

STATE OF MINNESOTA

SEVENTY-SIXTH SESSION — 1989

FORTY-SECOND DAY

SAINT PAUL, MINNESOTA, MONDAY, MAY 1, 1989

The House of Representatives convened at 2:30 p.m. and was called to order by Robert E. Vanasek, Speaker of the House.

Prayer was offered by the Reverend Sue Zabel, Director of Admissions and Institutional Planning of United Theological Seminary of the Twin Cities, New Brighton, Minnesota.

The members of the House gave the pledge of allegiance to the flag of the United States of America.

The roll was called and the following members were present:

Abrams	Frerichs	Krueger	Orenstein	Segal
Anderson, G.	Girard	Lasley	Osthoff	Simoneau
Anderson, R.	Greenfield	Lieder	Ostrom	Skoglund
Battaglia	Gruenes	Limmer	Otis	Solberg
Bauerly	Gutknecht	Long	Ozment	Sparby
Beard	Hartle	Lynch	Pappas	Stanis
Begich	Hasskamp	Macklin	Pauly	Steensma
Bennett	Haukoos	Marsh	Pellow	Sviggum
Bertram	Heap	McDonald	Pelowski	Swenson
Bishop	Henry	McEachern	Peterson	Tjornhom
Blatz	Himle	McGuire	Poppenhagen	Tompkins
Boo	Hugoson	McLaughlin	Price	Trimble
Brown	Jacobs	McPherson	Pugh	Tunheim
Burger	Janezich	Milbert	Quinn	Uphus
Carlson, D.	Jaros	Miller	Redalen	Valento
Carlson, L.	Jefferson	Morrison	Reding	Vellenga
Carruthers	Jennings	Munger	Rest	Wagenius
Clark	Johnson, A.	Murphy	Rice	Waltman
Conway	Johnson, R.	Nelson, C.	Richter	Weaver
Cooper	Johnson, V.	Nelson, K.	Rodosovich	Welle
Dauner	Kahn	Neuenschwander	Rukavina	Wenzel
Dawkins	Kalis	O'Connor	Runbeck	Williams
Dempsey	Kelly	Ogren	Sarna	Winter
Dille	Kelso	Olson, E.	Schafer	Wynia
Dorn	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Forsythe	Knickerbocker	Omann	Schreiber	
Frederick	Kostohryz	Onnen	Seaberg	

A quorum was present.

Olsen, S., was excused until 5:45 p.m.

The Chief Clerk proceeded to read the Journals of the preceding days. Price moved that further reading of the Journals be dispensed 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. 780, 30, 186, 187, 260, 357, 759, 872, 1040, 1121, 1358, 1387, 1641, 1648, 1697, 1715, 1747, 700, 333 and 1150 have been placed in the members' files.

PETITIONS AND COMMUNICATIONS

The following communications were received:

STATE OF MINNESOTA
OFFICE OF THE GOVERNOR
ST. PAUL 55155

April 19, 1989

The Honorable Robert E. Vanasek
Speaker of the House of Representatives
The State of Minnesota

Dear Sir:

I have the honor of informing you that I have received, approved, signed and deposited in the Office of the Secretary of State the following House File:

H. F. No. 321, relating to consumer protection; regulating new motor vehicle sales; limiting a dealer's liability due to the manufacturer's failure to repair, refund, or replace nonconforming vehicles.

Sincerely,

RUDY PERPICH
Governor

STATE OF MINNESOTA
OFFICE OF THE SECRETARY OF STATE
ST. PAUL 55155

The Honorable Robert E. Vanasek
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1989 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

<i>S.F.</i> <i>No.</i>	<i>H.F.</i> <i>No.</i>	<i>Session Laws</i> <i>Chapter No.</i>	<i>Time and</i> <i>Date Approved</i> <i>1989</i>	<i>Date Filed</i> <i>1989</i>
916		42	20:55-April 19	April 19
	321	43	20:58-April 19	April 19
156		44	20:57-April 19	April 19

Sincerely,

JOAN ANDERSON GROWE
Secretary of State

STATE OF MINNESOTA
OFFICE OF THE SECRETARY OF STATE
ST. PAUL 55155

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Speaker of the House of Representatives

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1051		Resolution No. 3		April 25
271		45	16:56-April 25	April 25

332	46	16:54-April 25	April 25
1080	48	16:58-April 25	April 25
478	51	16:59-April 25	April 25

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<i>No.</i>	<i>No.</i>	<i>Chapter No.</i>	<i>1989</i>	<i>1989</i>
681		47	21:31-April 24	April 25
358		49	21:43-April 24	April 25
192		50	21:45-April 24	April 25
560		52	21:47-April 24	April 25
115		53	21:49-April 24	April 25

Sincerely,

JOAN ANDERSON GROWE
Secretary of State

REPORTS OF STANDING COMMITTEES

Sarna from the Committee on Commerce to which was referred:

H. F. No. 579, A bill for an act relating to certain commercial transactions; adopting an article of the uniform commercial code that governs leases; amending Minnesota Statutes 1986, section

336.1-201; proposing coding for new law in Minnesota Statutes, chapter 336.

Reported the same back with the following amendments:

Page 1, lines 21 and 22, delete "to him or her"

Page 2, line 7, delete "such" and delete "as" and insert "that"

Page 2, line 26, delete "(i)" and insert "(1)"

Page 2, line 27, delete "(ii)" and insert "(2)"

Page 2, line 29, delete "(iii)" and insert "(3)" and after "either" insert "(i)"

Page 2, lines 31 and 33, after "goods" insert "or a disclaimer statement"

Page 2, line 32, after "or" insert "(ii)"

Page 2, line 34, after the period insert "“Disclaimer statement” means a written statement that is part of or separate from the lease contract that discloses all warranties and other rights provided to the lessee by the lessor and supplier in connection with the lease contract and informs the lessee in a conspicuous manner that there are no warranties or other rights provided to the lessee by the lessor and supplier other than those disclosed in the statement."

Page 3, lines 34 and 35, delete "to him or her"

Page 6, line 19, delete "therein" and insert "in the statute"

Page 6, line 30, delete "thereafter" and insert "after that"

Page 6, line 35, after "the" insert "lessee signed the lease or in which the"

Page 7, line 1, delete "thereafter" and insert "after that"

Page 7, line 30, delete "thereof"

Page 7, line 34, delete "shall" and insert "may"

Page 7, line 36, delete "and the"

Page 8, delete lines 1 and 2

Page 8, line 3, delete "reasonable attorney's fees" and insert "the court may make an award under section 549.21"

Page 8, line 9, delete "(1)" and delete "his or her" and insert "the party's"

Page 8, lines 11 and 13, delete "he or she" and insert "the party"

Page 8, line 12, delete "himself or herself" and insert "self"

Page 8, line 14, delete "he or she" and insert "the party"

Page 8, delete lines 16 to 20

Page 9, line 35, delete "such" and insert "the included" and delete "as are included therein"

Page 10, line 30, delete "such"

Page 11, line 32, delete "such a" and insert "this"

Page 12, lines 16 and 20, delete "therefrom" and insert "from the supply contract"

Page 14, line 1, delete "such as" and insert "goods that:"

Page 16, line 13, delete everything after "limited"

Page 16, line 14, delete "whom the warranty extends"

Page 18, line 14, delete "he or she" and insert "the lessee"

Page 18, lines 15 and 35, delete "his or her" and insert "the lessee's"

Page 18, line 22, delete "his or her" and insert "the lessor's or supplier's"

Page 19, line 1, delete "that is not a consumer lease"

Page 19, line 36, delete "he or she" and insert "the transferee"

Page 20, line 3, delete "he or she" and insert "the transferee"

Page 20, line 20, delete "him or her" and insert "the assignee"

Page 20, line 29, delete "his or her" and insert "the assignor's"

Page 21, delete lines 19 to 26 and insert:

"(2) If a lessee has entrusted leased goods to the lessee's lessor who is a merchant dealing in goods of that kind, a subsequent lessee from that lessor under a lease entered into after the entrustment and in the ordinary course of business takes those goods free of the existing lease contract and obtains, to the extent of the leasehold interest transferred, all of the lessor's and the earlier lessee's rights to the goods."

Page 22, line 29, delete "his or her" and insert "the person's"

Page 25, line 15, delete "thereafter" and insert "after that"

Page 26, line 23, after "may" insert a colon

Page 26, lines 26 and 27, delete "his or her" and insert "the lessor's or lessee's"

Page 26, line 27, delete the comma and insert a semicolon

Page 26, line 30, delete "he or she" and insert "the lessor or lessee"

Page 27, line 21, delete "such" and insert "the"

Page 27, line 36, after "may" insert a colon

Page 28, line 4, delete "his or her" and insert "the lessor's or lessee's" and delete the comma and insert a semicolon

Page 28, line 6, delete "he or she" and insert "the lessor or lessee"

Page 28, line 26, delete "he or she" and insert "the insecure party"

Page 29, line 16, before "In" insert paragraph coding

Page 29, line 17, delete "foregoing" and after "remedies" insert "in this section"

Page 30, lines 33 and 34, delete "he or she" and insert "the lessor or supplier"

Page 30, line 34, delete "his or her" and insert "the lessor's or supplier's"

Page 30, line 35, delete "at his or her option"

Page 30, line 36, delete "his or her"

Page 31, line 1, delete "own" and insert "other" and delete "He or she" and insert "The lessor or supplier"

Page 31, line 7, delete "thus"

Page 31, line 17, delete "that is not a consumer lease"

Page 31, line 26, before "2A-407" insert "Sec." and delete "[366.2A-407]" and insert "[336.2A-407]"

Page 31, lines 28 and 29, delete "that is not a consumer lease"

Page 32, line 26, delete "his or her" and insert "the party's"

Page 33, line 29, delete "such" and insert "the"

Page 33, line 30, delete "such" and insert "the"

Page 33, line 36, delete "his or her" and insert "the lessee's"

Page 35, lines 3 and 4, delete "By the original lease contract" and insert "If the lease contract is not a consumer lease,"

Page 35, line 5, before the period insert "in the original lease contract"

Page 35, line 12, delete ", whichever is later"

Page 36, line 8, delete "he or she" and insert "the party"

Page 36, line 27, after "may" insert "pursue any or all of the following remedies"

Page 38, line 21, delete "his or her" and insert "the lessee's"

Page 38, line 30, delete "he or she" and insert "the lessee"

Page 38, line 34, delete "such" and insert "a"

Page 39, line 2, delete "hereunder"

Page 40, line 5, delete "he or she" and insert "the lessor or supplier"

Page 41, lines 26 and 30, delete "he or she" and insert "the lessor or supplier"

Page 41, line 27, delete "him or her" and insert "the lessor or supplier"

Page 42, line 10, delete "he or she" and insert "the lessee"

Page 45, line 25, after: "may" insert "pursue any or all of the following remedies"

Page 47, line 15, delete "such"

Page 47, line 33, delete "thereof"

Page 48, line 5, delete "default" and insert "the start of the term of the new lease agreement"

Page 48, line 6, delete "default" and insert "the start of the term of the new lease agreement"

Page 49, line 1, delete "of default" and insert "the lessor obtained possession of the goods or an earlier date when the lessee made an effective tender of possession of the goods back to the lessor"

Page 49, line 2, delete "of default" and insert "determined under paragraph (a)"

Page 49, line 3, before "remaining" insert "then"

Page 49, line 4, after "time" insert "determined under paragraph (a),"

Page 49, lines 22 and 31, delete "default" and insert "entry of judgment in favor of the lessor"

Page 49, lines 23 and 32, delete "default" and insert "entry of judgment in favor of the lessor"

Page 49, lines 24 and 32, before "remaining" insert "then"

Page 51, line 5, delete "his or her" and insert "the party plaintiff's"

Page 51, line 6, delete "his or her" and insert "the party plaintiff's"

Page 51, after line 17 insert:

"Section 1. Minnesota Statutes 1988, section 168A.17, is amended by adding a subdivision to read:

Subd. 1a. [LEASES THAT ARE NOT SALES OR SECURITY INTERESTS.] A motor vehicle lease does not create a security interest merely because it provides that the rental price is permitted or required to be adjusted under the agreement by reference to the amount realized upon sale or other disposition of the motor vehicle. In the case of a lease agreement with respect to a vehicle other than a vehicle used primarily for personal, family, or household purposes,

the determination whether the lease agreement constitutes a lease and does not create a conditional sale or security interest shall be governed by the stated intent of the parties set forth in the lease agreement, unless the substance of the lease agreement is inconsistent with the stated intent."

