authority has designated, in its tax increment financing plan, to share with the local taxing districts is the retained captured assessed value of the authority.

(2) The county auditor shall exclude the retained captured assessed value of the authority from the taxable value of the local taxing districts in determining local taxing district mill rates. The mill rates so determined are to be extended against the retained captured assessed value of the authority as well as the taxable value of the local taxing districts. The tax generated by the extension of the lesser of (A) the local taxing district mill rates or (B) the original mill rate to the retained captured assessed value of the authority is the tax increment of the authority.

(3) An election by the governing body pursuant to part (b) shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to clause (a) or (b) shall remain the same for the duration of the district.

Sec. 13. Minnesota Statutes 1987 Supplement, section 469.177, subdivision 4, is amended to read:

Subd. 4. [PRIOR PLANNED IMPROVEMENTS.] The authority shall, after diligent search, accompany its request for certification to the county auditor pursuant to subdivision 1, or its notice of district enlargement pursuant to section 469.175, subdivision 4, with a listing of all properties within the tax increment financing district or area of enlargement for which building permits have been issued during the 18 months immediately preceding approval of the tax increment financing plan by the municipality pursuant to section 469.175, subdivision 3. The county auditor shall increase the original assessed value of the district by the assessed valuation of the improvements each improvement for which the a building permit was issued, ~~excluding the assessed valuation of improvements for which a building permit was issued during the three-month period immediately preceding said approval of the tax increment financing plan, as certified by the assessor.~~

Sec. 14. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 9. [DISTRIBUTIONS OF EXCESS TAXES ON CAPTURED VALUE.] (a) If the amount of tax paid on captured value exceeds the amount of tax increment, the county auditor shall distribute the excess to the municipality, county, and school district as follows: each governmental unit's share of the excess equals

(1) the total amount of the excess for the tax increment financing district, multiplied by

(2) a fraction, the numerator of which is the current mill rate of the governmental unit less the governmental unit's mill rate for the year the original mill rate for the district was certified (in no case may this amount be less than zero) and the denominator of which is the sum of the numerators for the municipality, county, and school district.

If the entire increase in the mill rate is attributable to a taxing district, other than the municipality, county, or school district, then the excess must be distributed to the municipality, county, and school district in proportion to their respective mill rates.

(b) The amounts distributed shall be deducted in computing the levy limits of the taxing district for the succeeding taxable year.

(c) In the case of distributions to a school district, the county auditor shall report amounts distributed to the commissioner of education in the same manner as provided for excess increments under section 469.176, subdivision 2, and the distribution shall be treated as an excess increment for purposes of section 124.214, subdivision 3.

Sec. 15. Minnesota Statutes 1987 Supplement, section 469.177, is amended by adding a subdivision to read:

Subd. 10. [PAYMENT TO SCHOOL FOR REFERENDUM LEVY.]
The provisions of this subdivision apply to tax increment financing districts and projects for which certification was requested before March 17, 1988, that are located in a school district in which the voters have approved new millage or an increase in millage after the tax increment financing district was certified (1) if there are no outstanding bonds on April 1, 1988, to which increment from the district is pledged, or (2) if the referendum is approved after April 1, 1988, and there are no bonds outstanding at the time the referendum is approved, that were issued on or before April 1, 1988, or (3) if the referendum increasing the mill rate was approved after the most recent issue of bonds to which increment from the district is pledged. If clause (1) or (2) applies, the authority must annually pay to the school district an amount of increment equal to the increment that is attributable to the increase in the mill rate under the referendum. If clause (3) applies, upon approval by a majority vote of the governing body of the municipality and the school board, the authority must pay to the school district an amount of increment equal to the increment that is attributable to the increase in the mill rate under the referendum. The amounts of these increments may be expended and must be treated by the school district in the same manner as provided for the revenues derived from the referendum levy approved by the voters.

Sec. 16. [BONDING AUTHORITY; HENNEPIN COUNTY MEDICAL BUILDING.]

Hennepin county may issue and sell not more than \$16,000,000 of general obligation bonds to finance or refinance the construction and purchase of the Hennepin county health services building. Issuance of the obligations is not subject to the election requirements of Minnesota Statutes, section 475.58.

Sec. 17. [EFFECTIVE DATE.]

Sections 1 to 5; 8, paragraphs (a) and (b); and 10 to 14 are effective for districts for which the request for certification was filed with the county after March 17, 1988. Sections 6, 7, 9, and 15 are effective April 1, 1988, except section 9's exclusion of street improvements from qualification under Minnesota Statutes 1987 Supplement, section 469.176, subdivision 6, paragraph (a) is effective for districts

for which the request for certification was filed with the county after March 17, 1988. Section 8, paragraph (d), is effective for expenditures after June 30, 1988, except to the extent that the authority had entered into a binding contract before July 1, 1988, to make expenditures prohibited by that section. Notwithstanding the preceding, sections 7, 9, 11, 12, 13, and 15 do not apply to a district approved under Minnesota Statutes, section 469.175, subdivision 3, before December 31, 1988, if tax increments from the district are to be used to finance part of a hotel, parking facility, and conference center project for which requests for proposals were approved by the city council on June 22, 1987. Section 16 is effective upon compliance by the Hennepin county board with Minnesota Statutes, section 645.021.

ARTICLE 14

BUDGET RESERVE

Section 1. Minnesota Statutes 1987 Supplement, section 16A.1541, is amended to read:

16A.1541 [ADDITIONAL REVENUES; PRIORITY.]

If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money in the following order of priority:

(1) the amount necessary to reduce the property tax levy recognition percent under section 121.904, subdivision 4e, to 24 percent;

(2) ~~the remainder (i) one-half to the greater Minnesota fund, but not to exceed \$120,000,000 and (ii) one-half the amount of the~~ unrestricted balance to the budget and cash flow reserve account until the total amount in the account equals \$550,000,000.

The amounts necessary to meet the requirements of clauses (1) and (2) this section are appropriated from the general fund.

Sec. 2. [APPROPRIATION REDUCTIONS.]

The appropriation from the general fund under Minnesota Statutes 1987 Supplement, section 16A.1541 (1) to reduce property tax recognition percent, (2) to the greater Minnesota fund, and (3) to the budget and cash flow reserve account that was made under the commissioner of finance's estimate of revenues and expenditures in January, 1988 is reduced to zero. The commissioner of finance shall

transfer any amounts transferred to the greater Minnesota fund under section 16A.1541 back to the general fund.

Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective July 1, 1988. Section 2 is effective the day following final enactment.

ARTICLE 15

MISCELLANEOUS

Section 1. Minnesota Statutes 1987 Supplement, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 15, June 15, and December 15 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies and domestic mutual insurance companies, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. For insurers other than town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) principally writing workers' compensation insurance, and (ii) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000, installments must be based on a sum equal to two percent of the premiums described in paragraph (b). (b). For town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) principally writing workers' compensation insurance, and (ii) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000, the installments must be based on an amount equal to one-half percent of the premiums described in paragraph (b).

(b) Installments under paragraph (a) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year, excepting premiums written for marine insurance as specified in subdivision 6.

(c) Failure of a company to make payments of at least one-third of either (a) (1) the total tax paid during the previous calendar year or (b) (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section.

Sec. 2. Minnesota Statutes 1987 Supplement, section 69.021, subdivision 5, is amended to read:

Subd. 5. [CALCULATION OF STATE AID.] The amount of state aid available for apportionment shall be two percent of the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report and two percent of the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The amount for apportionment in respect to firefighter's state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations. The total amount for apportionment in respect to police state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's costs and expenses of the audits or exams of the police relief associations. The amount for apportionment in respect to police state aid shall be distributed to the municipalities maintaining police departments and to the county on the basis of the number of active peace officers, as certified pursuant to section 69.011, subdivision 2, clause (b). The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

Sec. 3. Minnesota Statutes 1986, section 69.031, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATIONS.] There is hereby appropriated annually from the state general fund to the commissioner of revenue an amount sufficient to make the payments specified in this section and section 69.021 not exceeding the tax collected.

Sec. 4. Minnesota Statutes 1987 Supplement, section 69.54, is amended to read:

69.54 [SURCHARGE ON PREMIUMS TO RESTORE DEFICIENCY IN SPECIAL FUND.]

The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in this city of the first class, or by its agents for it, in cash or otherwise. This surcharge shall be due and payable from these companies to the state treasurer on March 15 31, May 15 31, and November 15 30 of each calendar year, and if not paid within 30 days after these dates, a penalty of ten percent shall accrue thereon and

thereafter this sum and penalty shall draw interest at the rate of one percent per month until paid.

Sec. 5. [270.068] [TAX INFORMATION SAMPLE DATA.]

Subdivision 1. [PREPARATION OF SAMPLE.] The commissioner of revenue shall annually prepare a microdata sample of income tax returns and other information useful for purposes of (1) estimating state revenues, (2) simulating the effect of changes or proposed changes in state and federal tax law on the amount of state revenues, and (3) analyzing the incidence of present or proposed taxes.

Subd. 2. [COORDINATING COMMITTEE.] A coordinating committee is established to oversee and coordinate preparation of the microdata sample. The committee consists of (1) the director of the research division of the department of revenue who shall serve as chair of the committee, (2) the state economist, (3) the chair of the committee on taxes of the house of representatives or the chair's designee, and (4) the chair of the committee on taxes and tax laws of the senate or the chair's designee. The committee shall consider the analysis needs and use of the microdata sample by the finance and revenue departments and the legislature in designing and preparing the sample, including the type of data to be included, the structure of the sample, size of the sample, and other relevant factors.

Subd. 3. [CONTENTS OF SAMPLE.] The sample must consist of information derived from a random sample of federal and Minnesota individual income tax returns. The sample prepared in odd numbered years must be augmented by additional information from other sources as the coordinating committee determines is feasible and appropriate. The coordinating committee shall consider inclusion of (1) information derived from property tax refund returns, (2) the estimated market value of the taxpayer's home from the homestead declaration, and (3) information from other sources, such as the surveys conducted by the United States departments of commerce and labor.

Subd. 4. [CONSULTATION ON ANALYSIS MODELS.] The coordinating committee shall facilitate regular consultation among the department of revenue, the department of finance, and house and senate staffs in development and maintenance of their respective computer models used to analyze the microdata sample. The committee shall encourage efforts to attain more commonality in the models, greater sharing of program development efforts and programming tasks, and more consistency in the resulting analyses.

Sec. 6. Minnesota Statutes 1986, section 270.70, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY OF COMMISSIONER.] If any tax payable to the commissioner of revenue or to the department of revenue is not paid when due, such tax may be collected by the commissioner of revenue within five years after the date of assessment of the tax, or if the tax judgment has been filed, within the statutory period of enforcement of a valid tax judgment, by a levy upon all property and rights to property, including any property in the possession of law enforcement officials, of the person liable for the payment or collection of such tax (except that which is exempt from execution pursuant to section 550.37) or property on which there is a lien provided in section 270.69. For this purpose, the term "tax" shall include any penalty, interest and costs properly payable. The term "levy" includes the power of distraint and seizure by any means.

Sec. 7. Minnesota Statutes 1986, section 271.01, subdivision 5, is amended to read:

Subd. 5. [JURISDICTION.] The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the jurisdiction of the probate court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the town or city board of equalization and to the county board of equalization, except for those taxpayers whose original assessments are determined by the commissioner of revenue. The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Only the taxes, aids and related matters contained in chapters 60A, 69, 124, 270, 272, 273, 274, 275, 276, 277, 278, 279, 285, 287, 288, 290, 290A, 291, 292, 293, 294, 295, 296, 297, 297A, 297B, 297C, 297D, 298, 299, 299F, 473, 473F, and 477A shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

Sec. 8. Minnesota Statutes 1986, section 287.21, is amended by adding a subdivision to read:

Subd. 4. [TAX-FORFEITED LAND.] Before a state deed for tax-forfeited land may be issued, the deed tax must be paid by purchasers of tax-forfeited land, persons who redeem tax-forfeited land, or local units of government that apply for use or purchase of tax-forfeited land.

Sec. 9. Minnesota Statutes 1987 Supplement, section 295.32, is amended to read:

295.32 [GROSS EARNINGS TAX; ANNUAL RETURN.]

Every telegraph company as defined in section 295.01, subdivision 9, shall file a return with the commissioner of revenue, in such form as the commissioner shall prescribe, containing a true and just report of its gross earnings derived from business within the state during the preceding calendar year, and make payment of the tax based upon the following percentages of such gross earnings:

for calendar years beginning before December 31, 1989, 6 percent,

for calendar year 1990, ~~4.5~~ 4 percent,

for calendar year 1991, ~~3~~ 2 percent,

for calendar year 1992, ~~1.5~~ percent, and

for calendar years beginning after December 31, ~~1992~~ 1991, exempt.

Such return and payment of the tax due therewith shall be submitted on or before March first of each year, and shall be in lieu of all ad valorem taxes upon the property of such company within the state for the year during which such gross earnings accrued. The provisions of chapter 294 and acts amendatory thereto, shall be applicable to such telegraph companies and to the returns and to the taxes submitted therewith by them.

Sec. 10. Minnesota Statutes 1987 Supplement, 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, including long distance access charges, of the preceding calendar year derived from business within this state:

(a) for gross earnings from service to rural subscribers 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, 1988, 4 percent,

for calendar year 1989, 3 percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of four percent,

for calendar year 1990, 1.5 percent,

for calendar year 1991, 1 percent, and

for calendar years beginning after December 31, 1991, exempt;
and

(b) for gross earnings derived from all other business

for calendar years beginning before December 31, 1988, 7 percent,

for calendar year 1989, 5.5 percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of seven percent,

for calendar year 1990, 3 percent,

for calendar year 1991, 2.5 percent, and

for calendar years beginning after December 31, 1991, exempt.

A tax shall not be imposed on the gross earnings of a telephone company from business originating or terminating outside of Minnesota, except that the gross earnings tax is imposed on all long distance access charges allocated to interstate service received in payment from a telephone company before December 31, 1989.

The tax imposed is in lieu of all other taxes, except the taxes imposed by chapter 290, property taxes assessed beginning in 1989, payable in 1990, and sales and use taxes imposed as a result of chapter 297A. All money 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. For the purposes of this section, the population of any statutory city shall be considered as that stated in the latest federal census.

(c) For the period January 1, 1984 through December 31, 1986, all money paid by a company for connecting fees and switching charges, including carriers access charges except that portion paid for directory assistance and billing and collection services, to any other company must be reported as earnings by the company to which

they are paid, but are not deemed to be earnings of the collecting and paying company.

Sec. 11. Minnesota Statutes 1986, section 297D.08, is amended to read:

297D.08 [TAX RATE.]

A tax is imposed on marijuana and controlled substances as defined in section 297D.01 at the following rates:

(1) on each gram of marijuana, or each portion of a gram, \$3.50; and

(2) on each gram of controlled substance, or portion of a gram, \$200; or

(3) on each ~~50~~ ten dosage units of a controlled substance that is not sold by weight, or portion thereof, ~~\$2,000~~ \$400.

Sec. 12. Minnesota Statutes 1987 Supplement, section 298.2213, subdivision 3, is amended to read:

Subd. 3. [USE OF MONEY.] The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan must be no less than the lesser of eight percent or the rate of interest set by the Minnesota development board for comparable small business development loans at that time that is three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved.

Money appropriated in this section must be expended only in or for the benefit of the tax relief area defined in section 273.134, and as otherwise provided in this section.

Sec. 13. Minnesota Statutes 1986, section 298.223, is amended to read:

298.223 [TACONITE AREA ENVIRONMENTAL PROTECTION FUND.]

Subdivision 1. [CREATION; PURPOSES.] A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within a tax relief area defined in section 273.134 that are adversely affected by the environmentally damaging oper-

ations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the iron range resources and rehabilitation board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration or reforestation of minelands not otherwise provided for by state law;

(c) local economic development projects including construction of sewer and water systems, and other public works located within a tax relief area defined in section 273.134;

(d) monitoring of mineral industry related health problems among mining employees.

Subd. 2. [ADMINISTRATION.] The taconite environmental protection fund shall be administered by the commissioner of the iron range resources and rehabilitation board. The commissioner shall by September 1 of each year prepare a list of projects to be funded from the taconite environmental protection fund, with such supporting information including description of the projects, plans, and cost estimates as may be necessary. Upon recommendation of the iron range resources and rehabilitation board, this list shall be submitted to the legislative advisory commission for its review. This list with the recommendation of the legislative advisory commission shall then be transmitted to the governor by November 1 of each year. By December 1 of each year, the governor shall approve or disapprove, or return for further consideration, each individual project. Funds for a project may be expended only upon approval of the project by the governor.

The commissioner may submit supplemental projects for approval at any time. Supplemental projects approved by the board must be submitted to the members of the legislative advisory commission for their review and recommendations of further review. If a recommendation is not provided within ten days, no further review by the legislative advisory commission is required, and the governor shall approve or disapprove each project or return it for further consideration. If the recommendation by any member is for further review, the governor shall submit the request to the legislative advisory commission for its review and recommendation. Failure or refusal of the commission to make a recommendation promptly is a negative recommendation.

Subd. 3. [APPROPRIATION.] There is hereby annually appropriated to the commissioner of iron range resources and rehabilitation

such funds as are necessary to carry out the projects approved and such funds as are necessary for administration of this section. Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the amount annually expended from the fund.

Funds for the purposes of this section are provided by section 298.28, subdivision 11 relating to the taconite environmental protection fund.

Sec. 14. [424A.10] [STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.]

Subdivision 1. [DEFINITION.] For purposes of this section, "qualified recipient" means an individual who receives an involuntary lump sum distribution of pension or retirement benefits from a firefighters' relief association for service performed as a volunteer firefighter.

Subd. 2. [PAYMENT OF SUPPLEMENTAL BENEFIT.] Upon the payment by a firefighters' relief association of an involuntary lump sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association may pay the supplemental benefit out of its special fund. The amount of this benefit equals ten percent of the regular involuntary lump sum distribution that is paid on the basis of service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000.

Subd. 3. [STATE REIMBURSEMENT.] By February 15 of each year, the relief association shall apply to the commissioner of revenue for state reimbursement of the amount of supplemental benefits paid under subdivision 2 during the preceding calendar year. By March 15 the commissioner shall reimburse the relief association for the amount of the supplemental benefits paid to qualified recipients. The commissioner of revenue shall prescribe the form of and supporting information that must be supplied as part of the application for state reimbursement. The reimbursement payment must be deposited in the special fund of the relief association.

Subd. 4. [IN LIEU OF INCOME TAX EXCLUSION.] The supplemental benefit provided by this section is in lieu of the state income tax exclusion for involuntary lump sum distributions of retirement benefits paid to volunteer firefighters. If the law is modified to exclude or exempt volunteer firefighters' lump sum distributions from state income taxation, the supplemental benefits under this section may no longer be paid beginning with the first calendar year in which the exclusion or exemption is effective.