Page 51, line 18, delete "1986" and insert "1988"

Page 52, line 8, delete "1986" and insert "1988"

Page 60, line 11, delete "1986" and insert "1988"

Renumber the sections of article 2 in sequence

Page 60, after line 28, insert:

"ARTICLE 3

Section 1. [EFFECTIVE DATE; APPLICATION.]

This act is effective January 1, 1990, and applies to lease contracts that first become effective on or after that date. This act does not apply to a lease contract that first became effective before January 1, 1990, or to an extension, amendment, modification, renewal, or supplement of or to the lease contract, unless the parties agree in writing to be governed by this act."

Amend the title as follows:

Page 1, lines 4 and 5, delete "amending Minnesota Statutes 1986, section 336.1-201" and insert "providing the conditions for the determination of the existence of certain vehicle leases; amending Minnesota Statutes 1988, sections 168A.17, by adding a subdivision; 336.1-105; 336.1-201; and 336.9-113"

With the recommendation that when so amended the bill pass.

The report was adopted.

Kelly from the Committee on Judiciary to which was referred:

H. F. No. 604, A bill for an act relating to juveniles; including emotionally abused children among children in need of protection or services; amending Minnesota Statutes 1988, section 260.015, subdivision 2a, and by adding a subdivision.

Reported the same back with the following amendments:

Page 3, line 3, delete "or deliberate"

Page 3, line 6, after the period insert "Emotional maltreatment does not include reasonable training or discipline administered by the person responsible for the child's care, or the reasonable exercise of authority by that person."

With the recommendation that when so amended the bill pass.

The report was adopted.

Kelly from the Committee on Judiciary to which was referred:

H. F. No. 1203, A bill for an act relating to nonprofit corporations; providing for the organization, operation, and dissolution of nonprofit corporations; imposing penalties; appropriating money; amending Minnesota Statutes 1988, sections 8.31, subdivision 1; 79A.09, subdivision 1; 257.03; 309.67; 319A.20; 354A.021, subdivision 2; and 469.144, subdivision 1; proposing coding for new law as Minnesota Statutes, chapter 317A; repealing Minnesota Statutes 1988, sections 317.01 to 317.69.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"CITATION

Section 1. [317A.001] [CITATION.]

This chapter may be cited as the Minnesota nonprofit corporation act.

DEFINITIONS

Sec. 2. [317A.011] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For purposes of this chapter, the terms in this section have the meanings given them, unless the language or context clearly shows that a different meaning is intended.

Subd. 2. [ADDRESS.] "Address" means mailing address, including a zip code, except that in the case of a registered office, address means the mailing address and the actual office location, which may not be a post office box.

Subd. 3. [ARTICLES.] "Articles" means, in the case of a corporation incorporated under or governed by this chapter, articles of incorporation, articles of amendment, a resolution of election to become governed by this chapter, a statement of change of registered office, registered agent, or name of registered agent, articles of merger, articles of consolidation, articles of abandonment, and articles of dissolution. In the case of a foreign corporation, the term includes documents serving a similar function required to be filed with the secretary of state or other officer of the corporation's state of incorporation.

Subd. 4. [BOARD OF DIRECTORS.] "Board of directors" or "board" means the group of persons vested with the general management of the internal affairs of a corporation, regardless of how they are identified.

Subd. 5. [BYLAWS.] "Bylaws" means the code adopted for the regulation or management of the internal affairs of a corporation, regardless of how designated.

Subd. 6. [CLASS.] "Class" means a group of memberships that have the same rights with respect to voting, dissolution, redemption, or transfer. Rights are the same if they are determined by a formula applied uniformly.

Subd. 7. [CORPORATION.] "Corporation" means a corporation that is governed by this chapter. A corporation may not:

(1) be formed for a purpose involving pecuniary gain to its members, other than to members that are nonprofit organizations; and

(2) pay dividends or other pecuniary remuneration, directly or indirectly, to its members, other than to members that are nonprofit organizations.

Subd. 8. [DIRECTOR.] "Director" means a member of the board.

Subd. 9. [FILED WITH THE SECRETARY OF STATE.] "Filed with the secretary of state" means that an original of a document meeting the requirements of this chapter, signed, and accompanied by a filing fee of \$25, has been delivered to the secretary of state of this state. The secretary of state shall endorse on the original the word "Filed" and the month, day, year, and time of filing, record the document in the office of the secretary of state, and return the document to the person who delivered it for filing.

Subd. 10. [FOREIGN CORPORATION.] "Foreign corporation" means a corporation that is formed under laws other than the laws of this state.

Subd. 11. [GOOD FAITH.] "Good faith" means honesty in fact in the conduct of an act or transaction.

Subd. 12. [LEGAL REPRESENTATIVE.] "Legal representative" means a person empowered to act for another person, including, but not limited to, an agent, officer, partner, or associate of an organization; a trustee of a trust; a personal representative; a trustee in bankruptcy; or a receiver, guardian, custodian, or conservator.

Subd. 13. [MEMBER.] "Member" means a person with membership rights in a corporation under its articles or bylaws, regardless of how the person is identified.

Subd. 14. [MEMBERS WITH VOTING RIGHTS.] "Members with voting rights" or "voting members" means members or a class of members that has voting rights with respect to the purpose or matter involved.

Subd. 15. [NOTICE.] (a) "Notice" is given by a member of a corporation to the corporation or an officer of the corporation when in writing and mailed or delivered to the corporation or the officer at the registered office of the corporation.

(b) Notice is given by the corporation to an officer, member, or other person:

(1) when mailed to the person at an address designated by the person, at the last known address of the person, or, in the case of an officer or member, at the address of the person in the corporate records;

(2) when communicated to the person orally;

(3) when handed to the person;

(4) when left at the office of the person with a clerk or other person in charge of the office, or if there is no one in charge, when left in a conspicuous place in the office;

(5) if the person's office is closed or the person to be notified has no office, when left at the dwelling or usual place of abode of the person with a person of suitable age and discretion residing in the house; or

(6) when the method is fair and reasonable when all the circumstances are considered.

(c) Notice by mail is given when deposited in the United States mail with sufficient postage. Notice is considered received when it is given.

Subd. 16. [OFFICER.] "Officer" means a person elected, appointed, or otherwise designated as an officer by the board, and a person considered elected an officer under section 51.

Subd. 17. [ORGANIZATION.] "Organization" means a domestic or foreign business or nonprofit corporation, partnership, limited partnership, joint venture, association, trust, estate, enterprise, or other legal or commercial entity.

Subd. 18. [REGISTERED OFFICE.] "Registered office" means the place in this state designated in the articles of a corporation as the registered office of the corporation.

Subd. 19. [RELATED ORGANIZATION.] "Related organization" means an organization that controls, is controlled by, or is under common control with, another corporation. Control exists if an organization:

(1) owns, directly or indirectly, at least 50 percent of the stock ownership or membership interests of another organization;

(2) has the right, directly or indirectly, to elect, appoint, or remove 50 percent or more of the voting members of the governing body of another organization; or

(3) has the power, directly or indirectly, to direct or cause the direction of the management and policies of another organization, whether through the ownership of voting interests, by contract, or otherwise.

Subd. 20. [SIGNED.] (a) "Signed" means that the signature of a person is written on a document, as provided in section 645.44, subdivision 14. A document required by this chapter to be filed with the secretary of state must be signed by a person authorized to do so by this chapter, the articles or bylaws, or a resolution approved by the affirmative vote of the required proportion or number of the directors, or the required proportion or number of members with voting rights, if any.

(b) A signature on a document not required by this chapter to be filed with the secretary of state may be a facsimile affixed, engraved, printed, placed, stamped with indelible ink, or in any other manner reproduced on the document.

Subd. 21. [WRITTEN ACTION.] "Written action" means a written document signed by all of the persons required to take the action. The term also means the counterparts of a written document signed by any of the persons taking the action. A counterpart is the action of the persons signing it, and all the counterparts are one written action by all of the persons signing them.

APPLICATION

Sec. 3. [317A.021] [APPLICATION AND ELECTION.]

Subdivision 1. [ELECTION BY CHAPTER 300, 309, OR 315 CORPORATIONS.] A corporation incorporated under chapter 300, 309, or 315 that has not later become governed by chapter 317 may elect to be governed by this chapter.

Subd. 2. [ELECTION BY CHAPTER 317 CORPORATIONS.] On or after August 1, 1989, and before January 1, 1991, a corporation incorporated under chapter 317 may elect to become governed by this chapter.

Subd. 3. [CONFORMING ARTICLES OF ELECTING CORPORATIONS.] If the articles of an electing corporation include a provision prohibited by this chapter, omit a provision required by this chapter, or are inconsistent with this chapter, the electing corporation shall amend its articles to conform to the requirements of this chapter. The appropriate provisions of the corporation's articles or bylaws or the law by which it was governed before the effective date of the election made under this section control the manner of adoption of the amendment.

Subd. 4. [METHOD OF ELECTION.] An election by a corporation to become governed by this chapter must be made by resolution approved by the affirmative vote of the members with voting rights of the same proportion that is required for amendment of the articles of the corporation before the election. If there are no members with voting rights, the corporation must elect to be governed by this chapter by a resolution adopted by a majority vote of the directors entitled to vote at a special meeting of the board, with proper notice given. The resolution, articles of amendment, if required, and a certified copy of corporate documents previously filed with the county recorder that would be filed with the secretary of state under this chapter, must be filed with the secretary of state and are effective upon filing. If an amendment of the articles is required, the resolution must state that the articles of the corporation conform to the requirements of this chapter.

Subd. 5. [EFFECT OF ELECTION UPON BYLAWS.] Upon filing an election under subdivision 4, provisions of the bylaws that are consistent with this chapter remain or become effective and provisions of the bylaws that are inconsistent with this chapter are not effective.

Subd. 6. [CHOICE OF INCORPORATION UNTIL JANUARY 1, 1990.] From August 1, 1989, to December 31, 1990, a corporation may be incorporated under this chapter or under chapter 317.

Subd. 7. [NONELECTING NONPROFIT CORPORATIONS SUBJECT TO THIS CHAPTER AS OF JANUARY 1, 1991.] A corporation in existence on January 1, 1991, that is within the scope of this chapter and incorporated under another statute of this state, other than a corporation incorporated under chapter 300, 309, or 315 that has not later become governed by chapter 317, is governed by this chapter as of January 1, 1991, as though the corporation had been incorporated under this chapter. The provisions of the articles and bylaws of the corporation that may be included in the articles or bylaws under this chapter remain in effect. The provisions of the articles and bylaws of the corporation that are inconsistent with this chapter are not effective as of January 1, 1991. Provisions required by this chapter to be contained in the articles that do not appear in the articles are read into them as a matter of law.

Subd. 8. [INCORPORATION AFTER JANUARY 1, 1991.] On and after January 1, 1991, a corporation that is within the scope of this chapter may be incorporated only under this chapter.

Subd. 9. [APPLICABILITY OF OTHER LAWS.] (a) Except as provided in paragraphs (b) and (c), chapters 300, 316, 317, and 556 do not apply to corporations.

(b) Sections 300.60, 300.61, and 300.63 apply to corporations.

(c) This subdivision does not affect the applicability of chapter 300 to a corporation that elected to reject Laws 1951, chapter 500, sections 1 to 25.

Sec. 4. [317A.031] [TRANSITION; CONTINUATION OF LEGAL ACTS.]

The continuation or completion of an act by a corporation that is not incorporated under, but has become governed by, this chapter, and the continuation or performance of an executed or wholly or partially executory contract, conveyance, or transfer to or by the corporation, is valid if otherwise lawful before the corporation became governed by this chapter. The act may be continued, completed, enforced, or ended as required or permitted by a statute applicable before the date on which the corporation became governed by this chapter.

Sec. 5. [317A.041] [RESERVATION OF RIGHT.]

The state reserves the right to amend or repeal this chapter. A corporation governed by this chapter is subject to this reserved right.

Sec. 6. [317A.051] [SCOPE OF CHAPTER.]

Subdivision 1. [GENERAL.] This chapter does not apply to cooperative associations, public cemetery corporations and associations, and private cemeteries.

Subd. 2. [RELIGIOUS CORPORATIONS.] This chapter does not apply to a religious corporation authorized by chapter 315 unless it is formed under this chapter or elects to be governed by this chapter as provided in section 3. Regardless of whether it is formed or elects to be governed by this chapter, a religious corporation may elect to be governed by sections 84 to 93 without electing to come under the entire chapter. If a religious corporation elects to be governed by sections 84 to 93, it shall file its documents with the county recorder of the county where its registered office is located instead of the secretary of state.

Sec. 7. [317A.061] [FOREIGN NONPROFIT CORPORATIONS; SECTIONS APPLICABLE.]

Subdivision 1. [GENERAL.] Except for this section and section 91 concerning merger or consolidation, this chapter does not apply to foreign nonprofit corporations.

Subd. 2. [SECTIONS APPLICABLE.] (a) Except as provided in paragraph (b), a foreign nonprofit corporation is subject to chapter 303. Unless it complies with chapter 303, a foreign corporation may not transact business in this state.

(b) Sections 303.02, subdivision 2, 303.07, 303.14, 303.16, subdivision 2, clauses (6) and (7), and 303.22, do not apply to foreign nonprofit corporations.

INCORPORATION; ARTICLES

Sec. 8. [317A.101] [PURPOSES.]

A corporation may be incorporated under this chapter for any lawful purpose, unless another statute requires incorporation for a purpose under a different law. Unless otherwise limited in its articles, a corporation has a general purpose of engaging in any lawful activity. A corporation engaging in conduct that is regulated by another statute is subject to the limitations of the other statute.

Sec. 9. [317A.105] [INCORPORATORS.]

One or more adult natural persons may act as incorporators of a corporation by filing articles of incorporation for the corporation with the secretary of state.

Sec. 10. [317A.111] [ARTICLES.]

Subdivision 1. [REQUIRED PROVISIONS.] The articles of incorporation must contain:

- (1) the name of the corporation;
- (2) the address of the registered office of the corporation and the name of its registered agent, if any, at that address;
- (3) the name and address of each incorporator; and
- (4) a statement that the corporation is organized under this chapter.

Subd. 2. [STATUTORY PROVISIONS THAT MAY BE MODIFIED ONLY IN ARTICLES.] The following provisions govern a corporation unless modified in the articles:

- (1) a corporation has a general purpose of engaging in any lawful activity (section 8);
- (2) the power to initially adopt, amend, or repeal the bylaws is vested in the board (section 26);
- (3) cumulative voting for directors is prohibited (section 34);
- (4) a written action by the board taken without a meeting must be signed by all directors (section 42); and
- (5) members are of one class (section 56).

Subd. 3. [STATUTORY PROVISIONS THAT MAY BE MODIFIED IN ARTICLES OR BYLAWS.] The following provisions govern a corporation unless modified in the articles or bylaws:

- (1) a certain method must be used for amending the articles (section 17);
- (2) a corporation has perpetual duration and certain powers (section 22);
- (3) a certain method must be used for the members to adopt, amend, or repeal existing bylaws (section 26);
- (4) a director holds office until expiration of the director's term and election of a successor (section 30);
- (5) the term of a director filling a vacancy expires at the end of the term the director is filling (section 30);

- (6) the compensation of directors is fixed by the board (section 32);
- (7) a certain method must be used for removal of directors (section 36);
- (8) a certain method must be used for filling board vacancies (section 38);
- (9) board meetings must be held at least once per year and if the board fails to select a place for a board meeting, it must be held at the registered office (section 39);
- (10) a director may call a board meeting, and the notice of the meeting need not state the purpose of the meeting (section 39);
- (11) a majority of the board is a quorum (section 40);
- (12) the affirmative vote of the majority of directors present is required for board action (section 41);
- (13) a committee consists of one or more persons, who need not be directors, appointed by the board (section 43);
- (14) the president and treasurer have certain duties, until the board determines otherwise (section 48);
- (15) officers may delegate some or all of their duties and powers, if not prohibited by the board from doing so (section 54);
- (16) a corporation does not have members (section 56);
- (17) the board may determine the consideration required to admit members (section 56);
- (18) all members are entitled to vote and have equal rights and preferences in matters not otherwise provided for by the board or members (section 56);
- (19) memberships may not be transferred (section 58);
- (20) a corporation with voting members must hold a regular meeting of voting members annually (section 64);
- (21) if a specific minimum notice period has not been fixed by law, at least five days' notice is required for a meeting of members (section 67);
- (22) the board may fix a date up to 60 days before the date of a

members meeting as the date for determination of the members entitled to notice of and entitled to vote at the meeting (section 68);

(23) each member has one vote (section 70);

(24) the affirmative vote of the majority of members with voting rights present and entitled to vote is required for action of the members, unless this chapter or the articles or bylaws require a greater vote or voting by class (section 71);

(25) members may take action at a meeting by voice or ballot, by unanimous action without a meeting, by mailed ballot, or by electronic communication (section 71);

(26) the number of members required for a quorum is ten percent of the members entitled to vote (section 75);

(27) certain procedures govern acceptance of member acts (section 77); and

(28) indemnification of certain persons is required (section 83).

Subd. 4. [OPTIONAL PROVISIONS; SPECIFIC SUBJECTS.] The following provisions relating to the management or regulation of the affairs of a corporation may be included in the articles or, except for naming members of the first board or fixing a greater than majority director or member vote, in the bylaws:

(1) the first board of directors may be named in the articles (section 25);

(2) additional qualifications for directors may be imposed (section 29);

(3) terms of directors may be staggered (section 30);

(4) the day or date, time, and place of board meetings may be fixed (section 39);

(5) in addition to the president, authority to sign and deliver certain documents may be delegated to an officer or agent of the corporation (section 48);

(6) additional officers may be designated (section 49);

(7) additional powers, rights, duties, and responsibilities may be given to officers (section 49);

(8) a method for filling vacant offices may be specified (section 53);

(9) membership criteria and procedures for admission may be established (section 56);

(10) membership terms may be fixed (section 56);

(11) a corporation may levy dues, assessments, or fees on members (section 59);

(12) a corporation may buy memberships (section 62);

(13) a corporation may have delegates with some or all the authority of members (section 63);

(14) the day or date, time, and place of regular member meetings or the place of special meetings may be fixed (section 64);

(15) certain persons may be authorized to call special meetings of members (section 65);

(16) notices of special member meetings may be required to contain certain information (section 65);

(17) a larger than majority vote may be required for member action (section 71);

(18) members may vote by proxy (section 76); and

(19) members may enter into voting agreements (section 78).

Subd. 5. [OPTIONAL PROVISIONS; GENERALLY.] The articles may contain other provisions consistent with law relating to the management or regulation of the affairs of the corporation.

Subd. 6. [POWERS NEED NOT BE STATED.] It is not necessary to state the corporate powers granted by this chapter in the articles.

Subd. 7. [SUBSTANTIVE LAW CONTROLS.] If there is a conflict between subdivision 2, 3, or 4 and another section of this chapter, the other section controls.

Sec. 11. [317A.113] [PRIVATE FOUNDATIONS; PROVISIONS CONSIDERED CONTAINED IN ARTICLES.]

Subdivision 1. [PROVISIONS REQUIRED.] The articles of incorporation of a corporation that is a private foundation as defined in section 509(a) of the Internal Revenue Code of 1986 and an instrument governing the use, retention, or disposition by the corporation of its income or property must contain the provisions contained in this section. If the articles and instrument do not contain these

provisions, they are considered to have incorporated the language in clauses (1) to (5) with the same effect as though the language was set forth verbatim. Except as provided in subdivision 2, these provisions govern the corporation as to the use, retention, and disposition of its income and property regardless of provisions of the articles or instrument or other law of this state to the contrary:

(1) the corporation shall distribute for each of its taxable years amounts at least sufficient to avoid liability for the tax imposed by section 4942(a) of the Internal Revenue Code of 1986;

(2) the corporation may not engage in an act of "self-dealing" as defined in section 4941(d) of the Internal Revenue Code of 1986 that would give rise to liability for the tax imposed by section 4941(a) of the Internal Revenue Code of 1986;

(3) the corporation may not retain "excess business holdings" as defined in section 4943(c) of the Internal Revenue Code of 1986 that would give rise to liability for the tax imposed by section 4943(a) of the Internal Revenue Code of 1986;

(4) the corporation may not make investments that would jeopardize the carrying out of the exempt purposes of the corporation, within the meaning of section 4944 of the Internal Revenue Code of 1986, so as to give rise to liability for the tax imposed by section 4944(a) of the Internal Revenue Code of 1986; and

(5) the corporation may not make a "taxable expenditure" as defined in section 4945(d) of the Internal Revenue Code of 1986 that would give rise to liability for the tax imposed by section 4945(a) of the Internal Revenue Code of 1986.

Subd. 2. [EXCEPTION.] Subdivision 1 does not apply to a corporation if a court of competent jurisdiction determines that the application would be contrary to the terms of an instrument described in subdivision 1 and that the instrument may not properly be changed to conform to subdivision 1.

Subd. 3. [FUTURE REFERENCES.] A reference in subdivision 1 to a particular section of the Internal Revenue Code of 1986 includes the corresponding provision of a future United States Internal Revenue law.

Subd. 4. [APPLICATION.] This section applies to all corporations that could be governed by this chapter, notwithstanding sections 3 and 6.

Subd. 5. [RIGHTS RESERVED.] This section does not impair the rights and powers of the attorney general or the courts of this state with respect to a corporation.

Sec. 12. [317A.115] [CORPORATE NAME.]

Subdivision 1. [REQUIREMENTS.] (a) The corporate name must be in the English language or in another language expressed in English letters or characters.

(b) A corporate name may not contain a word or phrase that shows or implies that it may not be incorporated under this chapter.

(c) A corporate name need not contain the word "corporation," "incorporated," "company," or "limited," or an abbreviation of one of these words.

Subd. 2. [USE OF DECEPTIVELY SIMILAR NAME.] (a) A corporate name may not be the same as, or deceptively similar to, the name of a domestic corporation or limited partnership, a foreign corporation or limited partnership authorized or registered to do business in this state, whether profit or nonprofit, or a name the right to which is, at the time of incorporation, reserved, registered, or provided for in section 13, 302A.117, 322A.03, or sections 333.001 to 333.54, unless one of the following is filed with the articles:

(1) the written consent of the organization having the same or a deceptively similar name;

(2) a certified copy of a final decree of a court in this state establishing the prior right of the applicant to use its corporate name in this state; or

(3) an affidavit of nonuse of the kind required by section 302A.115, subdivision 1, paragraph (d), clause (3).

(b) The secretary of state shall determine whether a name is deceptively similar for purposes of this section and section 13.

(c) This subdivision does not affect the right of a corporation existing on January 1, 1991, or a foreign corporation authorized to do business in this state on that date, to use its corporate name.

Subd. 3. [OTHER LAWS AFFECTING USE OF NAMES.] This section and sections 13 and 121, subdivision 2, do not abrogate or limit the law of unfair competition or unfair practices, sections 333.001 to 333.54, the laws of the United States with respect to the right to acquire and protect copyrights, trade names, trademarks, service names, service marks, or other rights to the exclusive use of names or symbols, nor derogate the common law or the principles of equity.