Sec. 15. Minnesota Statutes 1986, section 473.843, subdivision 2, is amended to read:

Subd. 2. [DISPOSITION OF PROCEEDS.] After reimbursement to the department of revenue for costs incurred in administering this section, the proceeds of the fees imposed under this section, including interest and penalties, must be deposited as follows:

(a) one-half of the proceeds must be deposited in the landfill abatement fund established in section 473.844; and

(b) one-half of the proceeds must be deposited in the metropolitan landfill contingency action fund established in section 473.845.

Sec. 16. Minnesota Statutes 1987 Supplement, section 508.25, is amended to read:

508.25 [RIGHTS OF PERSON HOLDING CERTIFICATE OF TITLE.]

Every person receiving a certificate of title pursuant to a decree of registration and every subsequent purchaser of registered land who receives a certificate of title in good faith and for a valuable consideration shall hold it free from all encumbrances and adverse claims, excepting only the estates, mortgages, liens, charges, and interests as may be noted in the last certificate of title in the office of the registrar, and also excepting any of the following rights or encumbrances subsisting against it, if any:

(1) Liens, claims, or rights arising or existing under the laws or the constitution of the United States, which this state cannot require to appear of record;

(2) The lien of any real property tax or special assessment for which the land has not been sold at the date of the certificate of title;

(3) Any lease for a period not exceeding three years when there is actual occupation of the premises thereunder;

(4) All rights in public highways upon the land;

(5) The right of appeal, or right to appear and contest the application, as is allowed by this chapter;

(6) The rights of any person in possession under deed or contract for deed from the owner of the certificate of title;

(7) Any outstanding mechanics lien rights which may exist under sections 514.01 to 514.17.

(9) No existing or future liens or judgments, notwithstanding section 508.63, arising under the laws of this state for the nonpayment of any amounts due under chapter 268 or any tax administered by the commissioner of revenue may encumber title to lands registered under chapter 508 unless filed under the terms of chapter 508.

Sec. 17. [TEMPORARY PROVISION; RAILROAD AND BARGE FUEL.]

For purposes of the tax imposed under Minnesota Statutes, chapter 296 on railroad and barge fuels for the period from July 1, 1987 to June 30, 1988 the following provisions of chapter 296 apply and all section references are to Minnesota Statutes:

(1) Special fuels, as defined in section 296.01, subdivision 6, include fuels for propelling barges and trains.

(2) Bulk purchasers, as defined in section 296.01, subdivision 19, include persons receiving fuels for use in propelling a train or barge.

(3) Bulk purchasers may receive a credit against excise tax due for fuel not used in propelling trains or barges under section 296.12, subdivision 4.

(4) The provisions of section 296.18, subdivision 1, do not apply to fuels used in propelling trains or barges.

Sec. 18. [APPROPRIATION.]

\$300,000 is appropriated from the general fund for fiscal year 1989 to the commissioner of revenue to make the reimbursement payments to firefighters' relief associations under section 14.

Sec. 19. [REPEALER.]

Minnesota Statutes 1987 Supplement, sections 296.02, subdivisions 2a and 2b, 296.025, subdivisions 2a and 2b, and Laws 1987, chapter 268, article 3, section 11 are repealed.

Sec. 20. [EFFECTIVE DATE.]

Sections 1 to 3 are effective January 1, 1988. Sections 4, 11, 15, and 19 are effective July 1, 1988. Section 8 is effective for all instruments recorded after May 31, 1987. Section 14 is effective for lump sums paid after December 31, 1987. Section 16 is effective retroactive to August 1, 1987. Section 17 is effective July 1, 1987. The remainder of the article is effective the day following final enactment.

Delete the title and insert:

"A bill for an act relating to the financing of government in Minnesota; changing tax rates and bases; modifying the administration, collection, and enforcement of taxes; imposing taxes; changing the computation, administration, and payment of aids, credits, and refunds; limiting taxing powers; transferring and imposing governmental powers and duties; making technical corrections and clarifications; providing bonding authority to Hennepin County; imposing penalties; appropriating money and reducing appropriations; amending Minnesota Statutes 1986, sections 69.031, subdivision 3; 168.011, subdivision 8; 168.012, subdivision 9; 237.075, subdivision 8; 240.01, by adding a subdivision; 240.13, subdivisions 4 and 6; 240.15, subdivisions 1, 2, 3, and 6; 240.18; 270.075, subdivision 2; 270.41; 270.70, subdivision 1; 271.01, subdivision 5; 273.05, subdivision 1; 273.061, subdivision 2; 273.112, subdivisions 3 and 6; 273.121; 273.124, subdivisions 1 and 6; 273.13, by adding a subdivision; 273.40; 279.01, subdivision 3; 287.21, by adding a subdivision; 290.01, by adding a subdivision; 290.06, by adding a subdivision; 290.39, by adding a subdivision; 290.50, subdivision 3; 290.92, subdivision 21; 290.931, subdivision 1; 290.934, subdivisions 1, 3, and by adding a subdivision; 290A.03, subdivision 7; 297.01, by adding a subdivision; 297.03, subdivision 12, and by adding a subdivision; 297.041, subdivision 1; 297.06, subdivisions 1, 2, 3, and by adding a subdivision; 297.08, subdivision 1; 297.12, subdivision 1; 297.35, by adding a subdivision; 297A.02, subdivision 4; 297A.15, subdivisions 1 and 5; 297A.16; 297A.17; 297A.21; 297A.25, subdivisions 5, 8, 27, and by adding subdivisions; 297A.256; 297C.02, subdivisions 3 and 4; 297C.03, by adding a subdivision; 297C.07; 297D.08; 298.223; 303.03; 329.11; 349.12, subdivision 18, and by adding subdivisions; 349.2121, subdivisions 1, 2, 5, and by adding a subdivision; 349.22, subdivision 1, and by adding subdivisions; 375.192, subdivision 1; 375.83; 473.167, subdivisions 2, 3, and by adding subdivisions; 473.249, subdivision 1, and by adding a subdivision; 473.446, subdivision 3, and by adding a subdivision; 473.711, subdivision 2, and by adding a subdivision; 473.843, subdivision 2; 477A.011, subdivision 11, and by adding a subdivision; and 477A.015; Minnesota Statutes 1987 Supplement, sections 16A.1541; 60A.15, subdivision 1; 60E.04, subdivision 4; 69.021, subdivision 5; 69.54; 124.155, subdivision 2; 124A.02, subdivisions 3a and 11; 240.13, subdivision 5; 270.485; 272.02, subdivision 1; 272.115, subdivision 4; 272.121; 273.061, subdivision 1; 273.1195; 273.123, subdivisions 4 and 5; 273.124, subdivisions 11 and 13; 273.13, subdivisions 23, 24, and 25; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1392; 273.1393; 273.1397, subdivision 2; 273.165, subdivision 2; 273.42, subdivision 2; 274.01, subdivision 1; 274.19, subdivisions 1, 2, 3, 4, 6, 7, and 8; 275.07, subdivision 1; 275.50, subdivision 2; 275.51, subdivision 3h; 276.04; 279.01, subdivision 1; 290.01, subdivisions 3a, 4, 7, 19, 19a, 19b, 19c, 19d, 19e, and 20; 290.015, subdivisions 1, 2, 3, and 4; 290.06, subdivisions 1, 2c, and 21; 290.081; 290.092, subdivisions 3, 4, 5, and by adding a subdivi-

sion; 290.095, subdivisions 1, 3, and by adding a subdivision; 290.10; 290.17, subdivision 2; 290.191, subdivisions 6 and 11; 290.21, subdivisions 3 and 4; 290.35, subdivision 2; 290.371, subdivisions 1, 3, 4, and 5; 290.38; 290.41, subdivision 2; 290.92, subdivisions 7 and 15; 290.934, subdivision 2; 290.9725; 290A.03, subdivisions 3, 13, 14, and 15; 290A.04, subdivision 2; 290A.06; 295.32; 295.34, subdivision 1; 297.01, subdivisions 7 and 14; 297.03, subdivision 6; 297.11, subdivision 5; 297A.01, subdivision 3; 297A.212; 297A.25, subdivisions 3 and 11; 297B.03; 297C.04; 298.2213, subdivision 3; 299.01, subdivision 1; 349.212, subdivisions 1 and 4; 349.2121, subdivisions 4a and 10; 349.2122; 349.2123; 469.174, subdivision 10; 469.175, subdivisions 1, 2, 3, 4, and by adding a subdivision; 469.176, subdivisions 1, 4, and 6; 469.177, subdivisions 1, 3, 4, and by adding subdivisions; 473.446, subdivision 1; 475.53, subdivision 4; 475.61, subdivision 3; 477A.012, subdivision 1; and 508.25; Laws 1987, chapter 268, article 6, sections 19, 53, and 54; and article 8, section 9; proposing coding for new law in Minnesota Statutes, chapters 270; 273; 275; 290; 290A; 297; 297C; 298; 349; and 424A; repealing Minnesota Statutes 1986, sections 240.15, subdivision 5; 272.64; 273.13, subdivisions 7a and 30; 275.035; 275.49; 290.07, subdivisions 3 and 6; 290.11; 290.12, as amended; 290.131, as amended; 290.132, as amended; 290.133, as amended; 290.134, as amended; 290.135, as amended; 290.136, as amended; 290.138, as amended; 290.934, subdivision 4; 297A.15; subdivision 2; 297C.03, subdivision 5; 298.401; and 299.013; Minnesota Statutes 1987 Supplement, sections 273.1195; 273.13, subdivision 15a; 273.1394; 273.1395; 273.1396; 273.1397; 275.081; 275.082; 275.125, subdivision 22; 290.06, subdivision 20; 290.077, subdivision 1; 290.14; 290.371, subdivision 2; 290A.04, subdivisions 2a and 2b; 296.02, subdivisions 2a and 2b; and 296.025, subdivisions 2a and 2b; Laws 1987, chapter 268, article 3, section 11; and article 5, section 4."

With the recommendation that when so amended the bill pass.

The report was adopted.

SECOND READING OF HOUSE BILLS

H. F. No. 2590 was read for the second time.

Wynia pursuant to House Rule 5.10 announced that H. F. Nos. 2126, 2788, 1746, 2561 and 2685 meet the requirements of the House Budget Resolution.

CONSIDERATION UNDER RULE 1.10

Pursuant to rule 1.10, Anderson, G., requested immediate consideration of H. F. No. 2126 and S. F. No. 1861.

The Speaker called Long to the Chair.

H. F. No. 2126 was reported to the House.

CALL OF THE HOUSE

On the motion of Forsythe and on the demand of 10 members, a call of the House was ordered. The following members answered to their names:

Anderson, R.	Gruenes	McDonald	Ozment	Simoneau
Battaglia	Gutknecht	McEachern	Pappas	Skoglund
Bauerly	Hartle	McKasy	Pauly	Solberg
Beard	Haukoos	McLaughlin	Pelowski	Sparby
Bennett	Heap	McPherson	Poppenhagen	Stanisus
Blatz	Himle	Milbert	Price	Steensma
Boo	Hugoson	Miller	Quinn	Sviggum
Brown	Jefferson	Minne	Quist	Thiede
Burger	Jensen	Morrison	Redalen	Tjornhom
Carlson, D.	Johnson, A.	Munger	Reding	Tompkins
Carruthers	Johnson, R.	Nelson, C.	Rest	Trimble
Clark	Johnson, V.	Nelson, K.	Rice	Tunheim
Cooper	Kalis	Neuenschwander	Richter	Uphus
Dauner	Kelso	O'Connor	Rodosovich	Valento
Dawkins	Kinkel	Ogren	Rose	Vellenga
DeBlieck	Kludt	Olsen, S.	Rukavina	Voss
Dempsey	Knickerbocker	Olson, E.	Sarna	Wagenius
DeRaad	Knuth	Olson, K.	Schafer	Waltman
Dille	Kostohryz	Omann	Scheid	Welle
Dorn	Larsen	Onnen	Schreiber	Wenzel
Forsythe	Lasley	Orenstein	Seaberg	Winter
Frederick	Lieder	Osthoff	Segal	
Frerichs	Marsh	Otis	Shaver	

Otis moved that further proceedings of the roll call be dispensed with and that the Sergeant at Arms be instructed to bring in the absentees. The motion prevailed and it was so ordered.

Forsythe moved to amend H. F. No. 2126, the second engrossment, as follows:

Page 121, delete lines 18 to 30

Renumber sections accordingly

A roll call was requested and properly seconded.

The question was taken on the Forsythe amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 53 yeas and 74 nays as follows:

Those who voted in the affirmative were:

Bennett	Frederick	Knickerbocker	Pauly	Swiggum
Blatz	Frerichs	Marsh	Poppenhagen	Swenson
Boo	Gruenes	McDonald	Quist	Thiede
Burger	Gutknecht	McKasy	Redalen	Tjornhom
Carlson, D.	Hartle	McPherson	Richter	Tompkins
Clausnitzer	Haukoos	Miller	Rose	Upfus
Dauner	Heap	Morrison	Schafer	Valento
Dempsey	Himle	Olsen, S.	Schreiber	Waltman
DeRaad	Hugoson	Omann	Seaberg	Welle
Dille	Jennings	Onnen	Shaver	
Forsythe	Johnson, V.	Ozment	Stanisus	

Those who voted in the negative were:

Anderson, G.	Jacobs	Lasley	Osthoff	Segal
Anderson, R.	Jaros	Lieder	Otis	Simoneau
Battaglia	Jefferson	Long	Pappas	Skoglund
Bauerly	Jensen	McEachern	Pelowski	Solberg
Beard	Johnson, A.	McLaughlin	Peterson	Sparby
Begich	Johnson, R.	Milbert	Price	Steensma
Bertram	Kahn	Murphy	Quinn	Trimble
Brown	Kalis	Nelson, C.	Reding	Tunheim
Carlson, L.	Kelly	Nelson, D.	Rest	Vellenga
Carruthers	Kinkel	Nelson, K.	Rice	Voss
Clark	Kludt	O'Connor	Riveness	Wagenius
Cooper	Knuth	Ogren	Rodosovich	Wenzel
DeBlick	Kostohryz	Olson, E.	Rukavina	Winter
Dorn	Krueger	Olson, K.	Sarna	Wynia
Greenfield	Larsen	Orenstein	Scheid	

The motion did not prevail and the amendment was not adopted.

Swiggum and Gruenes moved to amend H. F. No. 2126, the second engrossment, as follows:

Page 95, line 14, after "Sec. 108." delete the remainder of the line.

Page 95, delete lines 15 to 36

Page 96, delete lines 1 to 25 and insert "[AUTHORIZATION TO EXPAND WAIVERED SERVICES.]

Within the limits of available appropriations, the commissioner may increase the Title XIX waived services program for the

mentally retarded and increase the semi-independent living services."

Page 98, delete lines 23 through 33

The motion did not prevail and the amendment was not adopted.

Greenfield moved to amend H. F. No. 2126, the second engrossment, as follows:

Page 53, after line 6, insert:

"Sec. 48. Minnesota Statutes 1987 Supplement, section 145A.06, is amended by adding a subdivision to read:

Subd. 5. [TECHNICAL ASSISTANCE.] The commissioner of health shall provide technical assistance to local boards of health for purposes of regulating or closing establishments which may constitute a public health nuisance and contribute to the transmission of a serious communicable disease."

Renumber sections in sequence

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Quist moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 39, after line 30, insert:

"Sec. 36. Minnesota Statutes 1986, section 144.12, is amended by adding a subdivision to read:

Subd. 4. [DEADLY INFECTIOUS DISEASES.] The commissioner shall prevent any business from facilitating sexual practices which transmit deadly infectious diseases."

Renumber the sections in sequence

Correct internal references

Amend the title as follows:

Page 1, line 9, after "subdivisions;" insert "144.12, by adding a subdivision;"

A roll call was requested and properly seconded.

The question was taken on the Quist amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 76 yeas and 57 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	DeRaad	Johnson, V.	Olsen, S.	Shaver
Bauerly	Dille	Kalis	Olson, E.	Solberg
Bennett	Forsythe	Kelso	Omannon	Sparby
Bertram	Frederick	Kinkel	Onnen	Stanis
Blatz	Frerichs	Knickerbocker	Ozment	Steensma
Boo	Gruenes	Kostohryz	Pauly	Sviggum
Brown	Gutknecht	Krueger	Pelowski	Swenson
Burger	Hartle	Marsh	Poppenhagen	Thiede
Carlson, D.	Haukoos	McDonald	Quist	Tjornhom
Carlson, L.	Heap	McEachern	Redalen	Tompkins
Carruthers	Himle	McKasy	Richter	Uphus
Clausnitzer	Hugoson	McPherson	Rose	Valento
Cooper	Jacobs	Milbert	Schafer	Waltman
DeBlick	Jensen	Miller	Schreiber	Welle
Dempsey	Johnson, R.	Morrison	Seaberg	Wenzel
				Winter

Those who voted in the negative were:

Anderson, G.	Jennings	Munger	Peterson	Simoneau
Battaglia	Johnson, A.	Murphy	Price	Skoglund
Beard	Kahn	Nelson, C.	Quinn	Trimble
Begich	Kelly	Nelson, D.	Reding	Tunheim
Bishop	Kludt	Nelson, K.	Rest	Vellenga
Clark	Knuth	Neuenschwander	Rice	Voss
Dauner	Larsen	O'Connor	Riveness	Wagenius
Dawkins	Lasley	Ogren	Rodosovich	Wynia
Dorn	Lieder	Orenstein	Rukavina	Spk. Vanasek
Greenfield	Long	Osthoft	Sarna	
Jaros	McLaughlin	Otis	Scheid	
Jefferson	Minne	Pappas	Segal	

The motion prevailed and the amendment was adopted.

Quist offered an amendment to H. F. No. 2126, the second engrossment, as amended.

POINT OF ORDER

Greenfield raised a point of order pursuant to rule 3.9 that the Quist amendment was not in order. Speaker pro tempore Long ruled the point of order well taken and the amendment out of order.

Schreiber appealed the decision of the Chair.

A roll call was requested and properly seconded.

The vote was taken on the question "Shall the decision of Speaker pro tempore Long stand as the judgment of the House?" and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 81 yeas and 47 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Jacobs	Larsen	Olson, E.	Scheid
Anderson, R.	Jaros	Lasley	Olson, K.	Segal
Battaglia	Jefferson	Lieder	Orenstein	Simoneau
Bauerly	Jennings	Long	Osthoff	Skoglund
Beard	Jensen	McEachern	Otis	Solberg
Begich	Johnson, A.	McLaughlin	Pappas	Sparby
Brown	Johnson, R.	Milbert	Pelowski	Steensma
Carlson, L.	Kahn	Minne	Peterson	Trimble
Carruthers	Kalis	Munger	Price	Tunheim
Clark	Kelly	Murphy	Quinn	Vellenga
Cooper	Kelso	Nelson, C.	Reding	Voss
Dauner	Kinkel	Nelson, D.	Rest	Wagenius
Dawkins	Kludt	Nelson, K.	Riveness	Welle
DeBlieck	Knuth	Neuenschwander	Rodosovich	Wenzel
Dorn	Kostohryz	O'Connor	Rukavina	Winter
Greenfield	Krueger	Ogren	Sarna	Wynia
				Spk. Vanasek

Those who voted in the negative were:

Bennett	Frerichs	McDonald	Quist	Swenson
Blatz	Gruenes	McKasy	Redalen	Thiede
Boo	Gutknecht	McPherson	Richter	Tjornhom
Burger	Hartle	Miller	Rose	Tompkins
Clausnitzer	Haukoos	Morrison	Schafer	Uphus
Dempsey	Heap	Olsen, S.	Schreiber	Valento
DeRaad	Himle	Omann	Seaberg	Waltman
Dille	Hugoson	Onnen	Shaver	
Forsythe	Johnson, V.	Pauly	Stanius	
Frederick	Marsh	Poppenhagen	Svigum	

So it was the judgment of the House that the decision of Speaker pro tempore Long should stand.