Subd. 4. [USE OF NAME BY SUCCESSOR CORPORATION.] A corporation that is merged with another domestic or foreign corpo-

ration, that is incorporated by the reorganization of one or more domestic or foreign corporations, or that acquires by sale, lease, or other disposition to or exchange with a domestic corporation all or substantially all of the assets of another domestic or foreign corporation, including its name, may have the same name as that used in this state by any of the other corporations, if the other corporation was incorporated under the laws of, or is authorized to transact business in, this state.

Subd. 5. [EFFECT OF WRONGFUL USE; INJUNCTION.] The use of a name by a corporation in violation of this section does not affect or impair its corporate existence, but a court in this state may, upon application of the state or of an interested or affected person, enjoin the corporation from doing business under a name assumed in violation of this section, although its articles may have been filed with the secretary of state and a certificate of incorporation issued.

Sec. 13. [317A.117] [RESERVED NAME.]

Subdivision 1. [WHO MAY RESERVE.] A corporate name permitted by section 12 may be reserved in the records of the secretary of state by:

(1) a person doing business in this state under that name or a name deceptively similar to that name;

(2) a person intending to incorporate under this chapter;

(3) a domestic corporation intending to change its name;

(4) a foreign corporation intending to make application for a certificate of authority to transact business in this state;

(5) a foreign corporation authorized to transact business in this state and intending to change its name;

(6) a person intending to incorporate a foreign corporation and intending to have the foreign corporation make application for a certificate of authority to transact business in this state; or

(7) a foreign corporation doing business under that name or a name deceptively similar to that name in a state other than this state and not described in clauses (4) to (6).

Subd. 2. [METHOD OF RESERVATION.] The reservation must be made by filing with the secretary of state a request that the name be reserved. If the name is available for reservation by the applicant, the secretary of state shall reserve the name for the applicant for 12 months. The reservation may be renewed for successive 12-month periods.

Subd. 3. [TRANSFER OF RESERVATION.] The right to a corporate name reserved under this section may be transferred to another person by or on behalf of the applicant for whom the name was reserved by filing with the secretary of state a notice of the transfer and specifying the name and address of the transferee.

Sec. 14. [317A.121] [REGISTERED OFFICE; REGISTERED AGENT.]

Subdivision 1. [REGISTERED OFFICE.] A corporation shall continuously maintain a registered office in this state. A registered office need not be the same as the principal place of business of the corporation.

Subd. 2. [REGISTERED AGENT.] A corporation may designate in its articles a registered agent. The registered agent may be a natural person residing in this state, a domestic corporation, or a foreign corporation authorized to transact business in this state. The registered agent must maintain an office that is identical with the registered office.

Sec. 15. [317A.123] [CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT; CHANGE OF NAME OF REGISTERED AGENT.]

Subdivision 1. [STATEMENT.] A corporation may change its registered office, designate or change its registered agent, or state a change in the name of its registered agent, by filing with the secretary of state a statement containing:

- (1) the name of the corporation;
- (2) if the address of its registered office is to be changed, the new address of its registered office;
- (3) if its registered agent is to be designated or changed, the name of its new registered agent;
- (4) if the name of its registered agent is to be changed, the name of its registered agent as changed;
- (5) a statement that the address of its registered office and the address of the office of its registered agent, as changed, will be identical; and
- (6) a statement that the change of registered office or registered agent was authorized by resolution approved by the board.

Subd. 2. [RESIGNATION OF AGENT.] A registered agent of a corporation may resign by filing with the secretary of state a signed

written notice of resignation, including a statement that a signed copy of the notice has been given to the corporation at its registered office. The appointment of the agent ends 30 days after the notice is filed with the secretary of state.

Subd. 3. [CHANGE OF ADDRESS OR NAME OF AGENT.] If the address or name of a registered agent changes, the agent shall change the address of the registered office or the name of the registered agent of a corporation represented by that agent by filing with the secretary of state the statement required in subdivision 1, except that it need be signed only by the registered agent, need not be responsive to subdivision 1, clause (3) or (6), and must state that a copy of the statement has been mailed to the corporation.

Sec. 16. [317A.131] [AMENDMENT OF ARTICLES.]

The articles of a corporation may be amended to include or modify a provision that is required or permitted to appear in the articles or to omit a provision not required to be included in the articles. When articles are amended to restate them, the name and address of each incorporator may be omitted. Unless otherwise provided in this chapter, the articles may be amended or modified only under sections 17 and 18.

Sec. 17. [317A.133] [PROCEDURE FOR AMENDMENT OF ARTICLES.]

Subdivision 1. [APPROVAL BY INCORPORATORS OR BOARD.] A majority of incorporators may amend the articles by written action if no directors are named in the original articles, if no directors have been elected, and if there are no members with voting rights. A majority of directors may amend the articles if there are no members with voting rights, if members with voting rights have authorized the board to amend the articles under subdivision 3, or if the amendment merely restates the existing articles, as amended. An amendment restating the existing articles may, but need not, be submitted to and approved by the members as provided in subdivision 2.

Subd. 2. [APPROVAL BY BOARD AND MEMBERS WITH VOTING RIGHTS.] Amendments to the articles must be approved by a majority of the directors and a majority of the members with voting rights. If an amendment is initiated by the directors, proper notice of the proposed amendment must precede a member meeting at which the amendment will be considered and must include the substance of the proposed amendment. If an amendment is proposed and approved by the members, the members may demand a special board meeting within 60 days for consideration of the proposed amendment if a regular board meeting would not occur within 60 days.

Subd. 3. [APPROVAL BY BOARD WHERE MEMBERS HAVE VOTING RIGHTS.] (a) A majority of members with voting rights may authorize the board of directors, subject to paragraph (c), to exercise from time to time the power of amendment of the articles without member approval.

(b) When the members have authorized the board of directors to amend the articles, the board of directors, by a majority vote, unless the articles, bylaws, or the members' resolution authorizing the board action require a greater vote, may amend the articles at a meeting of the board. Notice of the meeting and of the proposed amendment must be given.

(c) A majority of members with voting rights voting at a meeting duly called for the purpose, may prospectively revoke the authority of the board to exercise the power of the members to amend the articles.

Subd. 4. [RESTRICTION OF APPROVAL METHODS.] Articles or bylaws may require greater than majority approval by either the board or voting members for an action under this section and may limit or prohibit the use of mail ballots by voting members.

Subd. 5. [APPROVAL OF CLASS.] The articles or bylaws may provide that an amendment also must be approved by the members of a class.

Sec. 18. [317A.139] [ARTICLES OF AMENDMENT.]

When an amendment has been adopted, articles of amendment must be prepared that contain:

(1) the name of the corporation;

(2) the amendment adopted;

(3) with respect to an amendment restating the articles, a statement that the amendment correctly sets forth without change the corresponding provisions of the articles as previously amended, if the amendment was approved only by the board; and

(4) a statement that the amendment has been adopted under this chapter.

Sec. 19. [317A.141] [EFFECT OF AMENDMENT.]

Subdivision 1. [EFFECT ON CAUSE OF ACTION.] An amendment does not affect an existing cause of action in favor of or against the corporation, a pending suit to which the corporation is a party, nor the existing rights of persons other than members.

Subd. 2. [EFFECT OF CHANGE OF NAME.] If the corporate name is changed by the amendment, a suit brought by or against the corporation under its former name does not abate for that reason.

Subd. 3. [EFFECT OF AMENDMENTS RESTATING ARTICLES.] When effective under section 20, an amendment restating the articles in their entirety supersedes the original articles and amendments to the original articles.

Sec. 20. [317A.151] [FILING; EFFECTIVE DATE OF ARTICLES.]

Subdivision 1. [FILING REQUIRED.] Articles of incorporation and articles of amendment must be filed with the secretary of state.

Subd. 2. [EFFECTIVE DATE.] Articles of incorporation are effective and corporate existence begins when the articles of incorporation are filed with the secretary of state accompanied by a payment of \$60, which includes a \$35 incorporation fee in addition to the \$25 filing fee required by section 2, subdivision 9. Articles of amendment are effective when filed with the secretary of state or at another time within 31 days after filing if the articles of amendment so provide.

Sec. 21. [317A.155] [PRESUMPTION; CERTIFICATE OF INCORPORATION.]

When the articles of incorporation have been filed with the secretary of state and the required fee has been paid to the secretary of state, it is presumed that conditions precedent required to be performed by the incorporators have been complied with and that the corporation has been incorporated, and the secretary of state shall issue a certificate of incorporation to the corporation. This presumption does not apply against this state in a proceeding to cancel or revoke the certificate of incorporation or to compel the involuntary dissolution of the corporation.

POWERS

Sec. 22. [317A.161] [POWERS.]

Subdivision 1. [GENERALLY; LIMITATIONS.] A corporation has the powers in this section, subject to limitations provided in applicable federal or state law or in its articles or bylaws.

Subd. 2. [DURATION.] A corporation has perpetual duration.

Subd. 3. [LEGAL CAPACITY.] A corporation may sue and be sued, and participate in a legal, administrative, or arbitration proceeding, in its corporate name.

Subd. 4. [PROPERTY OWNERSHIP.] A corporation may buy, lease, acquire, own, hold, improve, use, and deal in and with, real or personal property, or an interest in property, wherever located.

Subd. 5. [PROPERTY DISPOSITION.] A corporation may sell, convey, mortgage, create a security interest in, lease, exchange, transfer, or dispose of all or a part of its real or personal property, or an interest in property, wherever located.

Subd. 6. [TRADING IN SECURITIES; OBLIGATIONS.] A corporation may buy, subscribe for, acquire, own, hold, vote, use, employ, sell, exchange, mortgage, lend, create a security interest in, dispose of, use, and deal in and with, securities or other interests in, or obligations of, a person or direct or indirect obligations of a domestic or foreign government or instrumentality.

Subd. 7. [CONTRACTS; MORTGAGES.] A corporation may make contracts and incur liabilities, borrow money, issue its securities, and secure its obligations by mortgage of or creation of a security interest in its property, franchises, and income.

Subd. 8. [INVESTMENT.] A corporation may invest and reinvest its funds.

Subd. 9. [HOLDING PROPERTY AS SECURITY.] A corporation may take and hold real and personal property, whether or not of a kind sold or otherwise dealt in by the corporation, as security for the payment of money loaned, advanced, or invested.

Subd. 10. [LOCATION.] A corporation may conduct its business, carry on its operations, have offices, and exercise the powers granted by this chapter anywhere in the universe.

Subd. 11. [DONATIONS.] A corporation may make donations for religious, scientific, educational, or charitable purposes, and for other purposes consistent with law, that further the corporate interest.

Subd. 12. [PENSIONS; BENEFITS.] A corporation may pay pensions, retirement allowances, and compensation for past services and establish employee or incentive benefit plans, trusts, and provisions for the benefit of its officers, directors, employees, and agents and their families, dependents, and beneficiaries. It may indemnify and buy insurance for a fiduciary of an employee benefit and incentive plan, trust, or provision.

Subd. 13. [PARTICIPATIONS.] (a) A corporation may participate in the promotion, organization, management, and operation of an organization or in a transaction, undertaking, or arrangement that the participating corporation would have power to conduct by itself,

whether or not the participation involves sharing or delegation of control.

(b) A corporation may participate with others in a corporation, partnership, limited partnership, joint venture, trust, or other association of any kind that the participating corporation would have power to conduct by itself, whether or not the participation involves sharing or delegation of control.

Subd. 14. [INSURANCE.] A corporation may provide for its benefit life insurance and other insurance with respect to the services of its officers, directors, employees, and agents.

Subd. 15. [CORPORATE SEAL.] A corporation may have, alter at pleasure, and use a corporate seal as provided in section 23.

Subd. 16. [BYLAWS.] A corporation may adopt, amend, and repeal bylaws relating to the management of the business or the regulation of the affairs of the corporation as provided in section 26.