Stanius moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 223, delete lines 13 to 18

Page 223, line 19, delete "5" and insert "4"

Page 223, line 20, after "2" delete to the end of the line and insert "or 3, is"

The motion did not prevail and the amendment was not adopted.

Swiggum and Tompkins moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 2, line 47, delete "\$ (11,202,300)" and insert "\$ (12,852,300)"

Page 2, line 47, delete "\$21,842,700" and insert "\$23,492,700"

Page 3, line 3, delete "\$ (10,993,400)" and insert "\$ (12,583,400)"

Page 3, line 3, delete "\$22,371,100" and insert "\$24,021,100"

Page 3, line 11, delete "\$ (11,210,200)" and insert "\$ (12,860,200)"

Page 3, line 11, delete "\$16,589,700" and insert "\$18,239,500"

Page 3, line 16, delete "\$ 0" and insert "\$ (1,650,000)"

Page 4, after line 2, insert:

"Of the amount appropriated in Laws 1987, chapter 403, article 1, section 2, subdivision 2, \$1,650,000 is deducted in fiscal year 1989 from the amount allocated to the equalization aid program."

Page 4, line 24, delete "\$11,006,900" and insert "\$12,656,700"

Page 4, line 27, delete "\$ 9,388,100" and insert "\$13,582,700"

Page 6, line 26, delete "\$ 1,038,900" and insert "\$ (1,505,900)"

Page 149, line 6, delete "109" and insert "the" and after "median" insert "that approximates the 85th percentile"

Page 149, line 17, delete "125" and insert "the"

Page 149, line 18, after "median" insert "that approximates the 90th percentile"

Page 151, line 21, delete "32,571" and insert "33,298"

Page 151, line 22, delete "48,857" and insert "49,947"

Page 151, line 28, delete everything after "shall" and insert "establish a rental factor of at least 11.75"

Page 151, delete line 29

Page 151, line 30, delete "A, by 6.2"

Page 152, line 6, delete "95 percent of capacity days" and insert "an occupancy divisor two percentage points below the average statewide occupancy rate as determined by the Minnesota department of health"

Page 173, after line 30, insert:

"Sec. 177. Minnesota Statutes 1986, section 256D.051, is amended by adding a subdivision to read:

Subd. 4a. [TWO-MONTH ASSISTANCE.] The local agency shall terminate a registrant after two months in the work readiness program if the local agency determines that the registrant is not eligible for assistance under subdivision 5. During the second month of work readiness assistance, the local agency must assess the registrant's eligibility under subdivision 5 and inform the registrant of the outcome of the assessment. A registrant who is not eligible under subdivision 5 is eligible for a maximum of two months of work readiness assistance in any consecutive 24-month period.

Sec. 178. Minnesota Statutes 1986, section 256D.051, is amended by adding a subdivision to read:

Subd. 5a. [SIX-MONTH ASSISTANCE.] The following registrants are eligible for work readiness assistance for a maximum of six months in any consecutive 12-month period:

(1) a person who has borderline mental retardation;

(2) a person who exhibits perceptible symptoms of mental illness as certified by a qualified professional but who is not eligible for general assistance under section 256D.05, subdivision 1 because the mental illness interferes with the medical certification process; and

(3) a person who is certified by the commissioner of jobs and training as being unable to secure suitable employment because the person lives in a distressed county or who is unable to secure suitable employment because the local agency has determined that no jobs are available that a person with the registrant's work history, skills, and ability has the physical and mental ability to perform. For purposes of this paragraph, a county is distressed if it 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. The commissioner shall designate a contiguous portion of a county containing a city of the first class located outside of the metropolitan area as a distressed county if:

(a) that portion of the county has an 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; and

(b) that portion of the county has a population of at least 50,000 as determined by the 1980 federal census."

Adjust the appropriations totals accordingly

Renumber remaining sections in sequence

The amount reduced on page 1, line 26, of this amendment should be deducted from FY 89 instead of FY 88

Adjust numbers accordingly

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Sviggum and Tompkins amendment and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 60 yeas and 69 nays as follows:

Those who voted in the affirmative were:

Bauerly	Forsythe	Kalis	Omann	Shaver
Bennett	Frederick	Kelso	Onnen	Sparby
Bertram	Frerichs	Knickerbocker	Ozment	Stanius
Bishop	Gruenes	Lieder	Pauly	Steensma
Boo	Gutknecht	Marsh	Poppenhagen	Sviggum
Burger	Hartle	McDonald	Quist	Swenson
Carlson, D.	Haukoos	McKasy	Redalen	Thiede
Dauner	Heap	McPherson	Richter	Tompkins
Dempsey	Himle	Miller	Rose	Uphus
DeRaad	Hugoson	Morrison	Schafer	Valento
Dille	Johnson, R.	Olsen, S.	Schreiber	Waltman
Dorn	Johnson, V.	Olson, K.	Seaberg	Wenzel

Those who voted in the negative were:

Anderson, G.	Blatz	Clark	DeBlieck	Jefferson
Battaglia	Brown	Clausnitzer	Greenfield	Jennings
Beard	Carlson, L.	Cooper	Jacobs	Jensen
Beigh	Carruthers	Dawkins	Jaros	Johnson, A.

Kahn	McEachern	Ogren	Reding	Solberg
Kelly	McLaughlin	Olson, E.	Rest	Trimble
Kinkel	Milbert	Orenstein	Rice	Tunheim
Khudt	Munger	Osthoff	Rodosovich	Vellenga
Knuth	Murphy	Otis	Rukavina	Voss
Kostohryz	Nelson, C.	Pappas	Sarna	Wagenius
Krueger	Nelson, D.	Pelowski	Scheid	Welle
Larsen	Nelson, K.	Peterson	Segal	Winter
Lasley	Neuenschwander	Price	Simoneau	Spk. Vanasek
Long	O'Connor	Quinn	Skoglund	

The motion did not prevail and the amendment was not adopted.

Thiede moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 223, after line 32, insert:

"Sec. 251. [TRUTH IN BUDGETING/DEFICIENCIES.]

The appropriation in article 1, section 2, subdivision 4, do not reflect the following financial requirements:

(a) \$16,402,000 in increased medical assistance costs due to the spending of the projected surplus which does not become a surplus until July 1, 1989:

(b) \$4,000,000 in expansion of the preadmission screening alternative care grants without additional appropriations:

(c) \$6,100,000 underfunding of nursing homes due to the extent that fifty-percent of the homes will experience a deficit and the industry will lose \$25,000,000 as a whole this year.

Sec. 252. [TRUTH IN BUDGETING/TIMEBOMBS.]

The appropriation in article 1, section 2, shifts the financial responsibility into the next biennium:

(a) \$17,200,000 by requiring the Commissioner of Human Services to establish an insurance program for the uninsured and to develop a plan to implement a program entitled Minnesota Health Access Plan:

(b) \$1,638,500 due to the lifting of the moratorium on ICF/MR certification of beds by certifying an additional 70 beds effective in 1990:

(c) \$15,176,100 in projected additional costs of the children's health plan for the next biennium.

Sec. 253. [TRUTH IN BUDGETING/RESOLUTION ADJUSTMENT.]

\$20,402,000 in the reallocation of projected surpluses in human services programs. As a result of this action, the 1988 House Budget shall be adjusted to \$321,637,000."

Renumber the remaining sections accordingly

A roll call was requested and properly seconded.

POINT OF ORDER

Rice raised a point of order pursuant to rule 3.9 that the Thiede amendment was not in order. Speaker pro tempore Long ruled the point of order not well taken and the amendment in order.

The question recurred on the Thiede amendment and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 50 yeas and 79 nays as follows:

Those who voted in the affirmative were:

Bennett	Frederick	Knickerbocker	Ozment	Shaver
Blatz	Frerichs	Marsh	Pauly	Stanisus
Boo	Gruenes	McDonald	Poppenhagen	Swiggum
Burger	Gutknecht	McKasy	Quist	Swenson
Carlson, D.	Hartle	McPherson	Redalen	Thiede
Clausnitzer	Haukoos	Miller	Richter	Tjornhom
Dempsey	Heap	Morrison	Rose	Tompkins
DeRaad	Himle	Olsen, S.	Schafer	Uphus
Dille	Hugoson	Omann	Schreiber	Valento
Forsythe	Johnson, V.	Onnen	Seaberg	Waltman

Those who voted in the negative were:

Anderson, G.	Dauner	Kahn	McEachern	Olson, K.
Anderson, R.	Dawkins	Kalis	McLaughlin	Orenstein
Battaglia	DeBlieck	Kelly	Milbert	Osthoff
Bauerly	Dorn	Kelso	Minne	Otis
Beard	Greenfield	Kinkel	Munger	Pappas
Begich	Jacobs	Kludt	Murphy	Pelowski
Bertram	Jaros	Knuth	Nelson, C.	Peterson
Brown	Jefferson	Kostohryz	Nelson, K.	Price
Carlson, L.	Jennings	Larsen	Neuenschwander	Quinn
Carruthers	Jensen	Lasley	O'Connor	Resting
Clark	Johnson, A.	Lieder	Ogren	Rest
Cooper	Johnson, R.	Long	Olson, E.	Rice

Rodosovich
Rukavina
Sarna
Scheid

Segal
Simoneau
Skoglund
Solberg

Sparby
Steensma
Trimble
Tunheim

Vellenga
Voss
Wagenius
Welle

Wenzel
Winter
Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

Stanisus moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 3, line 11, delete "\$16,589,700" and insert "\$16,399,700"

Page 4, line 24, delete "\$11,006,900" and insert "\$10,816,900"

Page 4, line 27, delete "\$9,388,100" and insert "\$11,742,700"

Page 5, line 24, delete \$5,117,000" and insert "4,117,000"

Page 5, line 44, after the period insert:

"These positions shall be phased in within the amount appropriated for this purpose."

Page 6, after line 17, insert:

"Of the amount appropriated in FY 89 \$1,256,600 is for medical assistance payments to small rural hospitals."

Page 6, line 26, delete "\$1,038,900" and insert "(\$1,505,700)"

Page 6, after line 51, insert:

"Notwithstanding any law to the contrary, work readiness recipients shall be eligible only for two months of work readiness assistance. The FY 89 amount of \$2,544,600 appropriated in Laws 1987, chapter 403, article 1, section 2, subdivision 6(a) for the six month work readiness program is cancelled."

Page 7, line 49, delete "\$197,500" and insert "\$387,500"

Page 8, line 10, delete "\$197,500" and insert "\$387,500"

Page 8, after line 14, insert:

"Of this appropriation \$150,000 is available in FY 89 for sexual assault grants.

Of this appropriation \$40,000 is available in FY 89 for crime victim centers grants."

Page 124, line 36, delete "17" and insert "20"

Page 125, line 6, delete "7" and insert "10"

Page 125, line 9, delete "100" and insert "110"

Page 151, line 30, delete "6.2" and insert "8.0"

A roll call was requested and properly seconded.

The question was taken on the Stanius amendment and the roll was called.

Minne moved that those not voting be excused from voting. The motion prevailed.

There were 52 yeas and 75 nays as follows:

Those who voted in the affirmative were:

Bennett	Forsythe	Knickerbocker	Ozment	Sviggum
Bishop	Frederick	Marsh	Pauly	Swenson
Blatz	Frerichs	McDonald	Poppenhagen	Thiede
Boo	Gruenes	McKasy	Redalen	Tjornhom
Burger	Gutknecht	McPherson	Richter	Tompkins
Carlson, D.	Hartle	Miller	Rose	Uphus
Clausnitzer	Haukoos	Morrison	Schafer	Valento
DeBlieck	Heap	Olsen, S.	Schreiber	Waltman
Dempsey	Himle	Olson, K.	Seaberg	
DeRaad	Hugoson	Omann	Shaver	
Dille	Johnson, V.	Onnen	Stanisus	

Those who voted in the negative were:

Anderson, G.	Dawkins	Kelso	Munger	Price
Anderson, R.	Dorn	Kinkel	Murphy	Quinn
Battaglia	Greenfield	Kludt	Nelson, C.	Reding
Bauerly	Jacobs	Knuth	Nelson, K.	Rest
Beard	Jaros	Kostohryz	Neuenschwander	Rodosovich
Begich	Jefferson	Larsen	O'Connor	Rukavina
Bertram	Jennings	Lasley	Ogren	Sarna
Brown	Jensen	Lieder	Olson, E.	Scheid
Carlson, L.	Johnson, A.	Long	Orenstein	Segal
Carruthers	Johnson, R.	McEachern	Osthoff	Simoneau
Clark	Kahn	McLaughlin	Pappas	Skoglund
Cooper	Kalis	Milbert	Pelowski	Solberg
Dauner	Kelly	Minne	Peterson	Sparby

Steensma
Trimble

Tunheim
Vellenga

Voss
Wagenius

Welle
Wenzel

Winter
Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

Stanius moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 3, line 16, delete "\$1,345,200" and insert "\$3,889,800"

Page 4, after line 2, insert:

"Of this appropriation \$2,544,600 is for telecommunications access for communication-impaired persons."

Page 4, line 24, delete "\$11,006,900" and insert "\$8,462,300"

Page 6, line 26, delete "\$1,038,900" and insert "\$1,505,700"

Page 6, after line 51, insert:

"Notwithstanding any law to the contrary work readiness recipients shall be eligible for only two months of work readiness assistance. The FY 89 amount of \$2,544,600 appropriated in Laws 1987, chapter 403, article 1, section 2, subdivision 6(a) for the six month work readiness program is cancelled."

Page 59, after line 6, insert:

"Sec. 57. [TELECOMMUNICATION ACCESS.]

A general fund appropriation is provided for telecommunication access for communication-impaired persons. The appropriation may be used for:

(1) expenses incurred by the telecommunication access for communication-impaired persons board under Minnesota Statutes 1987 Supplement, Section 237.51 as necessary for program administration including personnel cost, public relations, board members' expenses, preparation of reports, and other reasonable expenses.

(2) reimbursing telephone companies for purchases made or services provided pursuant to section 237.53.

(3) contracting for establishment and operation of the message relay service required by section 237.54.

All costs directly associated with the establishment of the board and program, the purchase and distribution of communication devices, and the establishment and operation of the message relay service are either reimbursable or directly payable from the fund after authorization by the board."

Page 224, after line 5, insert:

"Subd. 3. Minnesota Statutes, 1987 Supplement, section 237.52 is repealed effective the day following final enactment."

Page 224, line 32, after "55" insert "57"

Renumber the remaining sections accordingly

Correct internal references accordingly

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Stanius amendment and the roll was called.

Schreiber moved that those not voting be excused from voting. The motion did not prevail.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 65 yeas and 66 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Dorn	Kelso	Omann	Scheid
Bennett	Forsythe	Knickerbocker	Onnen	Schreiber
Bertram	Frederick	Kostohryz	Osthoff	Seaberg
Bishop	Frerichs	Marsh	Ozment	Shaver
Blatz	Gruenes	McDonald	Pauly	Stanis
Boo	Gutknecht	McEachern	Pelowski	Sviggun
Brown	Hartle	McKasy	Poppenhagen	Swenson
Burger	Haukoos	McPherson	Quist	Thiede
Carlson, D.	Heap	Miller	Redalen	Tjornhom
Clausnitzer	Himle	Morrison	Rest	Tompkins
Dempsey	Hugoson	Neuenschwander	Richter	Uphus
DeRaad	Jennings	Olsen, S.	Rose	Valento
Dille	Johnson, V.	Olson, K.	Schafer	Waltman

Those who voted in the negative were:

Anderson, G.	Jaros	Lieder	Peterson	Trimble
Battaglia	Jefferson	Long	Price	Tunheim
Bauerly	Jensen	McLaughlin	Quinn	Vellenga
Beard	Johnson, A.	Minne	Reding	Voss
Begich	Johnson, R.	Munger	Rice	Wagenius
Carlson, L.	Kahn	Murphy	Riveness	Welle
Carruthers	Kalis	Nelson, C.	Rodosovich	Wenzel
Clark	Kelly	Nelson, D.	Rukavina	Winter
Cooper	Kinkel	Nelson, K.	Sarna	Wynia
Dauner	Kludt	O'Connor	Segal	Spk. Vanasek
Dawkins	Knuth	Ogren	Skoglund	
DeBlick	Krueger	Olson, E.	Solberg	
Greenfield	Larsen	Orenstein	Sparby	
Jacobs	Lasley	Pappas	Steensma	

The motion did not prevail and the amendment was not adopted.

The Speaker resumed the Chair.

Thiede moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 209, line 26 to page 210, line 27, delete section 226 from the bill

A roll call was requested and properly seconded.

The question was taken on the Thiede amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 53 yeas and 74 nays as follows:

Those who voted in the affirmative were:

Bennett	Frederick	Knickerbocker	Pauly	Shaver
Bishop	Frerichs	Marsh	Pelowski	Stanis
Blatz	Gruenes	McDonald	Poppenhagen	Sviggum
Boo	Gutknecht	McKasy	Quist	Thiede
Burger	Haukoos	McPherson	Redalen	Tjornhom
Carlson, D.	Heap	Miller	Reding	Tompkins
Clausnitzer	Himle	Morrison	Richter	Uphus
Dauner	Hugoson	Neuenschwander	Rose	Valento
Dempsey	Johnson, R.	Olsen, S.	Schafer	Waltman
DeRaad	Johnson, V.	Onnen	Schreiber	
Forsythe	Kludt	Ozment	Seaberg	

Those who voted in the negative were:

Anderson, G.	Begich	Clark	Greenfield	Jensen
Anderson, R.	Bertram	Cooper	Jacobs	Johnson, A.
Battaglia	Brown	Dawkins	Jaros	Kahn
Bauerly	Carlson, L.	DeBlick	Jefferson	Kalis
Beard	Carruthers	Dorn	Jennings	Kelly

Kelso	McLaughlin	Olson, K.	Rukavina	Tunheim
Kinkel	Milbert	Orenstein	Sarna	Vellenga
Knuth	Minne	Osthoff	Scheid	Voss
Kostohryz	Munger	Pappas	Segal	Wagenius
Krueger	Murphy	Peterson	Skoglund	Welle
Larsen	Nelson, C.	Price	Solberg	Wenzel
Lasley	Nelson, K.	Quinn	Sparby	Winter
Lieder	O'Connor	Rest	Steensma	Wynia
Long	Ogren	Rice	Swenson	Spk. Vanasek
McEachern	Olson, E.	Rodosovich	Trimble	

The motion did not prevail and the amendment was not adopted.