Subd. 17. [COMMITTEES.] A corporation may establish committees of the board of directors, elect or appoint persons to the committees, define their duties, and fix their compensation as provided in section 43.

Subd. 18. [OFFICERS; EMPLOYEES; AGENTS.] A corporation may elect or appoint officers, employees, and agents of the corporation, define their duties, and fix their compensation as provided in sections 47 to 55.

Subd. 19. [LOANS; GUARANTIES; SURETIES.] A corporation may lend money to, guarantee an obligation of, become a surety for, or otherwise financially assist persons as provided in section 81.

Subd. 20. [ADVANCES.] A corporation may make advances to its directors, officers, and employees and those of its subsidiaries as provided in section 82.

Subd. 21. [INDEMNIFICATION.] A corporation shall indemnify those persons identified in section 83 against certain expenses and liabilities only as provided in section 83 and may indemnify other persons.

Subd. 22. [ASSUMED NAMES.] A corporation may conduct all or part of its business under one or more assumed names as provided in sections 333.001 to 333.06.

Subd. 23. [MAY TAKE AND HOLD TRUST PROPERTY.] A corporation may take, receive, and hold real and personal property, including the principal and interest of money or other fund, that is

given, conveyed, bequeathed, devised to, or vested in the corporation in trust where the corporation or a related organization has a vested or contingent interest in the trust.

Subd. 24. [MAY INVEST TRUST PROPERTY.] Except where the trust instrument prescribes otherwise, a corporation may invest trust property or its proceeds in accordance with section 501.125.

Subd. 25. [MEMBERSHIP.] A corporation may be a member of another foreign or domestic nonprofit corporation.

Subd. 26. [DISSOLUTION.] A corporation may dissolve and wind up.

Subd. 27. [MERGER AND CONSOLIDATION.] A corporation may merge and consolidate with other domestic or foreign nonprofit corporations organized for related purposes.

Subd. 28. [OTHER POWERS.] A corporation has other powers necessary or convenient to effect a lawful purpose for which the corporation is incorporated.

Sec. 23. [317A.163] [CORPORATE SEAL.]

Subdivision 1. [SEAL NOT REQUIRED.] A corporation may, but need not, have a corporate seal. The use or nonuse of a corporate seal does not affect the validity, recordability, or enforceability of a document or act. If a corporation has a corporate seal, the use of the seal by the corporation on a document is not necessary.

Subd. 2. [REQUIRED WORDS; USE.] If a corporation has a corporate seal, the seal may consist of a mechanical imprinting device, or a rubber stamp with a facsimile of the seal affixed on it, or a facsimile or reproduction of either. The seal may include a part or all of the name of the corporation and a combination, derivation, or abbreviation of either or both of the phrases "a Minnesota Nonprofit Corporation" and "Corporate Seal." If a corporation has a corporate seal, it or a facsimile of it may be affixed, engraved, printed, placed, stamped with indelible ink, or in any other manner reproduced on any document.

Sec. 24. [317A.165] [EFFECT OF LACK OF POWER; ULTRA VIRES.]

Subdivision 1. [GENERAL.] Except as provided in this section, the doing, continuing, or performing by a corporation of an act, or an executed or wholly or partially executory contract, conveyance, or transfer to or by the corporation, if otherwise lawful, is not invalid because the corporation was without the power under this chapter or

its articles or bylaws to do, continue, or perform the act, contract, conveyance, or transfer.

Subd. 2. [ACTION BY MEMBER.] At least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, may bring an action against the corporation to enjoin the doing, continuing, or performing of an unauthorized act, contract, conveyance, or transfer. If the unauthorized act, continuation, or performance sought to be enjoined is being, or to be, performed or made pursuant to a contract to which the corporation is a party, the court may, if just and reasonable in the circumstances, set aside and enjoin the performance of the contract and allow to the corporation or to the other parties to the contract compensation for the loss or damage sustained as a result of the action of the court in setting aside and enjoining the performance of the contract.

Subd. 3. [ACTION BY CORPORATION.] The corporation may bring an action, directly or through a director or member with voting rights in a representative or derivative suit, against the incumbent or former officers or directors of the corporation for exceeding or violating their authority.

ORGANIZATION; BYLAWS

Sec. 25. [317A.171] [ORGANIZATION.]

Subdivision 1. [ROLE OF INCORPORATORS.] If the first board is not named in the articles, the incorporators may elect the first board or may act as directors with the powers, rights, duties, and liabilities of directors, until directors are elected.

Subd. 2. [MEETING.] After the issuance of the certificate of incorporation, the incorporators or the directors named in the articles shall, within a reasonable time, hold an organizational meeting at the call of a majority of the incorporators or of the directors named in the articles, or take written action, for the purposes of transacting business and taking actions necessary or appropriate to complete the organization of the corporation. If a meeting is held, the persons calling the meeting shall give at least three days' notice of the meeting to each incorporator or director named, stating the date, time, and place of the meeting.

Sec. 26. [317A.181] [BYLAWS.]

Subdivision 1. [GENERALLY.] A corporation may, but need not, have bylaws. Bylaws may contain any provision relating to the management or regulation of the affairs of the corporation consistent with law or the articles including, but not limited to:

- (1) the number of directors, and the qualifications, manner of election, powers, duties, and compensation, if any, of directors;
- (2) the qualifications of members;
- (3) different classes of membership;
- (4) the manner of admission, withdrawal, suspension, and expulsion of members;
- (5) property, voting, and other rights and privileges of members;
- (6) the appointment and authority of committees;
- (7) the appointment or election, duties, compensation, and tenure of officers;
- (8) the time, place, and manner of calling, conducting, and giving notice of member, board, and committee meetings, or of conducting mail ballots;
- (9) the making of reports and financial statements to members; or
- (10) the number establishing a quorum for meetings of members and the board.

Subd. 2. [ADOPTION; AMENDMENTS.] (a) Initial bylaws may be adopted under section 25 by the incorporators or by the first board. Unless reserved by the articles to the members, the power to adopt, amend, or repeal the bylaws is vested in the board. The power of the board is subject to the power of the members with voting rights under paragraph (b) to adopt, amend, or repeal bylaws adopted, amended, or repealed by the board. After the adoption of the initial bylaws, the board may not adopt, amend, or repeal a bylaw fixing a quorum for meetings of members, prescribing procedures for removing directors or filling vacancies in the board, or fixing the number of directors or their classifications, qualifications, or terms of office, but may adopt or amend a bylaw to increase the number of directors.

(b) If at least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, propose a resolution for action by the members to adopt, amend, or repeal bylaws adopted, amended, or repealed by the board and the resolution sets forth the provisions proposed for adoption, amendment, or repeal, the limitations and procedures for submitting, considering, and adopting the resolution are the same as provided in section 17, for amendment of the articles, except that board approval is not required. The articles or bylaws may impose additional requirements for the members to adopt, amend, or repeal the bylaws.

BOARD

Sec. 27. [317A.201] [BOARD.]

The business and affairs of a corporation must be managed by or under the direction of a board of directors. The members of the first board may be named in the articles, designated or appointed pursuant to the articles, or elected by the incorporators under section 25.

Sec. 28. [317A.203] [NUMBER.]

A board of directors must consist of three or more individuals, with the number specified in or fixed in accordance with the articles or bylaws, except that if the corporation has either one or two members with voting rights, the number of directors may be less than three but not less than the number of members with voting rights.

Sec. 29. [317A.205] [QUALIFICATIONS; ELECTION.]

The qualifications and method of election, designation, or appointment of directors may be imposed by or in the manner provided in the articles or bylaws, provided that directors must be natural persons and a majority of the directors must be adults.

Sec. 30. [317A.207] [TERMS.]

Subdivision 1. [LENGTH.] (a) Directors are elected, designated, or appointed and hold office for fixed terms provided for in the articles or bylaws. A term of a director, other than an ex officio director, may not exceed ten years. If the articles or bylaws do not provide for a fixed term, the term is one year.

(b) Unless the articles or bylaws provide otherwise, a director holds office until expiration of the term for which the director was elected and until a successor is elected and qualified, or until the earlier death, resignation, removal, or disqualification of the director.

(c) A decrease in the number of directors or term of office does not shorten an incumbent director's term.

(d) Except as provided in the articles or bylaws, the term of a director filling a vacancy expires at the end of the unexpired term that the director is filling.

Subd. 2. [STAGGERED TERMS.] The articles or bylaws may provide for staggering the terms of directors by dividing the total

number of directors into groups. The terms of office of the groups need not be uniform.

Sec. 31. [317A.209] [ACTS NOT VOID OR VOIDABLE.]

The expiration of a director's term with or without the election of a qualified successor does not make prior or later acts of the officers or the board void or voidable.

Sec. 32. [317A.211] [COMPENSATION.]

Subject to a limitation in the articles or bylaws, the board may fix the compensation of directors.

Sec. 33. [317A.213] [CLASSIFICATION OF DIRECTORS.]

Directors of a corporation described in section 118, subdivision 1, may be divided into classes for purposes of voting by the board, but may not vote by class except where the articles or bylaws provide that only one class of directors may vote on a particular matter.

Sec. 34. [317A.215] [CUMULATIVE VOTING FOR DIRECTORS.]

Unless the articles provide otherwise, there is no cumulative voting.

Sec. 35. [317A.221] [RESIGNATION.]

(a) A director may resign at any time by giving written notice to the corporation. The resignation is effective without acceptance when the notice is given to the corporation, unless a later effective time is specified in the notice.

(b) If a resignation is made effective at a later date, the board may fill the pending vacancy before the effective date if the board provides that the successor does not take office until the effective date.

Sec. 36. [317A.223] [REMOVAL OF DIRECTORS.]

Subdivision 1. [MODIFICATION.] The provisions of this section apply unless a different method of removal is provided for in the articles or bylaws.

Subd. 2. [REMOVAL BY DIRECTORS WHEN THERE ARE MEMBERS WITH VOTING RIGHTS.] If there are members with voting rights, a director may be removed at any time, with or without cause, if:

(1) the director was named by the board to fill a vacancy;

(2) the members with voting rights have not elected directors in the interval between the time of the appointment to fill the vacancy and the time of the removal; and

(3) a majority of the remaining directors present affirmatively vote to remove the director.

Subd. 3. [REMOVAL BY DIRECTORS WHEN THERE ARE NO MEMBERS WITH VOTING RIGHTS.] If there are no members with voting rights, a director may be removed at any time, with or without cause, by those directors eligible to elect the director.

Subd. 4. [REMOVAL BY MEMBERS WITH VOTING RIGHTS.] A director may be removed at any time, with or without cause, by those members eligible to elect the director.

Sec. 37. [317A.225] [REMOVAL OF DESIGNATED OR APPOINTED DIRECTORS.]

Except as otherwise provided in the articles or bylaws, a designated or appointed director may be removed without cause by the person designating or appointing the director. The person removing the director shall do so by giving written notice of the removal to the director and either the presiding officer of the board or the corporation's president or secretary. A removal is effective when the notice is effective unless the notice states a future effective date.

Sec. 38. [317A.227] [VACANCIES.]

(a) Unless the articles or bylaws provide otherwise, and except as provided in paragraphs (b), (c), and (d), if a vacancy occurs on the board of directors, including a vacancy resulting from an increase in the number of directors:

(1) the members with voting rights, if any, may fill the vacancy;
or

(2) the remaining members of the board, though less than a quorum, may fill the vacancy.

(b) If a vacant office was held by a director elected by a class, chapter, or other organizational unit or by region or other geographic grouping, only members of the class, chapter, unit, or grouping are entitled to vote to fill the vacancy.

(c) If a vacant office was held by an appointed director, only the person who appointed the director may fill the vacancy.

(d) If a vacant office was held by a designated director, the vacancy must be filled as provided in the articles or bylaws. The vacancy may not be filled by the board unless authorized by the articles or bylaws.