Carlson, D., moved to amend H. F. No. 2126, the second engrossment, as amended, as follows:

Page 8, delete lines 47 to 50 and insert:

"\$200,000 is appropriated from the general fund to the commissioner of health for addiction and stress research grants under Minnesota Statutes, section 145.925."

Page 9, delete lines 1 to 7

Page 53, after line 6, insert:

"Sec. 48. [145.925] [ADDICTION AND STRESS RESEARCH GRANTS.]

The commissioner shall award grants to hospitals, clinics, research or education institutions, or other persons or entities to study the neurobiological origins of stress, to develop therapies for stress-related medical disorders, to develop and test new therapy for addictive disorders, and to investigate ways to lower the costs of therapy for addictive disorders. The commissioner shall solicit and accept requests for grant money from potential grantees. The commissioner shall establish, by rule, criteria for selection of grantees and for the types of stress and addiction research projects that are funded under this section. The commissioner shall also establish, by rule, procedures for receiving and reviewing requests for proposals and for awarding grants."

Page 54, delete lines 24 to 36

Delete pages 55 to 57

Page 58, delete lines 1 to 11

Page 221, delete lines 10 to 26

Renumber the sections in sequence

Correct internal references

Amend the title as follows:

Page 2, line 23, delete "152A;"

A roll call was requested and properly seconded.

The question was taken on the Carlson, D., amendment and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 55 yeas and 75 nays as follows:

Those who voted in the affirmative were:

Bennett	Frerichs	Marsh	Ozment	Stanis
Bishop	Gruenes	McDonald	Pauly	Steensma
Boo	Gutknecht	McKasy	Poppenhagen	Swiggum
Burger	Hartle	McPherson	Quist	Swenson
Carlson, D.	Heap	Milbert	Redalen	Thiede
Clausnitzer	Himle	Miller	Richter	Tjornhom
Dempsey	Hugoson	Morrison	Rose	Tompkins
DeRaad	Jennings	Olsen, S.	Schafer	Uphus
Dille	Johnson, R.	Omann	Scheid	Valento
Forsythe	Johnson, V.	Onnen	Seaberg	Waltman
Frederick	Knickerbocker	Osthoff	Shaver	Wenzel

Those who voted in the negative were:

Anderson, G.	Dorn	Kostohryz	O'Connor	Rukavina
Anderson, R.	Greenfield	Krueger	Ogren	Sarna
Battaglia	Haukoos	Larsen	Olson, E.	Segal
Beard	Jacobs	Lasley	Olson, K.	Skoglund
Begich	Jaros	Lieder	Orenstein	Solberg
Bertram	Jefferson	Long	Otis	Sparby
Blatz	Jensen	McEachern	Pappas	Trimble
Brown	Johnson, A.	McLaughlin	Pelowski	Tunheim
Carlson, L.	Kahn	Minne	Peterson	Vellenga
Carruthers	Kalis	Munger	Price	Voss
Clark	Kelly	Murphy	Quinn	Wagenius
Cooper	Kelso	Nelson, C.	Reding	Welle
Dauner	Kinkel	Nelson, D.	Rest	Winter
Dawkins	Kludt	Nelson, K.	Rice	Wynia
DeBlieck	Knuth	Neuenschwander	Rodosovich	Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

H. F. No. 2126, A bill for an act relating to the organization and operation of state government; appropriating money for human services and health and other purposes with certain conditions; amending Minnesota Statutes 1986, sections 3.9223, subdivision 3; 3.9225, subdivision 3; 3.9226, subdivision 3; 62A.54; 62E.04, by

adding subdivisions; 129A.02, subdivision 3; 129A.09; 129A.10; 144.053, by adding a subdivision; 144.125; 144.50, by adding a subdivision; 144A.04, by adding a subdivision; 144A.08, by adding a subdivision; 145.43, subdivisions 1 and 1a; 145.853, subdivision 2; 145.894; 245.771, by adding a subdivision; 245.814, subdivisions 1, 2, and 3; 245.83; 245.84, subdivision 1; 246.023, subdivision 1; 252.291, subdivisions 1 and 2; 253B.03, by adding a subdivision; 253B.17, subdivision 1; 256.73, subdivisions 2 and 6, and by adding subdivisions; 256.736, by adding subdivisions; 256.76, subdivision 1; 256B.08; 256B.092, subdivisions 5 and 7; 256B.14, subdivision 2; 256B.17, subdivision 7; 256B.431, by adding subdivisions; 256B.50, subdivision 1, and by adding subdivisions; 256B.501, subdivision 3, and by adding subdivisions; 256B.69, subdivisions 3 and 4; 256D.02, subdivision 7, and by adding a subdivision; 256D.06, by adding a subdivision; 256D.07; 256D.35, by adding a subdivision; 256D.37, subdivision 2, and by adding subdivisions; 256E.12, subdivisions 1 and 2; 256F.03, subdivision 8; 256F.07, by adding a subdivision; 257.071, subdivisions 2, 3, 6, and by adding a subdivision; 257.072; 260.181, subdivision 3; 268.0111, by adding a subdivision; 268.86, by adding a subdivision; 268.91, subdivision 7; 268.911, subdivision 3; 326.371; 462.05, by adding a subdivision; 462A.21, by adding a subdivision; 609.72, subdivision 1; and 611A.32, by adding a subdivision; Minnesota Statutes 1987 Supplement, sections 3.922, subdivision 6; 16B.08, subdivision 7; 62A.152, subdivision 2; 62A.48, subdivision 7; 62A.50, subdivision 3; 62D.102; 129A.01, subdivision 5, 6, and 7; 129A.03; 129A.06, subdivision 1; 129A.07, subdivision 1; 129A.08, subdivisions 1, 4, 5, and by adding a subdivision; 144A.071, subdivision 3; 144A.073, subdivisions 1, 7, and 8; 145.43, subdivision 4; 145A.06, by adding a subdivision; 148B.23, subdivision 1; 148B.42, subdivision 1; 245.462, subdivisions 3, 4, 6, 17, 18, 19, 20, 21, 23, and 25; 245.465; 245.466, subdivisions 1, 2, and 5; 245.467, by adding subdivisions; 245.469, subdivision 2; 245.471, subdivisions 2 and 3; 245.472, subdivision 2; 245.475, subdivisions 1 and 2; 245.476, subdivision 1; 245.477; 245.478, subdivisions 1, 2, and 9; 245.479; 245.482, subdivision 2; 245.696, subdivision 2; 245.697, subdivision 2, and by adding a subdivision; 252.291, subdivision 3; 252.46, subdivisions 5 and 6, and by adding subdivisions; 253B.03, subdivision 6; 256.01, subdivision 4; 256.015, subdivision 2; 256.736, subdivisions 1b, 4, and 11; 256.936; 256.969, subdivisions 2 and 3; 256B.02, subdivision 8; 256B.031, subdivision 5; 256B.042, subdivision 2; 256B.06, subdivisions 1 and 4; 256B.091, subdivision 4; 256B.35, subdivision 1; 256B.431, subdivisions 2b, 3, and 4; 256B.433, subdivision 1; 256B.50, subdivision 2; 256B.501, subdivision 1; 256B.73, subdivision 2; 256D.01, subdivision 1a; 256D.03, subdivision 3; 256D.06, subdivisions 1 and 1b; 256D.37, subdivision 1; 256E.12, subdivision 3; 268.91, subdivisions 1, 3, 3b, 3c, 3e, 4, and 12; and 326.73; Laws 1984, chapter 654, article 5, section 57, subdivision 1, as amended; Laws 1987, chapter 337, section 131; Laws 1987, chapter 403, articles 1, section 4, subdivision 4; 2, section 34; and 4, section 13; proposing coding for new law in Minnesota Statutes, chapters 62A; 62C; 62D; 144; 145; 153A; 157; 179A; 198; 245; 252; 256; 256B; 257; and 268; proposing coding for

new law as Minnesota Statutes, chapter 152A; repealing Minnesota Statutes 1986, sections 144.388; 153A.01; 153A.02; 153A.03; 153A.04; 153A.05; 153A.06; 153A.07; 153A.08; 153A.09; 153A.10; 153A.11; 153A.12; 245.84, subdivision 4; 245.86; 245.87; 246.023, subdivisions 2, 3, 4, and 5; 257.071, subdivision 6; and 268.061; Minnesota Statutes 1987 Supplement, sections 129A.01, subdivision 8; 129A.07, subdivision 2; 129A.08, subdivision 3; 148B.04, subdivision 1; and 256B.73, subdivision 10.

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.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 111 yeas and 22 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Dorn	Knuth	Ogren	Schafer
Anderson, R.	Forsythe	Kostohryz	Olson, E.	Segal
Battaglia	Frederick	Krueger	Olson, K.	Skoglund
Bauerly	Greenfield	Larsen	Omann	Solberg
Beard	Gruenes	Lasley	Onnen	Sparby
Begich	Hartle	Lieder	Orenstein	Steensma
Bennett	Heap	Long	Otis	Swiggum
Bertram	Jacobs	Marsh	Ozment	Swenson
Bishop	Jaros	McEachern	Pappas	Tjornhom
Boo	Jefferson	McKasy	Pauly	Tompkins
Brown	Jennings	McLaughlin	Pelowski	Trimble
Carlson, D.	Jensen	McPherson	Peterson	Tunheim
Carlson, L.	Johnson, A.	Milbert	Price	Uphus
Carruthers	Johnson, R.	Minne	Quinn	Valento
Clark	Johnson, V.	Morrison	Quist	Vellenga
Cooper	Kahn	Munger	Reding	Voss
Dauner	Kalis	Murphy	Rest	Wagenius
Dawkins	Kelly	Nelson, C.	Rice	Waltman
DeBlick	Kelso	Nelson, D.	Riveness	Welle
Dempsey	Kinkel	Nelson, K.	Rodosovich	Wenzel
DeRaad	Kludt	Neuenschwander	Rukavina	Winter
Dille	Knickerbocker	O'Connor	Sarna	Wynia
				Spk. Vanasek

Those who voted in the negative were:

Blatz	Haukoos	Olsen, S.	Rose	Stanius
Burger	Himle	Osthoff	Scheid	Thiede
Clausnitzer	Hugoson	Poppenhagen	Schreiber	
Frerichs	McDonald	Redalen	Seaberg	
Gutknecht	Miller	Richter	Shaver	

The bill was passed, as amended, and its title agreed to.

Kludt was excused between the hours of 6:30 p.m. and 7:20 p.m.

S. F. No. 1861, A bill for an act relating to health maintenance organizations; insurance; requiring replacement coverage in the event an HMO cancels coverage; increasing state comprehensive health plan liabilities in the event a member terminates coverage; increasing health maintenance organization notice requirements and annual reporting requirements; amending Minnesota Statutes 1986, sections 62D.07; 62D.08, subdivision 5; 62D.09; 62D.101; 62D.11; 62D.12, subdivision 2, and by adding a subdivision; 62D.17, subdivision 1; 62E.11, by adding subdivisions; 62E.14, subdivisions 1, 3, and by adding a subdivision; 62E.16; Minnesota Statutes 1987 Supplement, sections 62A.17, subdivision 6; and 62D.08, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 62D; repealing Laws 1984, chapter 464, sections 29 and 40.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called.

Krueger moved that those not voting be excused from voting. The motion prevailed.

There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Forsythe	Kostohryz	Olson, K.	Schreiber
Anderson, R.	Frederick	Krueger	Omann	Seaberg
Battaglia	Frerichs	Larsen	Onnen	Segal
Bauerly	Greenfield	Lasley	Orenstein	Shaver
Beard	Gruenes	Lieder	Osthoff	Skoglund
Begich	Gutknecht	Long	Otis	Solberg
Bennett	Hartle	Marsh	Ozment	Sparby
Bertram	Haukoos	McDonald	Pappas	Stanius
Bishop	Heap	McEachern	Pauly	Steenasma
Blatz	Himle	McKasy	Pelowski	Sviggum
Boo	Hugoson	McLaughlin	Peterson	Swenson
Brown	Jacobs	McPherson	Poppenhagen	Thiede
Burger	Jaros	Milbert	Price	Tjornhom
Carlson, D.	Jefferson	Miller	Quinn	Tompkins
Carlson, L.	Jennings	Minne	Quist	Trimble
Carruthers	Jensen	Morrison	Redalen	Tunheim
Clark	Johnson, A.	Munger	Reding	Uphus
Clausnitzer	Johnson, R.	Murphy	Rest	Valento
Cooper	Johnson, V.	Nelson, C.	Rice	Vellenga
Dauner	Kahn	Nelson, D.	Richter	Voss
Dawkins	Kalis	Nelson, K.	Riveness	Wagenius
DeBleck	Kelly	Neuenschwander	Rose	Waltman
Dempsey	Kelso	O'Connor	Rukavina	Welle
DeRaad	Kinkel	Ogren	Sarna	Wenzel
Dille	Knickerbocker	Olsen, S.	Schafer	Winter
Dorn	Knuth	Olsen, E.	Scheid	Wynia
				Spk. Vanasek

The bill was passed and its title agreed to.

There being no objection, the order of business reverted to Messages from the Senate.

MESSAGES FROM THE SENATE

The following message was received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate File, herewith transmitted:

S. F. No. 2565.

PATRICK E. FLAHAVEN, Secretary of the Senate

FIRST READING OF SENATE BILLS

S. F. No. 2565, A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions; amending Minnesota Statutes 1986, section 84B.11, subdivision 2.

The bill was read for the first time.

SUSPENSION OF RULES

Pursuant to Article IV, Section 19, of the Constitution of the state of Minnesota, Anderson, G., moved that the rule therein be suspended and an urgency be declared so that S. F. No. 2565 be given its second and third readings and be placed upon its final passage. The motion prevailed.

Anderson, G., moved that the Rules of the House be so far suspended that S. F. No. 2565 be given its second and third readings and be placed upon its final passage. The motion prevailed.

S. F. No. 2565 was read for the second time.

S. F. No. 2565 was reported to the House.

Anderson, G., moved to amend S. F. No. 2565, as follows:

Delete everything after the enacting clause and insert:

**"AGRICULTURE, TRANSPORTATION, AND SEMI-STATE
ACTIVITIES**

Section 1. [APPROPRIATIONS.]

The sums shown in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or another fund named, to the agencies and for the purposes specified in this act, to be available for the fiscal years indicated for each purpose. The figures "1988" and "1989," where used in this act, mean that the appropriation or appropriations listed under them are available for the year ending June 30, 1988, or June 30, 1989, respectively.

SUMMARY BY FUND

	1988	1989	TOTAL
General	\$20,200	\$2,429,200	\$2,449,400
Trunk Highway	-0-	36,600	36,600
TOTAL	\$20,200	\$2,465,800	\$2,486,000

**APPROPRIATIONS
Available for the Year
Ending June 30**

	1988	1989
\$		\$

**Sec. 2. TRANSPORTATION
REGULATION BOARD**

36,600

This appropriation is from the trunk highway fund and is added to the appropriation for the same purpose in Laws 1987, chapter 358, section 4. The approved complement of the transportation regulation board is increased by one position in fiscal year 1989.

Sec. 3. PUBLIC SAFETY

Disaster Assistance

1,948,000

	1988	1989
\$		\$
\$1,940,000 is available the day following final enactment to pay the state's share of the costs of damage to individual and public property that is eligible for payment assistance under the presidential declaration of a major disaster, FEMA-0797-DR. This appropriation is added to the appropriation for Emergency Services in Laws 1987, chapter 358, section 5, subdivision 3.		

\$8,000 is for printing of driver's license renewal notice communications about organ donation. The department may accept materials or contributions from voluntary or other organizations to aid the organ donor program.

The approved complement of the department of public safety is increased by ten positions in the special revenue account for bureau of criminal apprehension laboratory activity.

Notwithstanding Minnesota Statutes, section 299A.22 or other law, the commissioner of finance shall transfer \$60,000 from the children's trust fund to the commissioner of human services for the purpose of providing additional training, screening, and certification of child protection workers. This money must be returned to the children's trust fund in ten equal installments, plus interest, payable on June 30 of each year. Interest must be based on the average earnings of the other state investments.

Sec. 4. AGRICULTURE

Oak Wilt Control	20,200	136,200
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This appropriation is added to the appropriation for oak wilt control in Laws 1987, chapter 358, section 7, subdivision 2. The approved complement of the department of agriculture is increased

1988

1989

\$

\$

by one position in fiscal year 1988 and two positions in fiscal year 1989. Of the amount in fiscal year 1989, \$74,000 and one position are for transfer to the department of natural resources for oak wilt control activity.

Sec. 5. MINNESOTA HISTORICAL SOCIETY

160,000

\$35,000 is for new exhibits and a film for the Lindbergh Interpretive Center at Little Falls, to be available until the project has been completed or abandoned.

\$50,000 is for a joint venture with the Hubert H. Humphrey Institute of Public Affairs for the purpose of converting certain audio-visual collections of the society into a form usable by the institute for exhibit purposes. The collection items to be converted will be selected by the institute with the society's prior approval.

\$50,000 is for a St. Anthony Falls heritage interpretive zone and heritage board.

\$25,000 is for a grant to the Southwest Regional Development Commission to conduct a detailed feasibility study and planning for a facility to be located on marked interstate highway No. 90 in Jackson, Rock, or Nobles county to be known as the Prairieland Expo Center. The purpose of the proposed center is to promote local attractions which have historical or historically related significance.

The Southwest Regional Development Commission shall submit a report to the legislature by February 15, 1989, on the results of the study and planning efforts.

Sec. 6. BOARD OF THE ARTS

175,000

	1988	1989
This appropriation is to be distributed as follows:	\$	\$

\$4,300 is for administration.

\$63,100 is for regional arts councils.

\$107,600 is for, on a prorated basis using the same percentages applied to the fiscal year 1988 distribution, the following groups:

Group I

Group II

Series Presentors

Artists in Education

Artist Assistance

A.C.C. Craft Fair

**Sec. 7. MILITARY ORDER OF
THE PURPLE HEART**

10,000

This appropriation is to assist veterans in the preparation and presentation of claims to the United States government for compensation and other benefits to which they are entitled as a result of disabilities incurred in military service.

**Sec. 8. CHARITABLE GAMBLING
CONTROL BOARD**

The approved complement of the charitable gambling control board is increased by six positions in the special revenue account.

	1988	1989
\$		\$

The charitable gambling control board shall promulgate emergency rules to limit the amount charged for lease or rental of space used for charitable gambling purposes. The rules shall include, but not be limited to, a formula which assures a fair and equitable charge per square foot.

Sec. 9. [NONMETROPOLITAN TRANSIT.]

If the bill styled as H.F. No. 1749 is enacted into law by the 1988 Minnesota Legislature, part of the state funds provided by that bill shall be distributed as follows:

The sum of \$3,579,000 is appropriated from the transit assistance fund to the commissioner for nonmetropolitan transit assistance under chapter 174.

Sec. 10. [METROPOLITAN TRANSIT.]

If the bill styled as H.F. No. 1749 is enacted into law by the 1988 Minnesota Legislature, part of the state funds provided by that bill shall be distributed as follows:

The sum of \$14,200,000 is appropriated from the transit assistance fund for the following purposes:

<u>(1) Metro mobility</u>	<u>\$6,000,000</u>
<u>(2) Regular route service</u>	<u>1,500,000</u>
<u>(3) Social fares</u>	<u>700,000</u>
<u>(4) New service demonstrations</u>	<u>1,500,000</u>
<u>(5) Light rail transit</u>	<u>4,500,000</u>

The appropriations in clauses (1) to (4) are to the regional transit board.