(e) A vacancy that will occur at a specific later date may be filled before the vacancy occurs but the new director may not take office until the vacancy occurs.

Sec. 39. [317A.231] [BOARD MEETINGS.]

Subdivision 1. [TIME; PLACE.] Meetings of the board may be held as provided in the articles or bylaws in or out of this state. Unless the articles or bylaws provide otherwise, a meeting of the board must be held at least once per year. If the articles or bylaws or the board fail to select a place for a meeting, the meeting must be held at the registered office.

Subd. 2. [ELECTRONIC COMMUNICATIONS.] (a) A conference among directors by a means of communication through which the directors may simultaneously hear each other during the conference is a board meeting, if the same notice is given of the conference as would be required for a meeting, and if the number of directors participating in the conference is a quorum. Participation in a meeting by this means is personal presence at the meeting.

(b) A director may participate in a board meeting by any means of communication through which the director, other directors participating, and all directors physically present at the meeting may simultaneously hear each other during the meeting. Participation in a meeting by this means is personal presence at the meeting.

Subd. 3. [CALLING MEETINGS; NOTICE.] (a) Unless the articles or bylaws provide otherwise, a director may call a board meeting by giving five days' notice to all directors of the date, time, and place of the meeting. The notice need not state the purpose of the meeting unless the articles or bylaws require it.

(b) If the day or date, time, and place of a board meeting have been provided in the articles or bylaws, or announced at a previous meeting of the board, notice is not required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken.

Subd. 4. [WAIVER OF NOTICE.] A director may waive notice of a meeting of the board. A waiver of notice by a director entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a director at a meeting is a waiver of notice of that meeting, unless the director objects at the beginning of the meeting to the transaction of

business because the meeting is not lawfully called or convened and does not participate in the meeting.

Sec. 40. [317A.235] [QUORUM.]

A majority, or a larger or smaller proportion or number provided in the articles or bylaws but not less than one-third, of the directors currently holding office is a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time until a quorum is present. If a quorum is present when a duly called or held meeting is convened, the directors present may continue to transact business until adjournment, even though the withdrawal of directors originally present leaves less than the proportion or number otherwise required for a quorum.

Sec. 41. [317A.237] [ACT OF THE BOARD.]

The board shall take action by the affirmative vote of a majority of directors present at a duly held meeting, unless this chapter or the articles or bylaws require the affirmative vote of a larger proportion or number.

Sec. 42. [317A.239] [ACTION WITHOUT MEETING.]

Subdivision 1. [METHOD.] An action required or permitted to be taken at a board meeting may be taken by written action signed by all of the directors. If the articles so provide, an action, other than an action requiring member approval, may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the board at which all directors were present.

Subd. 2. [EFFECTIVE TIME.] The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action.

Subd. 3. [NOTICE; LIABILITY.] When written action is permitted to be taken by less than all directors, all directors must be notified immediately of its text and effective date. Failure to provide the notice does not invalidate the written action. A director who does not sign or consent to the written action is not liable for the action.

Sec. 43. [317A.241] [COMMITTEES.]

Subdivision 1. [GENERALLY.] A resolution approved by the affirmative vote of a majority of the board may establish committees having the authority of the board in the management of the business of the corporation to the extent provided in the resolution.

Committees are subject at all times to the direction and control of the board.

Subd. 2. [MEMBERSHIP.] Committee members must be natural persons. Unless the articles or bylaws provide otherwise, a committee must consist of one or more persons, who need not be directors, appointed by the board.

Subd. 3. [PROCEDURE.] Sections 39 to 42 apply to committees and members of committees to the same extent as those sections apply to the board.

Subd. 4. [MINUTES.] Minutes, if any, of committee meetings must be made available upon request to members of the committee and to a director.

Subd. 5. [STANDARD OF CONDUCT.] The establishment of, delegation of authority to, and action by a committee does not alone constitute compliance by a director with the standard of conduct set forth in section 44.

Subd. 6. [COMMITTEE MEMBERS CONSIDERED DIRECTORS.] Committee members are considered to be directors for purposes of sections 44, 45, and 83.

Sec. 44. [317A.251] [STANDARD OF CONDUCT.]

Subdivision 1. [STANDARD; LIABILITY.] A director shall discharge the duties of the position of director in good faith, in a manner the director reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who so performs those duties is not liable by reason of being or having been a director of the corporation.

Subd. 2. [RELIANCE.] (a) A director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(1) one or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;

(2) counsel, public accountants, or other persons as to matters that the director reasonably believes are within the person's professional or expert competence; or

(3) a committee of the board upon which the director does not serve, duly established under section 43, as to matters within its

designated authority, if the director reasonably believes the committee to merit confidence.

(b) Paragraph (a) does not apply to a director who has actual knowledge concerning the matter in question that makes the reliance otherwise permitted by paragraph (a) unwarranted.

Subd. 3. [PRESUMPTION OF ASSENT; DISSENT.] A director who is present at a meeting of the board when an action is approved by the board is presumed to have assented to the action approved, unless the director:

(1) objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate in the meeting, in which case the director is not considered to be present at the meeting for purposes of this chapter;

(2) votes against the action at the meeting; or

(3) is prohibited by section 45 from voting on the action.

Subd. 4. [NOT CONSIDERED TRUSTEE.] A director, regardless of how identified, is not considered to be a trustee with respect to the corporation or with respect to property held or administered by the corporation, including without limit, property that may be subject to restrictions imposed by the donor or transferor of the property.

Sec. 45. [317A.255] [DIRECTOR CONFLICTS OF INTEREST.]

Subdivision 1. [CONFLICT; PROCEDURE WHEN CONFLICT ARISES.] A contract or other transaction between a corporation and its director, or between its director and a related organization, or between a corporation and an organization in or of which its director is a director, officer, or legal representative or has a material financial interest, is not void or voidable because the director or the other organization are parties or because the director is present at the meeting of the members or the board or a committee at which the contract or transaction is authorized, approved, or ratified if:

(1) the contract or transaction was, and the person asserting the validity of the contract or transaction has the burden of establishing that the contract or transaction was, fair and reasonable as to the corporation when it was authorized, approved, or ratified;

(2) the material facts as to the contract or transaction and as to the director's interest are fully disclosed or known to the members and the contract or transaction is approved in good faith by two-thirds of the members entitled to vote, other than the interested director or directors, or the unanimous affirmative vote of all members, whether or not entitled to vote;

(3) the material facts as to the contract or transaction and as to the director's interest are fully disclosed or known to the board or a committee, and the board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a majority of the board or committee, but the interested director may not be counted in determining the presence of a quorum and may not vote; or

(4) the contract or transaction is a merger or consolidation described in section 84.

Subd. 2. [MATERIAL FINANCIAL INTEREST.] For purposes of this section:

(1) a director does not have a material financial interest in a resolution fixing the compensation of the director or fixing the compensation of another director as a director, officer, employee, or agent of the corporation, even though the first director is also receiving compensation from the corporation; and

(2) a director has a material financial interest in an organization in which the director, or the spouse, parents, children and spouses of children, brothers and sisters or spouses of brothers and sisters of the director, have a material financial interest.

Subd. 3. [EXCEPTION.] The procedures described under subdivision 1, clauses (1) to (3), are not required if the contract or other transaction is between related organizations.

Sec. 46. [317A.257] [UNPAID DIRECTORS; LIABILITY FOR DAMAGES.]

Subdivision 1. [GENERALLY.] Except as provided in subdivision 2, a person who serves without compensation as a director, officer, trustee, member, or agent of an organization exempt from state income taxation under section 290.05, subdivision 2, or who serves without compensation as a fire chief of a nonprofit firefighting corporation or municipal volunteer fire department, or of a public corporation established by law but not considered a municipality, is not civilly liable for an act or omission by that person if the act or omission was in good faith, was within the scope of the person's responsibilities as a director, officer, trustee, member, agent, or fire chief of the organization, and did not constitute willful or reckless misconduct.

Subd. 2. [EXCEPTIONS.] (a) Subdivision 1 does not apply to:

(1) an action or proceeding brought by the attorney general for a breach of a fiduciary duty as a director;

(2) a cause of action to the extent it is based on federal law;

(3) a cause of action based on the person's express contractual obligation; or

(4) an action or proceeding based on a breach of public pension plan fiduciary responsibility.

(b) Subdivision 1 does not limit an individual's liability for physical injury to the person of another or for wrongful death that is personally and directly caused by the individual, nor the liability of a municipality arising out of the performance of firefighting or related activities.

Subd. 3. [DEFINITION.] For purposes of this section, the term "compensation" means any thing of value received for services rendered, except:

(1) reimbursement for expenses actually incurred;

(2) a per diem in an amount not more than the per diem authorized for state advisory councils and committees under section 15.059, subdivision 3; or

(3) payment by an organization of insurance premiums on behalf of a person who is or was a director, officer, trustee, member, or agent of an organization, or who, while a director, officer, trustee, member, or agent of the organization, is or was serving at the request of the organization as a director, officer, partner, trustee, employee, or agent of another organization or employee benefit plan against liability asserted against and incurred by the person in or arising from that capacity.

OFFICERS

Sec. 47. [317A.301] [OFFICERS REQUIRED.]

A corporation must have one or more natural persons exercising the functions of the offices of president and treasurer, however designated.

Sec. 48. [317A.305] [DUTIES OF REQUIRED OFFICERS.]

Subdivision 1. [PRESUMPTION; MODIFICATION.] Unless the articles, the bylaws, or a resolution adopted by the board and consistent with the articles or bylaws, provide otherwise, the president and treasurer have the duties in this section.

Subd. 2. [PRESIDENT.] The president shall:

(1) have general active management of the business of the corporation;

(2) when present, preside at meetings of the board and of the members;

(3) see that orders and resolutions of the board are carried into effect;

(4) sign and deliver in the name of the corporation deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the articles or bylaws or by the board to another officer or agent of the corporation;

(5) maintain records of and, when necessary, certify proceedings of the board and the members; and

(6) perform other duties prescribed by the board.

Subd. 3. [TREASURER.] The treasurer shall:

(1) keep accurate financial records for the corporation;

(2) deposit money, drafts, and checks in the name of and to the credit of the corporation in the banks and depositories designated by the board;

(3) endorse for deposit notes, checks, and drafts received by the corporation as ordered by the board, making proper vouchers for the deposit;

(4) disburse corporate funds and issue checks and drafts in the name of the corporation, as ordered by the board;

(5) upon request, provide the president and the board an account of transactions by the treasurer and of the financial condition of the corporation; and

(6) perform other duties prescribed by the board or by the president.

Sec. 49. [317A.311] [OTHER OFFICERS.]

The board may elect or appoint, in a manner set forth in the articles or bylaws or in a resolution adopted by the board, other officers or agents the board considers necessary for the operation and management of the corporation, each of whom has the powers,

rights, duties, responsibilities, and terms in office provided for in the articles or bylaws or determined by the board.

Sec. 50. [317A.315] [MULTIPLE OFFICES.]

Any number of offices or functions of those offices may be held or exercised by the same person. If a document must be signed by persons holding different offices or functions and a person holds or exercises more than one of those offices or functions, that person may sign the document in more than one capacity, but only if the document indicates each capacity in which the person signs.

Sec. 51. [317A.321] [OFFICERS CONSIDERED ELECTED.]

In the absence of an election or appointment of officers by the board, the person exercising the principal functions of the president or the treasurer is considered to have been elected to the office.

Sec. 52. [317A.331] [CONTRACT RIGHTS.]

The election or appointment of a person as an officer or agent does not, of itself, create contract rights. A corporation may enter into a contract with an officer or agent for a period if, in the board's judgment, the contract would be in the best interests of the corporation. The fact that the contract may be for a term longer than the terms of the directors who authorized or approved the contract does not make the contract void or voidable.

Sec. 53. [317A.341] [RESIGNATION; REMOVAL; VACANCIES.]