By June 1 and December 1, 1988, as a condition of receiving payments from the appropriation in clause (1), the board shall submit a report on metro mobility to the chairs of the agriculture, transportation, and semi-states divisions of the house appropriations and senate finance committees and the chairs of the house metropolitan affairs and senate transportation committees, for their advisory comment and recommendation. The report must summa-

rise policies or plans of the board and performance statistics on: service standards, service priorities, complaints, certification, provider contracts, trip reimbursements, and social agency cost sharing. The report must also summarize changes and planned changes in communications, management, and administration.

The appropriation in clause (2) may be used only to replace reductions in federal operating assistance to the transit commission or, after replacing all such reductions, to improve regular route transit service levels.

The appropriation in clause (3) is available for expenditure only to reimburse a regular route provider for fare revenue lost if senior fares remain unchanged in a general restructuring of regular route fares.

Notwithstanding the provisions of Minnesota Statutes, section 174.32, the appropriation in clause (5) is to the commissioner of transportation for distribution to regional railroad authorities in the metropolitan area. The money must be distributed by the commissioner on a matching basis for planning, preliminary engineering, design, and construction of light rail transit facilities.

None of the funds appropriated may be expended by the commissioner for administrative costs.

Before distributing money to any recipient, the commissioner shall request review and comment on the use of the money from the metropolitan council and the regional transit board. The council and the board have 60 days to comment.

Sec. 11. [SPECIAL TOWN ROAD ACCOUNT.]

Subdivision 1. [ACCOUNT CREATED.] There is created in the state treasury a special town road account, consisting of money credited under subdivision 2.

Subd. 2. [ACCOUNT FUNDED.] Notwithstanding Minnesota Statutes, section 297B.09 or other law, in the fiscal year ending June 30, 1989, the first \$250,000 which would otherwise be credited to the highway user tax distribution fund under Minnesota Statutes, section 297B.09, must be set aside and credited to the special town road account created in subdivision 1.

Subd. 3. [DISTRIBUTION OF ACCOUNT.] The commissioner shall distribute money in the special town road account and provide for distribution of money in the fund among towns for the purpose of aiding in the maintenance of town roads which provide substantial access to a state park, state institution, or unit of the state outdoor recreation system as defined in Minnesota Statutes, section 86A.04.

The formula must give priority in the distribution of money in the fund to those towns maintaining town roads which provide access to a state park.

Subd. 4. [TERMINATION OF ACCOUNT.] The account created in subdivision 1 expires June 30, 1990. The state treasurer shall credit all undistributed money in the account on that date to the town road account in the county state-aid highway fund created under Minnesota Statutes, section 162.081.

Subd. 5. [REPEALER.] This section is repealed effective July 1, 1990.

Sec. 12. Laws 1987, chapter 358, section 2, subdivision 1, is amended to read:

Sec. 2. TRANSPORTATION

Subdivision 1. Total		
Appropriation	\$855,432,300	\$856,083,400
Approved		
Complement -	4,651	4,648
	<u>4,652</u>	<u>4,651</u>
General -	15	14
State Airports -	40	40
Trunk Highway -	4,580	4,580
	<u>4,581</u>	<u>4,581</u>
Federal -	16	16

The appropriations in this section are from the trunk highway fund, except where another fund is named.

Summary by Fund

General	\$ 5,107,200	\$ 4,912,200
Airports	\$ 10,910,800	\$ 11,707,000
M.S.A.S.	\$ 58,750,000	\$ 59,250,000
C.S.A.H.	\$183,550,000	\$184,915,000
Trunk Highway	\$594,825,500	\$592,930,400
Transit Assistance Fund	\$ 1,420,000	\$ 1,500,000
Motor Vehicle Transfer	\$ 868,800	\$ 868,800

The amounts that may be spent from this appropriation for each program are specified in the following subdivisions.

Sec. 13. Laws 1987, chapter 358, section 2, subdivision 7, is amended to read:

Subd. 7. General Support Services 26,572,400 26,607,600

Summary by Fund

General	\$ 43,600	\$ 46,300
Airports	\$ 144,500	\$ 140,000
Trunk Highway	\$26,384,300	\$26,421,300

The amounts that may be spent from this appropriation for each activity are as follows:

(a) Finance and Administration

\$8,556,600 \$8,530,500

(b) General Services

\$7,355,100 \$7,425,100

Summary by Fund

General	\$ 38,900	\$ 41,600
Airports	\$ 78,800	\$ 83,100
	<u>98,800</u>	<u>104,100</u>
Trunk Highway	\$7,237,400	\$7,300,400
	<u>7,217,400</u>	<u>7,279,400</u>

\$685,200 the first year and \$685,200 the second year are for data processing development. If the data processing development appropriation for either year is insufficient, the appropriation for the other year is available for it.

(c) Equipment

\$9,672,500 \$9,663,800

If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

Summary by Fund

General	\$ 4,700	\$ 4,700
Airports	\$ 65,700	\$ 56,900
Trunk Highway	\$ 9,602,100	\$ 9,602,200

(d) Legal Services

\$988,200 \$988,200

This appropriation is for the purchase of legal services from or through the attorney general.

Sec. 14. [138.76] [PURPOSE.]

The legislature finds that the St. Anthony Falls area in Hennepin county and the city of Minneapolis has a concentration of outstanding and distinctive historical and architectural resources. There is a need to develop a comprehensive plan to interpret historical resources in that area to start the process of encouraging development of that area's historical resources. Sections 14 to 18 provide incentives for a joint board to develop and implement a comprehensive interpretive plan for the St. Anthony Falls area, complementing existing planning and development activities on the riverfront by using state, federal, and local funding for historic interpretation.

Sec. 15. [138.77] [DEFINITIONS.]

Subdivision 1. [SCOPE.] The definitions in this section apply to sections 14 to 18.

Subd. 2. [BOARD.] "Board" means the St. Anthony Falls heritage board created in section 16.

Subd. 3. [CITY COUNCIL.] "City council" means the city council of the city of Minneapolis.

Subd. 4. [HERITAGE INTERPRETIVE ZONE; ZONE.] "Heritage interpretive zone" or "zone" means the land and water area including air rights that begins at the intersection of Second Street North and Plymouth Avenue, crossing the Mississippi River on Plymouth Avenue; thence along the east bank of the Mississippi River to Hennepin Avenue; thence northeasterly on Hennepin Avenue to

University Avenue; thence easterly on University Avenue to 135W; thence southwesterly across the river to Second Street South; thence along Second Street South and Second Street North to the point of beginning.

Subd. 5. [MAYOR.] "Mayor" means the mayor of the city of Minneapolis.

Subd. 6. [PARK BOARD.] "Park board" means the park and recreation board of the city of Minneapolis.

Subd. 7. [PLAN.] "Plan" means a comprehensive interpretive plan for the heritage enterprise zone.

Subd. 8. [PRESERVATION COMMISSION.] "Preservation commission" means the heritage preservation commission of the city of Minneapolis.

Subd. 9. [PRESERVATION OFFICE.] "Preservation office" means the state historic preservation office.

Subd. 10. [SOCIETY.] "Society" means the Minnesota historical society.

Sec. 16. [138.78] [ST. ANTHONY FALLS HERITAGE BOARD.]

Subdivision 1. [MEMBERSHIP.] There is a St. Anthony Falls heritage board consisting of ten members with the director of the Minnesota historical society as chair. The members include the mayor, two members each from the city council and the park board, and one each from the preservation commission, the preservation office, Hennepin county historical society, and the society.

Subd. 2. [REPORT.] The board shall report its actions to the appropriate policy committees of the legislature in the first year of each biennium.

Subd. 3. [COMPREHENSIVE PLAN.] The board shall develop and make available to interested parties a comprehensive interpretive plan for interpretation of significant historical components in the zone. The plan must include, but is not limited to, significant historic and natural features such as the river, bridges, buildings, machinery that is part of the milling story, underground canals, stone paving, waterfall, railway components, and a heritage trail system that interlocks historic features of the zone. The plan must evaluate significant historic resources and interpretive options that will tell the story of the zone and its relationship to the city and the state.

Subd. 4. [GRANTS.] The board may make grants and shall establish procedures to evaluate plans submitted for grants.

Subd. 5. [COMPENSATION.] Board members may be compensated for expenses in accordance with section 15.0575, subdivision 3.

Sec. 17. [138.79] [GRANTS.]

The board may provide project assistance grants for the interpretation of historical resources that are a part of the plan. These grants must relate to a historical resource identified in the plan and may not exceed half of the cost of interpreting a specific historical resource.

Sec. 18. [138.80] [ZONE COORDINATOR.]

The Minnesota historical society is the coordinator of the heritage interpretive zone and has a responsibility for public education relating to the zone and for certification of all historical resources established in the plan. The society may use up to four percent of funds appropriated for sections 14 to 18 for coordination. The coordinator must be on the staff of the Minnesota historical society and shall serve as secretary to the board.

Sec. 19. [138.81] [MATCH.]

The city of Minneapolis and the park board shall provide match in money or in kind for the project under sections 14 to 18 on a dollar for dollar basis.

Sec. 20. Minnesota Statutes 1987 Supplement, section 171.29, subdivision 2, is amended to read:

Subd. 2. (a) A person whose drivers license has been revoked as provided in subdivision 1, except under section 169.121 or 169.123, shall pay a \$30 fee before the person's drivers license is reinstated.

(b) A person whose drivers license has been revoked as provided in subdivision 1 under section 169.121 or 169.123 shall pay a \$200 fee before the person's drivers license is reinstated to be credited as follows:

(1) 25 percent shall be credited to the trunk highway fund;

(2) 50 percent shall be credited to a separate account to be known as the county probation reimbursement account. Money in this account is appropriated to the commissioner of corrections for the costs that counties assume under Laws 1959, chapter 698, of providing probation and parole services to wards of the commissioner of corrections. This money is provided in addition to any

money which the counties currently receive under section 260.311, subdivision 5; and

(3) 25 12½ percent shall be credited to a separate account to be known as the bureau of criminal apprehension account. Money in this account is appropriated to the commissioner of public safety and shall be divided as follows: ten percent for laboratory costs; 2½ percent for carrying out the provisions of section 299C.065. This money is provided in addition to any money which the bureau of criminal apprehension currently receives from other sources;

(4) 7½ percent shall be credited to a separate account to be known as the alcohol impaired driver education account. Money in the account is appropriated to the commissioner of education for grants to develop alcohol impaired driver education programs in elementary, secondary, and post-secondary schools. The state board of education shall establish guidelines for the distribution of the grants. The commissioner of education shall report to the legislature by January 15, 1988, on the expenditure of grant funds under this clause. Each year the commissioner may use \$100,000 to administer the grant program and other traffic safety education programs; and

(5) 5 percent shall be credited to a separate account to be known as the charitable gambling enforcement account. Money in this account is appropriated to the charitable gambling control board and is provided in addition to any money which the board currently receives from other sources.

Sec. 21. Minnesota Statutes 1986, section 174.32, subdivision 2, is amended to read:

Subd. 2. [TRANSIT ASSISTANCE FUND; DISTRIBUTION.] (a) A transit assistance fund is created for the purpose of receiving money distributed under section 297B.09. Eighty percent of the receipts of the fund must be placed into a metropolitan account for distribution to recipients located in the metropolitan area and 20 percent into a separate account for distribution to recipients located outside of the metropolitan area. Except as otherwise provided in this subdivision, the regional transit board created by section 473.373 is responsible for distributing assistance from the metropolitan account, and the commissioner is responsible for distributing assistance from the other account. Thirty percent of the money placed in the metropolitan account is available, upon appropriation by the legislature, only for distribution to regional railroad authorities established under chapter 398A in the metropolitan area, by the commissioner of transportation as provided in paragraph (b).

(b) The money appropriated for distribution to regional railroad authorities in the metropolitan area must be distributed by the commissioner for planning, preliminary engineering, design, and construction of light rail transit facilities. The recipient of a grant

must provide a 50 percent matching amount in cash. Before distributing money to any regional railroad authority, the commissioner shall request review and comment on the use of the money from the metropolitan council and the regional transit board. The council and the board have 60 days to comment.

Sec. 22. Minnesota Statutes 1987 Supplement, section 473.17, is amended to read:

473.17 [COOPERATION IN LIGHT RAIL TRANSIT.]

Notwithstanding section 473.398, the metropolitan council may and the regional transit board shall cooperate with regional rail authorities in the study, planning, and design of regional rail authority light rail transit systems, and the metropolitan transit commission may shall cooperate with regional rail authorities in the operational planning and operation of regional rail authority light rail transit systems.

Sec. 23. Minnesota Statutes 1986, section 473.386, is amended by adding a subdivision to read:

Subd. 8. [COST SHARING.] The board may establish policies requiring financial participation by institutions or organizations that derive special benefits from services provided under this section.

Sec. 24. Minnesota Statutes 1986, section 611A.71, subdivision 1, is amended to read:

Subdivision 1. [CREATION.] The Minnesota crime victim and witness advisory council is established and shall consist of 12 15 members.

Sec. 25. Minnesota Statutes 1986, section 611A.71, subdivision 4, is amended to read:

Subd. 4. [COMPENSATION.] Each member of the council shall serve without compensation. However, members of the council shall receive expenses in the same manner and amount as provided in the commissioner's plan under section 43A.18, subdivision 2; provided that payments for expenses incurred must be paid from the existing appropriation for the administrative portion of the operating budget for the crime victims reparations activity.

Sec. 26. [REPEALER.]

Sections 14 to 19 are repealed, effective July 1, 1997.

Sec. 27. [EFFECTIVE DATE.]

Sections 10, 12, and 13, are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions; providing for regulation of certain activities and practices; requiring studies and reports; providing for certain funds, accounts, and fees; amending Minnesota Statutes 1986, sections 174.32, subdivision 2; 473.386, by adding a subdivision; and 611A.71, subdivisions 1 and 4; Minnesota Statutes 1987 Supplement, sections 171.29, subdivision 2; and 473.17; Laws 1987, chapter 358, section 2, subdivisions 1 and 7; proposing coding for new law in Minnesota Statutes, chapter 138."

The motion prevailed and the amendment was adopted.

Vellenga moved to amend S. F. No. 2565, as amended, as follows:

Page 12, line 30, after the period insert "The commissioner shall request applications from all eligible regional railroad authorities. The commissioner shall establish a reasonable deadline for submittal of applications."

Page 12, line 33, delete "use of the money" and insert "applications"

Page 12, line 35, after the period insert "The commissioner shall consider the comments of the council and the board in evaluating applications and the distribution of funds."

The motion prevailed and the amendment was adopted.

Vellenga moved to amend S. F. No. 2565, as amended, as follows:

Page 12, line 35, after the period insert "Before distributing any funds for construction, the commissioner shall report to the legislature on the use and appropriate distribution of construction funds."

The motion prevailed and the amendment was adopted.

Johnson, V., and Carlson, D., moved to amend S. F. No. 2565, as amended, as follows:

Page 4, after line 29, add a section to read:

"Sec. 9. [HIGHWAYS.]

If the bill styled as H. F. No. 1749 is enacted into law by the 1988 Minnesota legislature, part of the funds provided by that bill shall be distributed as follows:

(1) The sum of \$77,378,000 is appropriated from the trunk highway fund for highway development.

(2) The sum of \$37,242,100 is appropriated from the county state-aid highway fund for county state-aid highways.

(3) The sum of \$11,197,700 is appropriated from the municipal state-aid street fund for municipal state-aid streets.

These appropriations are to the commissioner of transportation."

Renumber the remaining sections

Page 13, line 33, delete "10, 12, and 13" and insert "9, 11, 13 and 14"

A roll call was requested and properly seconded.

The question was taken on the Johnson, V., and Carlson, D., amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 55 yeas and 78 nays as follows:

Those who voted in the affirmative were:

Bennett	Dorn	Jennings	Onnen	Shaver
Bishop	Forsythe	Johnson, V.	Ozment	Stanisus
Blatz	Frederick	Knickerbocker	Pauly	Svigum
Boo	Frerichs	Marsh	Poppenhagen	Swenson
Burger	Gruenes	McDonald	Quist	Thiede
Carlson, D.	Gutknecht	McKasy	Redalen	Tjornhom
Clausnitzer	Hartle	McPherson	Richter	Tompkins
DeBlick	Haukoos	Miller	Rose	Uphus
Dempsey	Heap	Morrison	Schafer	Valento
DeRaad	Himle	Olson, E.	Schreiber	Waltman
Dille	Hugoson	Omann	Seaberg	Wenzel

Those who voted in the negative were:

Anderson, G.	Begich	Clark	Jacobs	Johnson, R.
Anderson, R.	Bertram	Cooper	Jaros	Kahn
Battaglia	Brown	Dauner	Jefferson	Kalis
Bauerly	Carlson, L.	Dawkins	Jensen	Kelly
Beard	Carruthers	Greenfield	Johnson, A.	Kelso

Kinkel	Minne	Orenstein	Riveness	Trimble
Knuth	Munger	Osthoff	Rodosovich	Tunheim
Kostohryz	Murphy	Otis	Rukavina	Vellenga
Krueger	Nelson, C.	Pappas	Sarna	Voss
Larsen	Nelson, D.	Pelowski	Scheid	Wagenius
Lasley	Nelson, K.	Peterson	Segal	Welle
Lieder	Neuenschwander	Price	Simoneau	Winter
Long	O'Connor	Quinn	Skoglund	Wynia
McEachern	Ogren	Reding	Solberg	Spk. Vanasek
McLaughlin	Olsen, S.	Rest	Sparby	
Milbert	Olson, K.	Rice	Steensma	

The motion did not prevail and the amendment was not adopted.

Welle was excused between the hours of 7:15 p.m. and 10:10 p.m.

The Speaker called Long to the Chair.

Osthoff moved to amend S. F. No. 2565, as amended, as follows:

Page 13, after line 15, insert:

"Sec. 24. [473.4051] [LIGHT RAIL TRANSIT OPERATION.]

The transit commission shall assume operational responsibility for light rail transit upon completion of construction of a light rail transit facility or route by a regional rail authority established under chapter 398A or any other political subdivision in the metropolitan area. The commission is responsible for the operation of the passenger service and the operation, improvement, and maintenance of the right of way, track, rolling stock, bridges and tunnels, power and distribution systems, stations, signals and communication, fare collection equipment, and other facilities necessary for the operation of light rail transit. Upon the commission's assumption of operational responsibility for any light rail transit facility or routes, the ownership of fixed facilities and rolling stock must be transferred to the commission, along with all authority necessary to operate, maintain, and improve the transit facilities. Any permanent or temporary right, title, or interest in or to land, including easements or development rights, remains with the regional rail authority or other political subdivision. The commission may enter into agreements with other entities, public or private, for services necessary for the operation of light rail transit.

Renumber the remaining sections

Correct internal references

Amend the title accordingly

A roll call was requested and properly seconded.

Nelson, K., moved to amend the Osthoff amendment to S. F. No. 2565, as amended, as follows:

Page 1, line 20, after the period, delete "The"

Page 1, delete lines 21 to 36

The motion prevailed and the amendment to the amendment was adopted.

The question recurred on the Osthoff amendment, as amended, and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 85 yeas and 42 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Greenfield	Lieder	Osthoff	Scheid
Anderson, R.	Jacobs	Long	Otis	Segal
Battaglia	Jaros	McEachern	Ozment	Simoneau
Beard	Jefferson	McLaughlin	Pappas	Skoglund
Begich	Jensen	Milbert	Pelowski	Solberg
Bennett	Johnson, A.	Minne	Peterson	Stanis
Bertram	Johnson, R.	Morrison	Poppenhagen	Steensma
Bishop	Kahn	Munger	Price	Trimble
Blatz	Kelly	Murphy	Quinn	Tunheim
Brown	Kelso	Nelson, C.	Reding	Uphus
Carlson, L.	Kinkel	Nelson, D.	Rest	Vellenga
Carruthers	Kludt	Nelson, K.	Rice	Voss
Clark	Knuth	O'Connor	Riveness	Wagenius
Cooper	Kostohryz	Ogren	Rodosovich	Waltman
Dauner	Krueger	Olsen, S.	Rose	Wenzel
Dawkins	Larsen	Olson, E.	Rukavina	Winter
DeBlieck	Lasley	Orenstein	Sarna	Spk. Vanasek

Those who voted in the negative were:

Bauerly	Forsythe	Hugoson	Olson, K.	Seaberg
Boo	Frederick	Johnson, V.	Omann	Shaver
Burger	Frerichs	Kalis	Onnen	Sviggun
Carlson, D.	Gruenes	Knickerbocker	Pauly	Swenson
Clausnitzer	Gutknecht	Marsh	Quist	Thiede
Dempsey	Hartle	McDonald	Redalen	Valento
DeRaad	Haukoos	McKasy	Richter	
Dille	Heap	McPherson	Schafer	
Dorn	Himle	Miller	Schreiber	

The motion prevailed and the amendment, as amended, was adopted.

Redalen moved to amend S. F. No. 2565, as amended, as follows:

Page 3, after line 13, insert:

"Sec. 5. [APPROPRIATION REDUCTION.]

The general fund appropriations in Laws 1987, chapter 358, section 7, are reduced in the fiscal year indicated by the listed amounts:

	1988	1989
AGRICULTURE	(\$18,750)	(\$75,000)

The commissioner of agriculture shall implement this appropriation reduction by maintaining a vacancy in the position of deputy commissioner to the department throughout the remainder of the biennium."

Renumber accordingly

Correct internal references accordingly

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Redalen amendment and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 54 yeas and 75 nays as follows:

Those who voted in the affirmative were:

Bennett	Dille	Jennings	Ozment	Stanius
Bertram	Forsythe	Johnson, V.	Pauly	Sviggum
Bishop	Frederick	Knickerbocker	Poppenhagen	Swenson
Blatz	Frerichs	Marsh	Quist	Thiede
Boo	Gruenes	McDonald	Redalen	Tjornhom
Burger	Gutknecht	McKasy	Richter	Tompkins
Carlson, D.	Hartle	McPherson	Rose	Uphus
Clausnitzer	Haukoos	Miller	Schafer	Valento
Dauner	Heap	Morrison	Schreiber	Waltman
Dempsey	Himle	Omann	Seaberg	Wenzel
DeRaad	Hugoson	Onnen	Shaver	

Those who voted in the negative were:

Anderson, G.	Jacobs	Larsen	Ogren	Rukavina
Anderson, R.	Jaros	Lasley	Olson, E.	Sarna
Battaglia	Jefferson	Lieder	Olson, K.	Scheid
Bauerly	Jensen	Long	Orenstein	Segal
Beard	Johnson, A.	McEachern	Osthoff	Simoneau
Begich	Johnson, R.	McLaughlin	Otis	Skoglund
Brown	Kahn	Milbert	Pappas	Solberg
Carlson, L.	Kalis	Minne	Pelowski	Sparby
Carruthers	Kelly	Munger	Peterson	Steensma
Clark	Kelso	Murphy	Price	Trimble
Cooper	Kinkel	Nelson, C.	Quinn	Tunheim
Dawkins	Kludt	Nelson, D.	Reding	Vellenga
DeBlieck	Knuth	Nelson, K.	Rest	Voss
Dorn	Kostohryz	Neuenschwander	Rice	Winter
Greenfield	Krueger	O'Connor	Rodosovich	Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

Carlson, D., moved to amend S. F. No. 2565, as amended, as follows:

Page 8, after line 24, insert:

"Sec. 14. [APPROPRIATION REDUCTION.]

The general fund appropriations in Laws 1987, chapter 358, section 2, are reduced in the fiscal year indicated by the listed amounts:

	1988	1989
TRANSPORTATION	(\$40,873)	(\$0-)

The commissioner of transportation shall implement this appropriation reduction by restoring to the general fund an amount equal to any amount of general fund source funding encumbered under "sole source" contracts for consultant and legal-related services relating to highway finance options which remained unliquidated when the department's efforts under those contracts were "discontinued" by the department in February of 1988. If that amount is insufficient to implement the entire reduction, the commissioner shall reduce the commissioner's compensation and travel budget for the biennium in an amount sufficient to make the reduction complete. The commissioner's implementation of this reduction may not cause the suspension or elimination of any activity funded from the trunk highway fund, nor cause a reduction in the trunk highway fund balance.

Sec. 15. [TRUNK HIGHWAY FUND; LIMITATION ON USE BY COMMISSIONER.]

Under no circumstances may the commissioner authorize an expenditure from the trunk highway fund for services to be provided by a "sole source" vendor if the vendor also administers funds for political action groups or if any partner or officer of the vendor has contributed in excess of \$200 to any single political candidate unless notice of intent to let the contract was actually published in some statewide publication at least three weeks prior to the contract being let."

Renumber accordingly

Correct internal references accordingly

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Carlson, D., amendment and the roll was called.

Riveness moved that those not voting be excused from voting. The motion prevailed.

There were 65 yeas and 66 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Frederick	Knickerbocker	Olson, K.	Schafer
Bennett	Frerichs	Knuth	Omann	Schreiber
Bishop	Gruenes	Larsen	Onnen	Seaberg
Blatz	Gutknecht	Long	Ozment	Shaver
Boo	Hartle	Marsh	Pauly	Stanius
Burger	Haukoos	McDonald	Pelowski	Swiggum
Carlson, D.	Heap	McKasy	Poppenhagen	Swenson
Clausnitzer	Himle	McPherson	Quist	Thiede
Dauner	Hugoson	Miller	Redalen	Tjornhom
Dempsey	Jennings	Morrison	Rest	Tompkins
DeRaad	Johnson, R.	Nelson, D.	Richter	Uphus
Dille	Johnson, V.	Neuenschwander	Rodosovich	Valento
Dorn	Kludt	Olson, E.	Rose	Waltman

Those who voted in the negative were:

Anderson, G.	DeBlieck	Kostohryz	O'Connor	Rukavina
Battaglia	Greenfield	Krueger	Ogren	Sarna
Bauerly	Jacobs	Lasley	Orenstein	Scheid
Beard	Jaros	Lieder	Osthoff	Segal
Begich	Jefferson	McEachern	Otis	Simoneau
Bertram	Jensen	McLaughlin	Pappas	Skoglund
Brown	Johnson, A.	Milbert	Peterson	Solberg
Carlson, L.	Kahn	Minne	Price	Sparby
Carruthers	Kalis	Munger	Quinn	Steensma
Clark	Kelly	Murphy	Reding	Trimble
Cooper	Kelso	Nelson, C.	Rice	Tunheim
Dawkins	Kinkel	Nelson, K.	Riveness	Vellenga

Voss
Wagenius

Wenzel
Winter

Wynia
Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

The Speaker resumed the Chair.

Riveness moved to amend S. F. No. 2565, as amended, as follows:

Page 12, after line 35, insert:

"Sec. 22. Minnesota Statutes 1987 Supplement, section 473.169, subdivision 7, is amended to read:

Subd. 7. [COUNCIL REVIEW.] Before proceeding with construction of a light rail transit facility, a regional rail authority established under chapter 398A must submit preliminary and final design plans to the metropolitan council. The council must review the plans for consistency with the council's development guide and comment on approve or disapprove the plans. The proposer of the facility may not proceed with construction of the facility without the approval of the council."

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Riveness amendment and the roll was called. There were 70 yeas and 63 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Gruenes	Larsen	Otis	Shaver
Bennett	Gutknecht	Long	Ozment	Skoglund
Bishop	Hartle	Marsh	Pappas	Stanis
Blatz	Haukoos	McDonald	Pauly	Swiggum
Boo	Heap	McKasy	Pelowski	Swenson
Burger	Himle	McPherson	Poppenhagen	Thiede
Carlson, D.	Hugoson	Miller	Quist	Tjornhom
Clausnitzer	Jacobs	Morrison	Redalen	Tompkins
Dempsey	Jennings	Nelson, D.	Richter	Trimble
DeRaad	Johnson, V.	Neuenschwander	Riveness	Uphus
Dille	Kelly	Olson, E.	Rose	Valento
Forsythe	Kelso	Omann	Schafer	Voss
Frederick	Knickerbocker	Onnen	Schreiber	Wagenius
Frerichs	Kostohryz	Orenstein	Seaberg	Waltman

Those who voted in the negative were:

Anderson, R.	Bauerly	Begich	Brown	Carruthers
Battaglia	Beard	Bertram	Carlson, L.	Clark

Cooper	Kahn	Minne	Price	Solberg
Dauner	Kalis	Munger	Quinn	Sparby
Dawkins	Kinkel	Murphy	Reding	Steensma
DeBlicke	Kludt	Nelson, C.	Rest	Tunheim
Dorn	Knuth	Nelson, K.	Rice	Vellenga
Greenfield	Krueger	O'Connor	Rodosovich	Wenzel
Jaros	Lasley	Ogren	Rukavina	Winter
Jefferson	Lieder	Olsen, S.	Sarna	Wynia
Jensen	McEachern	Olson, K.	Scheid	Spk. Vanasek
Johnson, A.	McLaughlin	Osthoff	Segal	
Johnson, R.	Milbert	Peterson	Simoneau	

The motion prevailed and the amendment was adopted.

Knickerbocker, Long and Clausnitzer moved to amend S. F. No. 2565, as amended, as follows:

Page 4, line 41, delete "\$14,200,000" and insert "\$9,700,000"

Page 5, delete line 3

Page 5, delete lines 27 to 33

Page 12, delete section 21

Renumber the sections in sequence

Correct internal references

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Knickerbocker et al amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 58 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Dille	Hugoson	McKasy	Quist
Bennett	Forsythe	Jacobs	McPherson	Redalen
Bishop	Frederick	Jennings	Miller	Reding
Blatz	Frerichs	Jensen	Morrison	Richter
Boo	Gruenes	Johnson, V.	Olson, K.	Rose
Burger	Gutknecht	Knickerbocker	Omann	Schafer
Carlson, D.	Hartle	Kostohryz	Onnen	Schreiber
Clausnitzer	Haukoos	Long	Pauly	Shaver
Dempsey	Heap	Marsh	Pelowski	Stanius
DeRaad	Himle	McDonald	Poppenhagen	Svigum

Swenson	Tjornhom	Uphus	Voss
Thiede	Tompkins	Valento	Waltman

Those who voted in the negative were:

Anderson, G.	Greenfield	McEachern	Osthoff	Skoglund
Battaglia	Jaros	McLaughlin	Otis	Solberg
Bauerly	Jefferson	Milbert	Pappas	Sparby
Beard	Johnson, R.	Minne	Peterson	Steensma
Begich	Kahn	Munger	Price	Trimble
Bertram	Kalis	Murphy	Quinn	Tunheim
Brown	Kelly	Nelson, C.	Rest	Vellenga
Carlson, L.	Kelso	Nelson, D.	Rice	Wagenius
Carruthers	Kinkel	Nelson, K.	Rodosovich	Wenzel
Clark	Kludt	Neuenschwander	Rukavina	Winter
Cooper	Knuth	O'Connor	Sarna	Wynia
Dauner	Krueger	Ogren	Scheid	Spk. Vanasek
Dawkins	Larsen	Olsen, S.	Seaberg	
DeBlieck	Lasley	Olson, E.	Segal	
Dorn	Lieder	Orenstein	Simoneau	

The motion did not prevail and the amendment was not adopted.

Uphus, DeRaad and Redalen moved to amend S. F. No. 2565, as amended, as follows:

Page 4, after line 29, insert:

"Sec. 9. [APPROPRIATION TRANSFER FROM COMMERCE DEPARTMENT TO AGRICULTURAL PRODUCTS UTILIZATION FUND.]

Of the money appropriated by Laws 1987, chapter 15, section 10, subdivision 1, clauses (a) and (b), for purposes of program "A" in 1987 and program "B" in 1988 that remains unencumbered on July 1, 1988, \$6,500,000 is hereby transferred to the agricultural products utilization fund in Minnesota Statutes, section 116O.13, for use by the agricultural utilization reasearch institute. This appropriation must not cancel but remains available until expended."

Renumber accordingly

Correct internal references accordingly

Amend the title accordingly .

A roll call was requested and properly seconded.

The question was taken on the Uphus et al amendment and the roll was called.

Krueger moved that those not voting be excused from voting. The motion prevailed.

There were 56 yeas and 74 nays as follows:

Those who voted in the affirmative were:

Anderson, R.	Dille	Johnson, V.	Onnen	Shaver
Bennett	Forsythe	Knickerbocker	Ozment	Stanius
Bishop	Frederick	Marsh	Pauly	Steensma
Blatz	Frerichs	McDonald	Poppenhagen	Svigum
Boo	Gruenes	McPherson	Quist	Swenson
Burger	Gutknecht	Miller	Redalen	Thiede
Carlson, D.	Hartle	Morrison	Richter	Tjornhom
Clausnitzer	Haukoos	Nelson, C.	Rose	Tompkins
DeBlieck	Heap	Nelson, K.	Schafer	Uphus
Dempsey	Himle	Olson, K.	Schreiber	Valento
DeRaad	Hugoson	Omann	Seaberg	Waltman
				Winter

Those who voted in the negative were:

Anderson, G.	Jacobs	Larsen	Orenstein	Scheid
Battaglia	Jaros	Lasley	Osthoff	Segal
Bauerly	Jefferson	Lieder	Otis	Simoneau
Beard	Jensen	Long	Pappas	Skoglund
Begich	Johnson, A.	McEachern	Pelowski	Solberg
Bertram	Johnson, R.	McLaughlin	Peterson	Sparby
Brown	Kahn	Milbert	Price	Trimble
Carlson, L.	Kalis	Minne	Quinn	Tunheim
Carruthers	Kelly	Munger	Reding	Vellenga
Clark	Kelso	Murphy	Rest	Voss
Cooper	Kinkel	Nelson, D.	Rice	Wagenius
Dauner	Kludt	Neuenschwander	Riveness	Wenzel
Dawkins	Knuth	O'Connor	Rodosovich	Wynia
Dorn	Kostohryz	Ogren	Rukavina	Spk. Vanasek
Greenfield	Krueger	Olson, E.	Sarna	

The motion did not prevail and the amendment was not adopted.

Schreiber moved to amend S. F. No. 2565, as amended, as follows:

Page 5, line 4, delete "(4)" and insert "(5)"

Page 5, delete lines 27 to 36

Page 6, delete lines 1 to 3 and insert:

"The appropriation in clause (5) is available only for transfer to

the metropolitan council for light rail transit grants under section 21."

Page 12, delete lines 8 to 35 and insert:

"Sec. 21. [473.168] [LIGHT RAIL TRANSIT; PLANNING AND DEVELOPMENT ASSISTANCE.]

Subdivision 1. [GRANT PROGRAM.] The council shall establish and administer a program of light rail transit grants as provided in this section.

Subd. 2. [PURPOSE.] The grants may be used only for planning, preliminary engineering, design, and implementation of light rail transit facilities. Grants may be made only for activities that are consistent with the council's transportation policy plan and that will meet transportation needs identified by the council.

Subd. 3. [ELIGIBILITY; APPLICATION.] Regional rail authorities established under chapter 398A are eligible for grants. The council shall establish application requirements for the program.

Subd. 4. [REGIONAL TRANSIT BOARD REVIEW.] Before making any grant, the council shall submit the application to the regional transit board for review and comment.

Subd. 5. [LOCAL PARTICIPATION.] Grants may not exceed 50 percent of the total cost of the activity for which a grant is awarded."

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Schreiber amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 47 yeas and 81 nays as follows:

Those who voted in the affirmative were:

Bennett	DeRaad	Heap	McKasy	Redalen
Bishop	Dille	Himle	McPherson	Richter
Blatz	Frederick	Hugoson	Miller	Schafer
Boo	Frerichs	Jennings	Morrison	Schreiber
Burger	Gruenes	Johnson, V.	Omann	Seaberg
Carlson, D.	Gutknecht	Knickerbocker	Onnen	Shaver
Clausnitzer	Hartle	Marsh	Poppenhagen	Stanius
Dempsey	Haukoos	McDonald	Quist	Sviggunn

Swenson
ThiedeTjornhom
TompkinsUphus
Valento

Waltman

Those who voted in the negative were:

Anderson, G.	Greenfield	Larsen	Olson, E.	Sarna
Battaglia	Jacobs	Lasley	Olson, K.	Scheid
Bauerly	Jaros	Lieder	Orenstein	Segal
Beard	Jefferson	McEachern	Osthoff	Simoneau
Begich	Jensen	McLaughlin	Otis	Skoglund
Bertram	Johnson, A.	Milbert	Ozment	Solberg
Brown	Johnson, R.	Minne	Pappas	Sparby
Carlson, L.	Kahn	Munger	Pelowski	Steensma
Carruthers	Kalis	Murphy	Peterson	Trimble
Clark	Kelly	Nelson, C.	Price	Tunheim
Cooper	Kelso	Nelson, D.	Quinn	Vellenga
Dauner	Kinkel	Nelson, K.	Reding	Voss
Dawkins	Kludt	Neuenschwander	Rest	Wagenius
DeBlieck	Knuth	O'Connor	Rice	Wenzel
Dorn	Kostohryz	Ogren	Rodosovich	Winter
Forsythe	Krueger	Olsen, S.	Rukavina	Wynia
				Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

Schreiber moved to amend S. F. No. 2565, as amended, as follows:

Page 13, after line 15, insert:

"Sec. 24. Minnesota Statutes 1987 Supplement, section 473.398, is amended to read:

473.398 [TRANSIT NEEDS ASSESSMENT]

(a) The metropolitan council, the regional transit board, a regional rail authority or political subdivision, and the metropolitan transit commission may not either separately or in combination expend or obligate any money from public sources a state or metropolitan tax for study, planning, design, preliminary engineering, engineering, acquisition, construction, or any other purpose related to operation of facilities for transporting passengers by cars operating on fixed rails, without express legislative authorization.