Subdivision 1. [RESIGNATION.] An officer may resign by giving written notice to the corporation. The resignation is effective without acceptance when the notice is given to the corporation, unless a later effective date is named in the notice.

Subd. 2. [REMOVAL.] An officer may be removed, with or without cause, by a resolution adopted by the board. The removal is without prejudice to contractual rights of the officer.

Subd. 3. [VACANCY.] A vacancy in an office because of death, resignation, removal, disqualification, or other cause may, or in the case of a vacancy in the office of president or treasurer must, be filled for the unexpired part of the term in the manner provided in the articles or bylaws, or as determined by the board or under section 51.

Sec. 54. [317A.351] [DELEGATION.]

Unless prohibited by the articles or bylaws or by a resolution adopted by the board, an officer may, without the approval of the

board, delegate some or all the duties and powers of an office to other persons. An officer who delegates the duties or powers of an office remains subject to the standard of conduct for an officer with respect to the discharge of the delegated duties and powers.

Sec. 55. [317A.361] [STANDARD OF CONDUCT.]

Subdivision 1. [STANDARD; LIABILITY.] An officer shall discharge the duties of an office in good faith, in a manner the officer reasonably believes to be in the best interests of the corporation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person exercising the principal functions of an office or to whom some or all of the duties and powers of an office are delegated under section 54 is considered an officer for purposes of this section and sections 80 and 83.

Subd. 2. [NOT CONSIDERED TRUSTEE.] An officer is not considered to be a trustee with respect to the corporation or with respect to property held or administered by the corporation, including without limit, property that may be subject to restrictions imposed by the donor or transferor of the property.

MEMBERS

Sec. 56. [317A.401] [MEMBERS.]

Subdivision 1. [EXISTENCE.] (a) A corporation may have one or more classes of members or may have no members. In the absence of a provision in its articles or bylaws providing for members, a corporation has no members.

(b) If a corporation has no members, an action for which there is no specific provision of this chapter applicable to a corporation without members and that would otherwise require approval of the members requires only the approval of the board.

(c) A reference in this chapter to a corporation that has no members includes a corporation in which the directors are the only members.

Subd. 2. [ADMISSION.] A corporation may admit any person as a member. The articles or bylaws may establish criteria or procedures for admission. A person may not be admitted as a member without the person's express or implied consent. For purposes of this subdivision, consent includes, but is not limited to, acceptance of membership benefits knowing that the benefits are available only to members, or taking some other affirmative action that confers membership benefits. If the articles or bylaws provide that a person who contributes to the corporation is a member, a contribution is consent.

Subd. 3. [CONSIDERATION.] Except as provided in its articles or bylaws, a corporation may admit members for no consideration or for consideration as is determined by the board.

Subd. 4. [RIGHTS.] Members are of one class unless the articles establish, or authorize the board or members to establish, more than one class. Members are entitled to vote and have equal rights and preferences in matters not otherwise provided for by the board or members, unless and to the extent that the articles or bylaws have fixed or limited the rights and preferences of members or different classes of members or provide for nonvoting members. The articles or bylaws may fix the term of membership.

Sec. 57. [317A.403] [MEMBERSHIP CERTIFICATES.]

A corporation may issue certificates showing membership in the corporation.

Sec. 58. [317A.405] [TRANSFER OF MEMBERSHIP.]

(a) Except as provided in the articles or bylaws, a member of a corporation may not transfer a membership or a right arising from it.

(b) Where transfer rights have been provided, a restriction on them is not binding with respect to a member holding a membership issued before the adoption of the restriction unless the restriction is approved by the members and the affected member.

Sec. 59. [317A.407] [LIABILITY OF MEMBERS.]

Subdivision 1. [THIRD PARTIES.] A member of a corporation is not, as such, personally liable for the acts, debts, liabilities, or obligations of the corporation.

Subd. 2. [DUES, ASSESSMENTS, OR FEES.] (a) When authority to do so is conferred by the articles or bylaws and subject to any limitations, a corporation may levy dues, assessments, or fees upon its members. The dues, assessments, or fees may be imposed upon all classes of members alike or differently upon different classes of members. Members of one or more classes may be exempted.

(b) Articles or bylaws may:

(1) fix the amount of the levy and the method of collection of dues, assessments, or fees; or

(2) authorize the directors to fix the amount from time to time and determine the methods of collection.

(c) Articles or bylaws may provide for:

(1) enforcement or collection of dues, assessments, or fees;

(2) cancellation of membership, on reasonable notice, for nonpayment of dues, assessments, or fees; or

(3) reinstatement of membership.

Sec. 60. [317A.409] [RESIGNATION.]

A member may resign at any time. The resignation of a member does not relieve the member from any obligations the member may have to the corporation for dues, assessments, or fees or charges for goods or services.

Sec. 61. [317A.411] [TERMINATION.]

Subdivision 1. [FAIR AND REASONABLE PROCEDURE REQUIRED.] A member may not be expelled or suspended, and a membership may not be terminated or suspended prior to the expiration of the member's term except pursuant to a procedure that is fair and reasonable and is carried out in good faith.

Subd. 2. [STANDARDS.] A procedure is fair and reasonable when it is fair and reasonable taking into consideration all of the relevant facts and circumstances. In addition, a procedure is fair and reasonable if it provides:

(1) not less than 15 days' prior written notice of the expulsion, suspension, or termination, and the reasons for it; and

(2) an opportunity for the member to be heard, orally or in writing, not less than five days before the effective date of the expulsion, suspension, or termination by a person authorized to decide that the proposed expulsion, termination, or suspension not take place.

Subd. 3. [TIME LIMIT TO CHALLENGE.] A proceeding challenging an expulsion, suspension, or termination, including a proceeding in which defective notice is alleged, must be begun within one year after the effective date of the expulsion, suspension, or termination.

Subd. 4. [MEMBER LIABILITY.] The expulsion, suspension, or termination of a member does not relieve the member from obligations the member may have to the corporation for dues, assessments, or fees or charges for goods or services.

Sec. 62. [317A.413] [PURCHASE OF MEMBERSHIPS.]

If authorized in its articles or bylaws, a corporation may buy the membership of a member who resigns or whose membership is terminated for the amount and pursuant to the conditions in the articles or bylaws.

Sec. 63. [317A.415] [DELEGATES.]

A corporation may provide in its articles or bylaws for delegates having some or all the authority of members. The articles or bylaws may set forth provisions relating to:

(1) the characteristics, qualifications, rights, limitations, and obligations of the delegates, including their selection and removal;

(2) calling, noticing, holding, and conducting meetings of delegates; and

(3) carrying on corporate activities during and between meetings of delegates.

Sec. 64. [317A.431] [REGULAR MEETINGS OF VOTING MEMBERS.]

Subdivision 1. [FREQUENCY.] Unless the articles or bylaws provide otherwise, a corporation with voting members shall hold a regular meeting of voting members annually.

Subd. 2. [DEMAND BY MEMBERS.] If a regular meeting of voting members has not been held during the preceding 15 months, at least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, may demand a regular meeting of members by written notice of demand given to the president or the treasurer of the corporation. Within 30 days after receipt of the demand, the board shall cause a regular meeting of members to be called and held on notice no later than 90 days after receipt of the demand at the expense of the corporation. If the board fails to cause a regular meeting to be called and held as required by this subdivision, the members making the demand may call the regular meeting by giving notice as required by section 67 at the expense of the corporation.

Subd. 3. [TIME; PLACE.] A regular meeting of members must be held at the time and place stated in or fixed in accordance with the articles or bylaws. If a place is not stated or if a demand for a meeting is made under subdivision 2, the meeting must be held in the county where the corporation's registered office is located.

Subd. 4. [ELECTIONS; BUSINESS.] At a regular meeting of members:

(1) there must be an election of successors for directors elected by members who serve for an indefinite term or whose terms have expired or will expire before the next regular meeting of the members;

(2) the president and treasurer shall report on the activities and financial condition of the corporation; and

(3) the members shall consider and act upon other matters as may be raised consistent with the notice of meeting requirements.

Subd. 5. [EFFECT OF FAILURE TO HOLD MEETING.] The failure to hold a meeting in accordance with a corporation's articles or bylaws does not affect the validity of a corporate action.

Sec. 65. [317A.433] [SPECIAL MEETINGS OF VOTING MEMBERS.]

Subdivision 1. [WHO MAY CALL.] A corporation with voting members shall hold a special meeting of members:

(1) on call of its board or persons authorized to do so by the articles or bylaws; or

(2) if at least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, sign, date, and deliver to the president or the treasurer one or more written demands for the meeting describing the purpose for which it is to be held.

Subd. 2. [NOTICE.] Within 30 days after receipt of a demand for a special meeting from voting members, the board shall cause a special meeting to be called and held on notice no later than 90 days after receipt of the demand at the expense of the corporation. If the board fails to cause a special meeting to be called and held as required by this subdivision, a voting member making the demand may call the meeting by giving notice under section 67 at the expense of the corporation.

Subd. 3. [TIME; PLACE.] Special meetings of members may be held in or out of this state at the place stated in or fixed in accordance with the articles, bylaws, or by the president or the board. If a special meeting is demanded by the members, the meeting must be held in the county where the corporation's registered office is located.

Subd. 4. [NOTICE REQUIREMENTS; BUSINESS LIMITED.] The notice of a special meeting must contain a statement of the purposes of the meeting. The notice may also contain other information required by the articles or bylaws or considered necessary or

desirable by the board or by another person calling the meeting. The business transacted at a special meeting is limited to the purposes stated within the notice of the meeting. Business transacted at a special meeting that is not included in those stated purposes is voidable by or on behalf of the corporation, unless all of the members with voting rights have waived notice of the meeting under section 67.

Sec. 66. [317A.434] [COURT-ORDERED MEETING OF VOTING MEMBERS.]

Subdivision 1. [WHEN AUTHORIZED.] The district court of the county where a corporation's registered office is located may order a meeting to be held:

(1) on application of at least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, or of another person entitled to participate in the annual meeting, if a meeting was not held within the earlier of six months after the end of the corporation's fiscal year or 15 months after its last meeting; or

(2) on application of a voting member who signed a demand for a special meeting valid under section 65 or a person entitled to call a special meeting if:

(i) notice of the special meeting was not given within 30 days after the date the demand was delivered to a corporate officer; or

(ii) the special meeting was not held in accordance with the notice.

Subd. 2. [SCOPE OF ORDER.] The court may fix the time and place of the meeting, specify a record date for determining members entitled to notice of and to vote at the meeting, prescribe the form and content of the meeting notice, fix the quorum required for specific matters to be considered at the meeting, or direct that the votes represented at the meeting constitute a quorum for action on those matters, and enter other orders necessary to accomplish the purposes of the meeting.

Subd. 3. [COSTS AND ATTORNEYS FEES.] If the court orders a meeting, it may also order the corporation to pay the member's costs, including reasonable attorneys fees, incurred to obtain the order.

Sec. 67. [317A.435] [NOTICE REQUIREMENTS.]

Subdivision 1. [TO WHOM GIVEN.] Notice of meetings of members must be given to every voting member as of the record date determined under section 68. If the meeting is an adjourned meeting and the date, time, and place of the meeting were announced at the

time of adjournment, notice is not required unless a new record date for the adjourned meeting is or must be fixed under section 68.

Subd. 2. [WHEN GIVEN; CONTENTS.] In all cases where a specific minimum notice period has not been fixed by law, the notice must be given at least five days before the date of the meeting, or a shorter time provided in the articles or bylaws, and not more than 30 days before the date of the meeting. The notice must contain the date, time, and place of the meeting, and other information required by this chapter. If proxies are permitted at the meeting, the notice must so inform members and state the procedure for appointing proxies.

Subd. 3. [WAIVER OF NOTICE; OBJECTIONS.] A member may waive notice of a meeting of members. A waiver of notice by a member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a member at a meeting is a waiver of notice of that meeting, unless the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Sec. 68. [317A.437] [RECORD DATE; DETERMINING MEMBERS ENTITLED TO NOTICE AND VOTE.]