(b) Before performing any further detailed work on light rail transit, the regional transit board shall complete the total assessment of transit service needs and markets for the metropolitan area and the implementation plan required by section 473.377, subdivisions 1 and 2. It may consider any mode of travel to serve identified needs and markets.

(c) Following approval of the implementation plan by the metropolitan council, as required by section 473.377, subdivision 1, the regional transit board may commence corridor planning, consisting of preliminary engineering for general route configuration and

alignments, station locations, modal interconnectors, and access of any modes including light rail transit, for the corridor between the downtowns of Minneapolis and St. Paul if the needs assessment and implementation plan so provide. It may utilize private or public funds to do this work.

(d) The board shall report to the legislature by December 1, 1986, on the needs, alternative transit systems, and services considered and recommendations for implementation, costs, alternative sources of financing, and preferred financing sources."

A roll call was requested and properly seconded.

The question was taken on the Schreiber amendment and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 54 yeas and 77 nays as follows:

Those who voted in the affirmative were:

Bishop	Frerichs	Kostohryz	Poppenhagen	Sviggum
Blatz	Gruenes	Long	Quist	Swenson
Boo	Gutknecht	Marsh	Redalen	Thiede
Burger	Haukoos	McDonald	Richter	Tjornhom
Clausnitzer	Heap	McKasy	Rose	Tompkins
Dempsey	Himle	McPherson	Schafer	Uphus
DeRaad	Hugoson	Miller	Schreiber	Valento
Dille	Jacobs	Morrison	Seaberg	Voss
Dorn	Jennings	Omamn	Shaver	Waltman
Forsythe	Johnson, V.	Onnen	Stanius	Winter
Frederick	Knickerbocker	Pauly	Steensma	

Those who voted in the negative were:

Anderson, G.	Greenfield	Lasley	Olson, K.	Sarna
Battaglia	Hartle	Lieder	Orenstein	Scheid
Bauerly	Jaros	McEachern	Osthoff	Segal
Beard	Jefferson	McLaughlin	Otis	Simoneau
Begich	Jensen	Milbert	Ozment	Skoglund
Bennett	Johnson, A.	Minne	Pappas	Solberg
Bertram	Johnson, R.	Munger	Pelowski	Trimble
Brown	Kahn	Murphy	Peterson	Tunheim
Carlson, D.	Kalis	Nelson, C.	Price	Vellenga
Carlson, L.	Kelly	Nelson, D.	Quinn	Wagenius
Carruthers	Kelso	Nelson, K.	Reding	Wenzel
Clark	Kinkel	Neuenschwander	Rest	Wynia
Cooper	Kludt	O'Connor	Rice	Spk. Vanasek
Dauner	Knuth	Ogren	Riveness	
Dawkins	Krueger	Olsen, S.	Rodosovich	
DeBlieck	Larsen	Olson, E.	Rukavina	

The motion did not prevail and the amendment was not adopted.

Schreiber moved to amend S. F. No. 2565, as amended, as follows:

Page 13, after line 31, insert:

"Sec. 27. [REPEALER.]

Minnesota Statutes 1986, section 473.398; and Minnesota Statutes 1987 Supplement, section 473.17, are repealed."

A roll call was requested and properly seconded.

McDonald offered an amendment to the Schreiber amendment to S. F. No. 2565, as amended.

POINT OF ORDER

Simoneau raised a point of order pursuant to rule 3.9 that the McDonald amendment to the Schreiber amendment was not in order. The Speaker ruled the point of order well taken and the amendment to the amendment out of order.

The question recurred on the Schreiber amendment and the roll was called.

Otis moved that those not voting be excused from voting. The motion prevailed.

There were 44 yeas and 81 nays as follows:

Those who voted in the affirmative were:

Bishop	Frederick	Knickerbocker	Pauly	Svigum
Blatz	Frerichs	Long	Poppenhagen	Swenson
Boo	Gruenes	Marsh	Quist	Thiede
Burger	Gutknecht	McDonald	Redalen	Tjornhom
Clausnitzer	Haukoos	McKasy	Richter	Tompkins
Dempsey	Heap	McPherson	Rose	Uphus
DeRaad	Himle	Morrison	Schafer	Valento
Dille	Hugoson	Omann	Schreiber	Waltman
Forsythe	Johnson, V.	Onnen	Shaver	

Those who voted in the negative were:

Anderson, G.	Carlson, L.	Greenfield	Johnson, R.	Kostohryz
Battaglia	Carruthers	Hartle	Kahn	Krueger
Beard	Clark	Jacobs	Kalis	Larsen
Begich	Cooper	Jaros	Kelly	Lasley
Bennett	Dauner	Jefferson	Kelso	Lieder
Bertram	Dawkins	Jennings	Kinkel	McEachern
Brown	DeBlieck	Jensen	Kludt	McLaughlin
Carlson, D.	Dorn	Johnson, A.	Knuth	Milbert

Minne	Olson, E.	Price	Segal	Voss
Murphy	Olson, K.	Quinn	Simoneau	Wagenius
Nelson, C.	Orenstein	Reding	Skoglund	Wenzel
Nelson, D.	Osthoff	Rest	Solberg	Winter
Nelson, K.	Otis	Rice	Stanisus	Spk. Vanasek
Neuenschwander	Ozment	Rodosovich	Steensma	
O'Connor	Pappas	Rukavina	Trimble	
Ogren	Pelowski	Sarna	Tunheim	
Olsen, S.	Peterson	Scheid	Vellenga	

The motion did not prevail and the amendment was not adopted.

Kelly moved to amend S. F. No. 2565, as amended, as follows:

Page 12, line 31, after the period insert "The commissioner may not distribute more than 60 percent of the available funds to a single recipient."

The motion prevailed and the amendment was adopted.

Haukoos, Valento and Dempsey offered an amendment to S. F. No. 2565, as amended.

POINT OF ORDER

Rice raised a point of order pursuant to rule 3.9 that the Haukoos et al amendment was not in order. The Speaker ruled the point of order well taken and the amendment out of order.

Valento moved to amend S. F. No. 2565, as amended, as follows:

Page 12, line 29, after "engineering," insert "and"

Page 12, line 29, delete "and construction"

A roll call was requested and properly seconded.

The question was taken on the Valento amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 46 yeas and 79 nays as follows:

Those who voted in the affirmative were:

Bennett	Frerichs	Marsh	Quist	Thiede
Bishop	Gruenes	McDonald	Redalen	Tjornhom
Burger	Gutknecht	McKasy	Richter	Tompkins
Carlson, D.	Haukoos	McPherson	Rose	Uphus
Clausnitzer	Heap	Miller	Schafer	Valento
Dempsey	Himle	Morrison	Schreiber	Waltman
DeRaad	Hugoson	Omann	Seaberg	
Dille	Johnson, V.	Onnen	Shaver	
Forsythe	Knickerbocker	Pauly	Stanius	
Frederick	Long	Poppenhagen	Svigum	

Those who voted in the negative were:

Anderson, G.	Jacobs	Lieder	Orenstein	Segal
Battaglia	Jaros	McEachern	Osthoff	Simoneau
Bauerly	Jefferson	McLaughlin	Otis	Skoglund
Beard	Jensen	Milbert	Ozment	Solberg
Begich	Johnson, A.	Minne	Pappas	Sparby
Bertram	Johnson, R.	Munger	Pelowski	Steensma
Brown	Kahn	Murphy	Peterson	Trimble
Carlson, L.	Kalis	Nelson, C.	Price	Tunheim
Carruthers	Kelly	Nelson, D.	Quinn	Vellenga
Clark	Kelso	Nelson, K.	Reding	Voss
Cooper	Kinkel	Neuenschwander	Rest	Wagenius
Dauner	Kludt	O'Connor	Rice	Wenzel
Dawkins	Knuth	Ogren	Rodosovich	Winter
DeBlieck	Kostohryz	Olson, S.	Rukavina	Wynia
Dorn	Larsen	Olson, E.	Sarna	Spk. Vanasek
Greenfield	Lasley	Olson, K.	Scheid	

The motion did not prevail and the amendment was not adopted.

Osthoff moved to amend S. F. No. 2565, as amended, as follows:

Page 13, after line 29, insert:

"Sec. 26. [METROPOLITAN COUNCIL.]

The council created by section 473.123 sunsets effective January 1, 1990."

Renumber the remaining sections

The motion did not prevail and the amendment was not adopted.

S. F. No. 2565, A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions; amending Minnesota Statutes 1986, section 84B.11, subdivision 2.

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.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 94 yeas and 38 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Hartle	Lasley	Osthoff	Simoneau
Anderson, R.	Himle	Lieder	Otis	Skoglund
Battaglia	Jacobs	McEachern	Ozment	Solberg
Bauerly	Jaros	McLaughlin	Pappas	Sparby
Beard	Jefferson	Milbert	Pelowski	Stantus
Begich	Jensen	Minne	Peterson	Steensma
Bertram	Johnson, A.	Munger	Price	Swenson
Blatz	Johnson, R.	Murphy	Quinn	Tjornhom
Brown	Johnson, V.	Nelson, C.	Redalen	Trimble
Carlson, D.	Kahn	Nelson, D.	Reding	Tunheim
Carlson, L.	Kalis	Nelson, K.	Rest	Uphus
Carruthers	Kelly	Neuenschwander	Rice	Vellenga
Clark	Kelso	O'Connor	Riveness	Voss
Cooper	Kinkel	Ogren	Rodosovich	Wagenius
Dauner	Kludt	Olsen, S.	Rukavina	Wenzel
Dawkins	Knuth	Olson, E.	Sarna	Winter
DeBlicke	Kostohryz	Olson, K.	Scheid	Wynia
Dorn	Krueger	Omann	Seaberg	Spk. Vanasek
Greenfield	Larsen	Orenstein	Segal	

Those who voted in the negative were:

Bennett	Forsythe	Jennings	Onnen	Shaver
Bishop	Frederick	Knickerbocker	Pauly	Sviggum
Boo	Frerichs	Marsh	Poppenhagen	Thiede
Burger	Gruenes	McDonald	Quist	Tompkins
Clausnitzer	Gutknecht	McKasy	Richter	Valento
Dempsey	Haukoos	McPherson	Rose	Waltman
DeRaad	Heap	Miller	Schafer	
Dille	Hugoson	Morrison	Schreiber	

The bill was passed, as amended, and its title agreed to.

McDonald was excused for the remainder of today's session.

ANNOUNCEMENTS BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on H. F. No. 1817:

Stanius, Neuenschwander and Reding.

The Speaker announced the appointment of the following members of the House to a Conference Committee on H. F. No. 1846:

Price, Bishop and Beard.

The Speaker announced the appointment of the following members of the House to a Conference Committee on H. F. No. 2245:

Nelson, K.; McEachern; Vellenga; Bauerly and Ozment.

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 321:

Jacobs, Carruthers and Dempsey.

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 1622:

Sparby, Wenzel and Steensma.

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 1711:

Ogren; Carlson, D., and Solberg.

SPECIAL ORDERS

S. F. No. 1875 was reported to the House.

McLaughlin moved that S. F. No. 1875 be continued on Special Orders for one day. The motion prevailed.

S. F. No. 2137 was reported to the House.

Kelso moved that S. F. No. 2137 be continued on Special Orders for one day. The motion prevailed.

S. F. No. 1646 was reported to the House.

DeBlick moved that S. F. No. 1646 be continued on Special Orders for one day. The motion prevailed.

S. F. No. 1686 was reported to the House.

Brown moved that S. F. No. 1686 be continued on Special Orders for one day. The motion prevailed.

Otis was excused for the remainder of today's session.

H. F. No. 1493 was reported to the House.

Kelly moved to amend H. F. No. 1493, the first engrossment, as follows:

Page 4, after line 21, insert:

"Sec. 3. [549.26] [FILING; ATTORNEY FEE AGREEMENTS AND ACCOUNTINGS.]

Each attorney who represents a party in a lawsuit must file two copies of the fee agreement between the attorney and the party along with the initial pleadings in the case. When the case is resolved, each attorney must file with the court two copies of a final accounting of the fee and the number of hours worked on the case. One copy of each must be kept with other documents in the case record for review by the court and the other copy of each must be kept by the district court administrator together with other such fee agreements and final accountings. Each district court administrator shall make the file of attorney fee agreements and final accountings available to the commission created in section 5."

Page 4, line 22, delete "3" and insert "4"

Page 5, line 10, delete "4" and insert "5"

Page 5, line 18, delete "5" and insert "6"

Page 5, line 20, delete "6" and insert "7"

Page 5, line 21, delete "and 3" and insert ", 3, and 4"

Page 5, line 22, delete "5" and insert "6"

Dempsey moved to amend the Kelly amendment to H. F. No. 1493, the first engrossment, as follows:

Page 1, line 6, after "in a" insert "civil" and after "lawsuit" insert "seeking damages as compensation for personal injury or wrongful death"

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

The question recurred on the adoption of the Kelly amendment to

H. F. No. 1493, the first engrossment. The motion did not prevail and the amendment was not adopted.

Voss, Simoneau, Sviggum and Schreiber moved to amend H. F. No. 1493, the first engrossment, as follows:

Pages 4 and 5, delete section 3 and insert:

"Sec. 3. Minnesota Statutes 1986, section 604.02, subdivision 1, is amended to read:

Subdivision 1. When two or more persons are jointly liable, contributions to awards shall be in proportion to the percentage of fault attributable to each, except that each is jointly and severally liable for the whole award. If the state or a municipality as defined in section 466.01 is jointly liable, and its Except in cases where liability arises under chapters 18B - pesticide control, 115 - water pollution control, 115A - waste management, 115B - environmental response and liability, 115C - leaking underground storage tanks, and 299E - pipeline safety, public nuisance law for damage to the environment or the public health, any other environmental or public health law, or any environmental or public health ordinance or program of a municipality as defined in section 466.01, if a person's fault is less than 35 percent, it that person is jointly and severally liable for an amount no greater than twice the amount of fault.

Sec. 4. Minnesota Statutes 1986, section 604.02, is amended by adding a subdivision to read:

Subd. 1a. "Person" includes the state or a municipality as defined in section 466.01."

Renumber the sections in sequence

Correct the internal references

Amend the title as follows:

Page 1, line 6, after "1" insert " , and by adding a subdivision"

A roll call was requested and properly seconded.

Voss moved to amend the Voss et al amendment to H. F. No. 1493, the first engrossment, as follows:

Page 1, after line 21, insert:

"Joint liability shall be imposed on all who consciously and deliberately pursue a common plan or design to commit a tortious act, and actively take part in it."

The motion prevailed and the amendment to the amendment was adopted.

The question recurred on the Voss et al amendment, as amended, and the roll was called.

Wynia 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.	Frederick	Lieder	Onnen	Segal
Anderson, R.	Frerichs	Marsh	Ozment	Simoneau
Bennett	Gutknecht	McKasy	Pappas	Stanius
Bertram	Hartle	McPherson	Pauly	Sviggum
Blatz	Haukoos	Miller	Poppenhagen	Thiede
Boo	Heap	Minne	Quist	Tjornhom
Burger	Himle	Morrison	Redalen	Tompkins
Carlson, D.	Hugoson	Murphy	Reding	Uphus
Clausnitzer	Johnson, V.	Nelson, K.	Richter	Valento
DeRaad	Kalis	Neuenschwander	Rose	Voss
Dille	Kelso	Olsen, S.	Schafer	Waltman
Dorn	Knickerbocker	Olson, E.	Schreiber	
Forsythe	Larsen	Omann	Seaberg	

Those who voted in the negative were:

Battaglia	Dempsey	Knuth	Orenstein	Skoglund
Bauerly	Greenfield	Kostohryz	Osthoff	Solberg
Beard	Gruenes	Krueger	Pelowski	Sparby
Begich	Jacobs	Lasley	Peterson	Steensma
Bishop	Jaros	Long	Price	Swenson
Brown	Jefferson	McEachern	Quinn	Trimble
Carlson, L.	Jennings	McLaughlin	Rest	Tunheim
Carruthers	Jensen	Milbert	Rice	Vellenga
Clark	Johnson, A.	Munger	Riveness	Wagenius
Cooper	Johnson, R.	Nelson, C.	Rodosovich	Welle
Dauner	Kahn	Nelson, D.	Rukavina	Wenzel
Dawkins	Kinkel	Ogren	Scheid	Winter
DeBlicke	Kludt	Olson, K.	Shaver	Wynia
				Spk. Vanasek

The motion did not prevail and the amendment, as amended, was not adopted.

Simoneau; Olsen, S., and Clausnitzer moved to amend H. F. No. 1493, the first engrossment, as follows:

Page 5, after line 9, insert:

"Sec. 4. Minnesota Statutes 1986, section 548.36, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] For purposes of this section, "collateral sources" means payments related to the injury or disability in question which have already been paid or which are substantially certain to be payable made to the plaintiff, or on the plaintiff's behalf which are calculated up to the date of the verdict, by or pursuant to:

(1) a federal, state, or local income disability or workers' compensation act; or other public program providing medical expenses, disability payments, or similar benefits;

(2) health, accident and sickness, or automobile accident insurance or liability insurance that provides health benefits or income disability coverage; except life insurance benefits available to the plaintiff, whether purchased by the plaintiff or provided by others, payments made pursuant to the United States Social Security Act, or pension payments;

(3) a contract or agreement of a group, organization, partnership, or corporation to provide, pay for, or reimburse the costs of hospital, medical, dental or other health care services; or

(4) a contractual or voluntary wage continuation plan provided by employers or any other system intended to provide wages during a period of disability, except benefits received from a private disability insurance policy where the premiums were wholly paid for by the plaintiff."

Renumber remaining sections

A roll call was requested and properly seconded.

The question was taken on the Simoneau et al amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 63 yeas and 67 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Clausnitzer	Frerichs	Himle	Larsen
Anderson, R.	DeRaad	Gruenes	Hugoson	Lieder
Bennett	Dille	Gutknecht	Johnson, V.	Marsh
Blatz	Dorn	Hartle	Kalis	McKasy
Boo	Forsythe	Haukoos	Knickerbocker	McPherson
Carlson, D.	Frederick	Heap	Kostohryz	Miller

Minne	Onnen	Richter	Segal	Uphus
Morrison	Ozment	Rodosovich	Shaver	Valento
Nelson, K.	Pauly	Rose	Simoneau	Voss
Neuenschwander	Poppenhagen	Sarna	Stanius	Waltman
Olsen, S.	Quist	Schafer	Swiggum	Welle
Olson, E.	Redalen	Schreiber	Thiede	
Omann	Reding	Seaberg	Tjornhom	

Those who voted in the negative were:

Battaglia	Dempsey	Knuth	Orenstein	Sparby
Bauerly	Greenfield	Krueger	Osthoff	Steensma
Beard	Jacobs	Lasley	Pappas	Swenson
Begich	Jaros	Long	Pelowski	Trimble
Bishop	Jefferson	McEachern	Peterson	Tunheim
Brown	Jennings	McLaughlin	Price	Vellenga
Burger	Jensen	Milbert	Quinn	Wagenius
Carlson, L.	Johnson, A.	Munger	Rest	Wenzel
Carruthers	Johnson, R.	Murphy	Rice	Winter
Clark	Kahn	Nelson, C.	Riveness	Wynia
Cooper	Kelly	Nelson, D.	Rukavina	Spk. Vanasek
Dauner	Kelso	O'Connor	Scheid	
Dawkins	Kinkel	Ogren	Skoglund	
DeBlieck	Kludt	Olson, K.	Solberg	

The motion did not prevail and the amendment was not adopted.

Voss and Redalen moved to amend H. F. No. 1493, the first engrossment, as follows:

Page 1, after line 12, insert:

"Section 1. Minnesota Statutes 1986, section 549.01, is amended to read:

549.01 [AGREEMENT AS TO FEES OF ATTORNEY.]

Subdivision 1. [RIGHT; COSTS.] Except as provided in subdivision 2, a party shall have an unrestricted right to agree with an attorney as to compensation for services, and the measure and mode thereof; but certain sums may be allowed to the prevailing party for expenses in an action, which are termed costs.

Subd. 2. [CONTINGENCY FEES; SCHEDULES.] (a) In a claim or civil action seeking damages as compensation for personal injury or wrongful death the attorney for the claimant may contract for a fee to be paid contingent upon and as a percentage of: (1) damages awarded according to a determination by the trier of fact; or (2) amounts received according to a settlement agreement.

(b) In a contingency fee arrangement the fee must be the exclusive method for payment of the attorney for the claimant and must not be more than an amount equal to a percentage of the award or settlement amount as follows: (1) 33 $\frac{1}{3}$ percent of the first \$200,000;

(2) 20 percent of the next \$200,000; (3) ten percent of the next \$400,000; and (4) five percent of any amount that is more than \$800,000."

Renumber the sections in sequence

Correct internal references

Amend the title as follows:

Page 1, line 2, after the semicolon insert "making contingency fees subject to a schedule;"

Page 1, line 6, delete "section" and insert "sections 549.01; and"

A roll call was requested and properly seconded.

The question was taken on the Voss and Redalen amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 54 yeas and 75 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Gutknecht	McPherson	Pappas	Skoglund
Anderson, R.	Hartle	Miller	Pauly	Thiede
Bauerly	Haukoos	Minne	Poppenhagen	Tompkins
Bertram	Heap	Morrison	Quist	Trimble
Boo	Hugoson	Nelson, D.	Redalen	Tunheim
Carlson, D.	Johnson, V.	Nelson, K.	Reding	Uphus
Dauner	Kelso	Neuenschwander	Rest	Valento
DeRaad	Knuth	Olson, E.	Richter	Voss
Dille	Kostohryz	Olson, K.	Rose	Waltman
Frederick	Larsen	Omann	Schafer	Winter
Gruenes	Marsh	Ozment	Simoneau	

Those who voted in the negative were:

Battaglia	Dempsey	Kelly	Nelson, C.	Sarna
Beard	Dorn	Kinkel	O'Connor	Scheid
Begich	Forsythe	Kludt	Ogren	Schreiber
Bennett	Frerichs	Knickerbocker	Olsen, S.	Seaberg
Bishop	Greenfield	Krueger	Orenstein	Segal
Blatz	Himle	Lasley	Osthoff	Shaver
Brown	Jacobs	Lieder	Pelowski	Solberg
Burger	Jefferson	Long	Peterson	Sparby
Carlson, L.	Jennings	McEachern	Price	Stanislaus
Carruthers	Jensen	McKasy	Quinn	Steensma
Clausnitzer	Johnson, A.	McLaughlin	Rice	Sviggum
Cooper	Johnson, R.	Milbert	Riveness	Swenson
Dawkins	Kahn	Munger	Rodosovich	Tjornhom
DeBlicke	Kalis	Murphy	Rukavina	Vellenga

Wagenius

Welle

Wenzel

Wynia

Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

Kalis and Schreiber moved to amend H. F. No. 1493, the first engrossment, as follows:

Page 4, line 36, delete "ten" and insert "15"

Page 5, line 1, delete "ten" and insert "four"

A roll call was requested and properly seconded.

The question was taken on the Kalis and Schreiber amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 88 yeas and 43 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frerichs	Knickerbocker	Omann	Skoglund
Anderson, R.	Gruenes	Knuth	Onnen	Solberg
Bauerly	Gutknecht	Kostohryz	Ozment	Stanis
Bennett	Hartle	Krueger	Pappas	Steensma
Bertram	Haukoos	Larsen	Pauly	Sviggun
Bishop	Heap	Lieder	Poppenhagen	Thiede
Blatz	Himle	Marsh	Quist	Tjornhom
Boo	Hugoson	McKasy	Redalen	Tompkins
Burger	Jaros	McPherson	Reding	Trimble
Carlson, D.	Jennings	Miller	Richter	Uphus
Clausnitzer	Jensen	Minne	Rodosovich	Valento
Cooper	Johnson, A.	Morrison	Rose	Vellenga
Dauner	Johnson, R.	Nelson, C.	Schafer	Voss
DeRaad	Johnson, V.	Nelson, K.	Schreiber	Waltman
Dille	Kalis	Neuenschwander	Seaberg	Welle
Dorn	Kelly	Olsen, S.	Segal	Winter
Forsythe	Kelso	Olson, E.	Shaver	
Frederick	Kinkel	Olson, K.	Simoneau	

Those who voted in the negative were:

Battaglia	Dempsey	Milbert	Peterson	Sparby
Beard	Greenfield	Munger	Price	Swenson
Begich	Jacobs	Murphy	Quinn	Tunheim
Brown	Jefferson	Nelson, D.	Rest	Wagenius
Carlson, L.	Kahn	O'Connor	Rice	Wenzel
Carruthers	Kludt	Ogren	Riveness	Wynia
Clark	Lasley	Orenstein	Rukavina	Spk. Vanasek
Dawkins	Long	Osthoff	Sarna	
DeBlick	McLaughlin	Pelowski	Scheid	

The motion prevailed and the amendment was adopted.

Anderson, G., moved to amend H. F. No. 1493, the first engrossment, as amended, as follows:

Page 5, after line 9, insert:

"Sec. 4. Minnesota Statutes 1986, section 604.02, is amended by adding a subdivision to read:

Subd. 4. [ATTORNEY FEES.] When the portion of damages for which a defendant is liable under section 604.01 is uncollectible and when joint and several liability under section 604.02 applies, the uncollectible portion of the damages may not be included in the amount on which attorney contingency fees are calculated, whether or not all or a portion of the uncollectible damages is paid by another defendant. Prior to the application of joint and several liability, the uncollectible damages must be reduced by the amount that would have been paid in attorney contingency fees."

Renumber the sections in sequence

Page 5, line 22, delete "5" and insert "6"

A roll call was requested and properly seconded.

The question was taken on the Anderson, G., amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 33 yeas and 94 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Dille	Johnson, V.	Olson, E.	Simoneau
Anderson, R.	Frederick	Marsh	Pauly	Thiede
Blatz	Gutknecht	Miller	Poppenhagen	Tompkins
Boo	Haukoos	Nelson, C.	Redalen	Valento
Carlson, D.	Himle	Nelson, K.	Rose	Voss
Clausnitzer	Hugoson	Neuenschwander	Schafer	
DeRaad	Jennings	Olsen, S.	Schreiber	

Those who voted in the negative were:

Battaglia	Carlson, L.	Forsythe	Johnson, A.	Knuth
Bauerly	Carruthers	Frerichs	Johnson, R.	Kostohryz
Beard	Clark	Greenfield	Kahn	Krueger
Begich	Cooper	Gruenacs	Kalis	Larsen
Bennett	Dauner	Hartle	Kelly	Lasley
Bertram	Dawkins	Heap	Kelso	Lieder
Bishop	DeBlieck	Jacobs	Kinkel	Long
Brown	Dempsey	Jefferson	Kludt	McEachern
Burger	Dorn	Jensen	Knickerbocker	McKasy

McLaughlin	Omann	Reding	Shaver	Tunheim
McPherson	Onnen	Rest	Skoglund	Uphus
Milbert	Orenstein	Rice	Solberg	Vellenga
Minne	Osthoff	Riveness	Sparby	Wagenius
Munger	Pappas	Rodosovich	Stanis	Welle
Murphy	Pelowski	Rukavina	Steensma	Wenzel
Nelson, D.	Peterson	Sarna	Svigum	Winter
O'Connor	Price	Scheid	Swenson	Wynia
Ogren	Quinn	Seaberg	Tjornhom	Spk. Vanasek
Olson, K.	Quist	Segal	Trimble	

The motion did not prevail and the amendment was not adopted.

Olsen, S., moved to amend H. F. No. 1493, the first engrossment, as amended, as follows:

Page 3, after line 35, insert:

"Sec. 2. Minnesota Statutes 1986, section 549.23, is amended to read:

549.23 [INTANGIBLE NONECONOMIC LOSSES; LIMITATIONS.]

Subdivision 1. [DEFINITION.] For purposes of this section, "~~intangible loss~~" "noneconomic loss" means embarrassment, emotional distress, and loss of consortium. ~~Intangible loss does not include~~ pain, disability ~~or~~ and disfigurement.

Subd. 2. [LIMITATION.] In civil actions, whether based on contract or tort, the amount of damages per person for ~~intangible~~ noneconomic losses may not exceed \$400,000 \$500,000.

Subd. 3. [JURY NOT INFORMED OF LIMITATION.] The court may not inform the jury of the existence of the limitation in subdivision 2.

Subd. 4. [NOT NEW ACTION.] This section does not create a new cause of action for ~~intangible~~ noneconomic loss."

Renumber the remaining sections

Correct internal references

Amend the title as follows:

Page 1, line 6, delete "section" and insert "sections 549.23; and"

A roll call was requested and properly seconded.

The question was taken on the Olsen, S., amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 29 yeas and 99 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Frederick	Knickerbocker	Pauly	Swiggum
Anderson, R.	Frerichs	Marsh	Redalen	Uphus
Blatz	Gutknecht	Olsen, S.	Reding	Valento
Boo	Hartle	Olsen, E.	Schreiber	Voss
DeRaad	Haukoos	Onnen	Segal	Welle
Forsythe	Heap	Ozment	Simoneau	

Those who voted in the negative were:

Battaglia	Greenfield	Larsen	Omann	Shaver
Bauerly	Gruenes	Lasley	Orenstein	Skoglund
Beard	Hugoson	Lieder	Osthoff	Solberg
Begich	Jacobs	Long	Pappas	Sparby
Bennett	Jaros	McEachern	Pelowski	Stanius
Bertram	Jefferson	McLaughlin	Peterson	Steensma
Brown	Jennings	McPherson	Poppenhagen	Swenson
Burger	Jensen	Milbert	Price	Thiede
Carlson, D.	Johnson, A.	Miller	Quinn	Tjornhom
Carlson, L.	Johnson, R.	Minne	Quist	Tompkins
Carruthers	Johnson, V.	Morrison	Rest	Trimble
Clark	Kahn	Munger	Richter	Tunheim
Clausnitzer	Kalis	Murphy	Riveness	Vellenga
Cooper	Kelly	Nelson, C.	Rodosovich	Wagenius
Dauner	Kelso	Nelson, D.	Rose	Waltman
Dawkins	Kinkel	Nelson, K.	Rukavina	Wenzel
DeBlicke	Kludt	Neuenschwander	Sarna	Winter
Dempsey	Knuth	O'Connor	Schafer	Wynia
Dille	Kostohryz	Ogren	Scheid	Spk. Vanasek
Dorn	Krueger	Olson, K.	Seaberg	

The motion did not prevail and the amendment was not adopted.

Larsen; Neuenschwander; Carlson, D., and Poppenhagen moved to amend H. F. No. 1493, the first engrossment, as amended, as follows:

Page 1, after line 12, insert:

"Section 1. Minnesota Statutes 1986, section 549.01, is amended to read:

549.01 [AGREEMENT AS TO FEES OF ATTORNEY.]

Subdivision 1. [RIGHT; COSTS.] Except as provided in subdivision 2, a party shall have an unrestricted right to agree with an attorney as to compensation for services, and the measure and mode

thereof; but certain sums may be allowed to the prevailing party for expenses in an action, which are termed costs.

Subd. 2. [CONTINGENCY FEES; SCHEDULES.] (a) In a claim or civil action seeking damages as compensation for personal injury or wrongful death the attorney for the claimant may contract for a fee to be paid contingent upon and as a percentage of: (1) damages awarded according to a determination by the trier of fact; or (2) amounts received according to a settlement agreement.

(b) In a contingency fee arrangement the fee must be the exclusive method for payment of the attorney for the claimant and must not be more than an amount equal to a percentage of the award or settlement amount as follows: (1) 40 percent of the first \$150,000; (2) 25 percent of the next \$850,000; and (3) 20 percent of any amount that is more than \$1,000,000."

Renumber the sections in sequence

Correct internal references

Amend the title as follows:

Page 1, line 2, after the semicolon insert "making contingency fees subject to a schedule;"

Page 1, line 6, delete "section" and insert "sections 549.01; and"

A roll call was requested and properly seconded.

The question was taken on the Larsen et al amendment and the roll was called.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 62 yeas and 70 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Dille	Hugoson	Marsh	Omann
Anderson, R.	Frederick	Jennings	McPherson	Onnen
Blatz	Frerichs	Johnson, A.	Miller	Ozment
Boo	Gruenes	Johnson, V.	Minne	Pappas
Carlson, D.	Gutknecht	Kelso	Nelson, D.	Pauly
Clark	Hartle	Knuth	Nelson, K.	Poppenhagen
Clausnitzer	Haukoos	Kostohryz	Neuenschwander	Redalen
Dauner	Heap	Larsen	Olsen, S.	Reding
DeRaad	Himle	Lieder	Olson, E.	Rest

Richter	Simoneau	Thiede	Uphus	Winter
Rose	Stanius	Tjornhom	Valento	
Schafer	Steensma	Tompkins	Voss	
Segal	Sviggum	Trimble	Waltman	

Those who voted in the negative were:

Battaglia	Dempsey	Knickerbocker	Olson, K.	Schreiber
Bauerly	Dorn	Krueger	Orenstein	Seaberg
Beard	Forsythe	Lasley	Osthoff	Shaver
Begich	Greenfield	Long	Pelowski	Skoglund
Bennett	Jacobs	McEachern	Peterson	Solberg
Bertram	Jaros	McKasy	Price	Sparby
Bishop	Jefferson	McLaughlin	Quinn	Swenson
Brown	Jensen	Milbert	Quist	Tunheim
Burger	Johnson, R.	Morrison	Rice	Vellenga
Carlson, L.	Kahn	Munger	Riveness	Wagenius
Carruthers	Kalis	Murphy	Rodosovich	Welle
Cooper	Kelly	Nelson, C.	Rukavina	Wenzel
Dawkins	Kinkel	O'Connor	Sarna	Wynia
DeBlieck	Kludt	Ogren	Scheid	Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

H. F. No. 1493, A bill for an act relating to civil law; deleting the minimum percentage amount for interest on judgments; altering the application of joint and several liability; providing for payment of future damages; amending Minnesota Statutes 1986, section 604.02, subdivision 1; Minnesota Statutes 1987 Supplement, section 549.09, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 549; repealing Minnesota Statutes 1986, section 604.07.

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.

Wynia moved that those not voting be excused from voting. The motion prevailed.

There were 127 yeas and 5 nays as follows:

Those who voted in the affirmative were:

Anderson, G.	Burger	Dille	Jaros	Kludt
Anderson, R.	Carlson, D.	Dorn	Jefferson	Knickerbocker
Battaglia	Carlson, L.	Forsythe	Jennings	Knuth
Bauerly	Carruthers	Frerichs	Jensen	Kostohryz
Beard	Clark	Greenfield	Johnson, A.	Krueger
Begich	Clausnitzer	Gruenes	Johnson, R.	Larsen
Bennett	Cooper	Gutknecht	Johnson, V.	Lasley
Bertram	Dauner	Hartle	Kahn	Lieder
Bishop	Dawkins	Heap	Kalis	Long
Blatz	DeBlieck	Himle	Kelly	McEachern
Boo	Dempsey	Hugoson	Kelso	McKasy
Brown	DeRaad	Jacobs	Kinkel	McLaughlin

McPherson	Olson, K.	Reding	Shaver	Uphus
Milbert	Omann	Rest	Simoneau	Valento
Miller	Onnen	Rice	Skoglund	Vellenga
Minne	Orenstein	Richter	Solberg	Voss
Munger	Osthoff	Riveness	Sparby	Wagenius
Murphy	Ozment	Rodosovich	Stanis	Waltman
Nelson, C.	Pappas	Rose	Steensma	Welle
Nelson, D.	Pauly	Rukavina	Sviggum	Wenzel
Nelson, K.	Pelowski	Sarna	Swenson	Winter
Neuenschwander	Peterson	Schafer	Thiede	Wynia
O'Connor	Price	Scheid	Tjornhom	Spk. Vanasek
Ogren	Quinn	Schreiber	Tompkins	
Olsen, S.	Quist	Seaberg	Trimble	
Olson, E.	Redalen	Segal	Tunheim	

Those who voted in the negative were:

Frederick	Haukoos	Marsh	Morrison	Poppenhagen
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The bill was passed, as amended, and its title agreed to.

Wynia moved that the remaining bills on Special Orders for today be continued one day. The motion prevailed.

GENERAL ORDERS

Wynia moved that the bills on General Orders for today be continued one day. The motion prevailed.

MOTIONS AND RESOLUTIONS

Hartle moved that the names of Sviggum; Olson, E.; Kalis and Brown be added as authors on H. F. No. 2047. The motion prevailed.

Greenfield moved that the name of Rodosovich be added as an author on H. F. No. 2126. The motion prevailed.

Valento moved that his name be stricken as an author on H. F. No. 2423. The motion prevailed.

Riveness moved that the name of McKasy be added as an author on H. F. No. 2540. The motion prevailed.

Simoneau moved that the name of Johnson, R., be added as an author on H. F. No. 2654. The motion prevailed.

MOTION TO TAKE FROM THE TABLE

Osthoff moved that H. F. No. 1138 be taken from the table, 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.

Johnson, A., moved that H. F. No. 1818 be returned to its author. The motion prevailed.

Dille moved that H. F. No. 2238 be returned to its author. The motion prevailed.

Minne moved that H. F. No. 2532 be returned to its author. The motion prevailed.

Dawkins moved that H. F. No. 2178 be returned to its author. The motion prevailed.

Anderson, G., moved that H. F. No. 2788 be returned to its author. The motion prevailed.

Dawkins, Skoglund, Welle, Rice and Jaros introduced:

House Resolution No. 57, A House resolution supporting the right of peaceful protest; condemning violent protest; condemning deployment of United States troops to Honduras; urging withdrawal of troops from Honduras.

The resolution was referred to the Committee on Rules and Legislative Administration.

ANNOUNCEMENT BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on H. F. No. 1138:

Osthoff, Scheid and Sarna.

ADJOURNMENT

Wynia moved that when the House adjourns today it adjourn until 1:00 p.m., Tuesday, March 29, 1988. The motion prevailed.

Wynia moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 1:00 p.m., Tuesday, March 29, 1988.

EDWARD A. BURDICK, Chief Clerk, House of Representatives