Subdivision 1. [DETERMINATION.] The board may fix a date not more than 60 days, or a shorter time period provided in the articles or bylaws, before the date of a meeting of members as the date for the determination of the members entitled to notice of and entitled to vote at the meeting. When a date is so fixed, only voting members on that date are entitled to notice of and permitted to vote at that meeting of members.

Subd. 2. [ADJOURNED MEETING.] (a) A determination of members entitled to notice and to vote at a membership meeting is effective for an adjournment of the meeting unless the board fixes a new date for determining the right to notice and to vote, which it must do if the meeting is adjourned to a date more than 60 days after the record date for determining members entitled to notice of the original meeting.

(b) If a court orders a meeting adjourned to a date more than 120 days after the date fixed for the original meeting, it may provide that the original record date for notice and voting continues in effect or it may fix a new record date for notice and voting.

Sec. 69. [317A.439] [MEMBERS' LIST FOR MEETING.]

Subdivision 1. [PREPARATION.] After fixing a record date for notice of and voting at a meeting, a corporation shall prepare an alphabetical list of the names of its members who are entitled to notice and to vote. The list must show the address and number of votes each member is entitled to vote at the meeting.

Subd. 2. [INSPECTION.] The list of members must be available for inspection by a member with voting rights for the purpose of communication with other members concerning the meeting, beginning two business days after the meeting notice is given and continuing through the meeting, at the corporation's registered office or at a reasonable place identified in the meeting notice in the city where the meeting will be held. The list also must be available at the meeting. A member, a member's agent, or attorney is entitled on written demand to inspect and to copy the list, at a reasonable time and at the member's expense, during the period it is available for inspection and at any time during the meeting or an adjournment.

Subd. 3. [ENFORCEMENT.] If the corporation refuses to allow a member with voting rights, the member's agent, or attorney to inspect the list of members before or at the meeting, the district court of the county where a corporation's registered office is located, on application of the member, may:

- (1) order the inspection or copying at the corporation's expense;
- (2) postpone the meeting until the inspection or copying is complete; or
- (3) order the corporation to pay the member's costs, including reasonable attorneys fees, incurred to obtain the order.

Subd. 4. [EFFECT OF FAILURE TO COMPLY.] Unless a written demand to inspect and copy a membership list has been made under subdivision 2 before the membership meeting and a corporation improperly refuses to comply with the demand, refusal, or failure to comply with this section does not affect the validity of action taken at the meeting.

Subd. 5. [IMPROPER USE PROHIBITED.] A member, agent, or attorney who gains access to a membership list under this section may not use or give to another for use the membership list for any purpose other than a proper purpose. Upon application of the corporation, the district court may issue a protective order or order other relief necessary to enforce this subdivision.

Sec. 70. [317A.441] [RIGHT TO VOTE.]

Unless the articles or bylaws provide otherwise, each member

with voting rights is entitled to one vote on each matter voted on by the members. If a membership stands of record in the names of two or more persons, their acts with respect to voting have the following effect:

- (1) if only one votes, the act binds all; and
- (2) if more than one votes, the vote must be divided on a pro rata basis.

Sec. 71. [317A.443] [ACT OF THE MEMBERS.]

Subdivision 1. [GENERAL.] Unless this chapter or the articles or bylaws require a greater vote or voting by class, if a quorum is present, or if a quorum has been present at a meeting, the affirmative vote of the majority of the members with voting rights present and entitled to vote, which must also be a majority of the required quorum, is the act of the members. A bylaw amendment to increase or decrease the vote required for a member action must be approved by the members.

Subd. 2. [METHODS.] Unless otherwise provided in the articles or bylaws, members may take action at a meeting by voice or ballot, by unanimous action without a meeting under section 72, by written ballot under section 73, or by electronic communication under section 74.

Sec. 72. [317A.445] [UNANIMOUS ACTION WITHOUT A MEETING.]

An action required or permitted to be taken at a meeting of the members may be taken without a meeting by written action signed by all of the members entitled to vote on that action. The written action is effective when it has been signed by all of those members, unless a different effective time is provided in the written action. When this chapter requires a certificate concerning an action to be filed with the secretary of state, the officers signing the certificate must indicate that the action was taken under this section.

Sec. 73. [317A.447] [ACTION BY WRITTEN BALLOT.]

(a) Except as provided in paragraph (c) and unless prohibited or limited by the articles or bylaws, an action that may be taken at a regular or special meeting of members may be taken without a meeting if the corporation mails or delivers a written ballot to every member entitled to vote on the matter.

(b) A written ballot must:

- (1) set forth each proposed action; and

(2) provide an opportunity to vote for or against each proposed action.

(c) Approval by written ballot under this section is valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(d) Solicitations for votes by written ballot must:

(1) indicate the number of responses needed to meet the quorum requirements;

(2) state the percentage of approvals necessary to approve each matter other than election of directors; and

(3) specify the time by which a ballot must be received by the corporation in order to be counted.

(e) Except as otherwise provided in the articles or bylaws, a written ballot may not be revoked.

Sec. 74. [317A.449] [ACTION BY ELECTRONIC COMMUNICATION.]

(a) A conference among members by a means of communication through which the participants may simultaneously hear each other during the conference is a meeting of the members, if the same notice is given of the conference as would be required for a meeting and if the number of persons participating in the conference is a quorum. Participation in a meeting by this means is personal presence at the meeting.

(b) A member may participate in a meeting of the membership by a means of communication through which the member, other persons participating, and all persons physically present at the meeting may simultaneously hear each other during the meeting. Participation in a meeting by this means is personal presence at the meeting.

Sec. 75. [317A.451] [QUORUM.]

Subdivision 1. [NUMBER REQUIRED.] Unless otherwise provided by the articles or bylaws, a quorum for a meeting of members is ten percent of the members entitled to vote at the meeting.

Subd. 2. [ACTION.] (a) Except as provided in paragraph (b), a quorum is necessary for the transaction of business at a meeting of members. If a quorum is not present, a meeting may be adjourned from time to time for that reason.

(b) If a quorum has been present at a meeting and members have withdrawn from the meeting so that less than a quorum remains, the members still present may continue to transact business until adjournment.

Sec. 76. [317A.453] [PROXIES.]

Subdivision 1. [AUTHORIZATION.] If the articles or bylaws permit proxy voting, a member may appoint a proxy to vote or otherwise act for the member by signing an appointment form either personally or by an attorney-in-fact.

Subd. 2. [EFFECTIVE PERIOD.] An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for 11 months unless a different period is expressly provided in the appointment form provided, however, that a proxy is not valid for more than three years from its date of execution.

Subd. 3. [REVOCATION.] An appointment of a proxy is revocable by the member. Appointment of a proxy is revoked by the person appointing the proxy by:

(1) attending a meeting and voting in person; or

(2) signing and delivering to the secretary or other officer or agent authorized to tabulate proxy votes either a writing stating that the appointment of the proxy is revoked or a later appointment form.

Subd. 4. [DEATH.] The death or incapacity of the member appointing a proxy does not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises authority under the appointment.

Subd. 5. [ACCEPTANCE OF VOTE; LIABILITY.] (a) Subject to section 77 and an express limitation on the proxy's authority appearing on the face of the appointment form, a corporation is entitled to accept the proxy's vote or other action as that of the member making the appointment.

(b) The vote of a proxy is final, binding, and not subject to challenge, but the proxy is liable to the member for damages

resulting from a failure to exercise the proxy or from an exercise of the proxy in violation of the authority granted in the appointment.

Subd. 6. [MULTIPLE PROXIES.] Unless the appointment specifically provides otherwise, if two or more persons are appointed as proxies for a member:

(1) any one of them may vote on each item of business in accordance with specific instructions contained in the appointment; or

(2) if no specific instructions are contained in the appointment with respect to voting on a particular item of business, a majority of the proxies have the authority conferred by the instrument. If the proxies are equally divided, they share the vote equally.

Sec. 77. [317A.455] [CORPORATION'S ACCEPTANCE OF MEMBER ACT]

Subdivision 1. [NAME OF MEMBER.] If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the record name of a member, the corporation if acting in good faith may accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the member.

Subd. 2. [NAME OTHER THAN MEMBER.] Unless the articles or bylaws provide otherwise, if the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the record name of a member, the corporation if acting in good faith may accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the member if:

(1) the member is an entity and the name signed purports to be that of an officer or agent of the entity;

(2) the name signed purports to be that of an administrator, guardian, or conservator representing the member and, if the corporation requests, evidence of fiduciary status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;

(3) the name signed purports to be that of a receiver or trustee in bankruptcy of the member, and, if the corporation requests, evidence of this status acceptable to the corporation has been presented with respect to the vote, consent, waiver, or proxy appointment;

(4) the name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the member and if the corporation requests, evidence acceptable to the corporation of the signatory's

authority to sign for the member has been presented with respect to the vote, consent, waiver, or proxy appointment; or

(5) two or more persons hold the membership as cotenants or fiduciaries and the name signed purports to be the name of at least one of the coholders and the person signing appears to be acting on behalf of all the coholders.

Subd. 3. [REJECTION OF VOTE.] The corporation may reject a vote, consent, waiver, or proxy appointment if the secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the member.

Subd. 4. [LIABILITY.] The corporation or its officer or agent who accepts or rejects a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of this section is not liable in damages to the member for the consequences of the acceptance or rejection.

Subd. 5. [VALIDITY OF CORPORATE ACTION.] Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under this section is valid unless a court of competent jurisdiction determines otherwise.

Sec. 78. [317A.457] [VOTING AGREEMENTS.]

(a) To the extent permitted in the articles or bylaws, two or more members may provide for how they will vote by signing an agreement for that purpose. An agreement may be valid for a period of up to ten years. The agreement must have a reasonable purpose consistent with the corporation's purposes.

(b) A voting agreement created under this section is specifically enforceable.

(c) A voting agreement is not effective until it is filed with the corporation.

Sec. 79. [317A.461] [BOOKS AND RECORDS; FINANCIAL STATEMENT.]

Subdivision 1. [ARTICLES AND BYLAWS; MINUTES.] A corporation shall keep at its registered office correct and complete copies of its articles and bylaws, accounting records, and minutes of meetings of members, board of directors, and committees having any of the authority of the board of directors.

Subd. 2. [INSPECTION.] A member, or the agent or attorney of a

member, may inspect all books and records and voting agreements for any proper purpose at any reasonable time.

Subd. 3. [FINANCIAL STATEMENT.] Upon request, a corporation shall give the member a statement showing the financial result of all operations and transactions affecting income and surplus during its last annual accounting period and a balance sheet containing a summary of its assets and liabilities as of the closing date of the accounting period.

Sec. 80. [317A.467] [EQUITABLE REMEDIES.]

If a corporation or an officer or director of the corporation violates this chapter, a court in this state, in an action brought by at least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, or by the attorney general, may grant equitable relief it considers just and reasonable in the circumstances and award expenses, including attorney fees and disbursements, to the members.

LOANS; OBLIGATIONS

Sec. 81. [317A.501] [LOANS; GUARANTEES; SURETYSHIP.]

Subdivision 1. [PREREQUISITES.] A corporation may lend money to, guarantee or pledge its assets as security for an obligation of, become a surety for, or otherwise financially assist a person, if the transaction, or a class of transactions to which the transaction belongs, is approved by the board and:

(1) is in the usual and regular course of activities of the corporation;

(2) is with, or for the benefit of, a related organization, an organization in which the corporation has a financial interest, a person with whom the corporation has a relationship in the course of its activities, or an organization to which the corporation has the power to make donations;

(3) is with, or for the benefit of, an officer, director, or employee of the corporation or a related organization, and is authorized under subdivision 2; or

(4) subject to subdivision 2, has been approved by two-thirds of the members with voting rights or, if there are no members with voting rights, by two-thirds of the board.

Subd. 2. [LIMITATION ON LOANS AND GUARANTEES FOR OFFICERS, DIRECTORS, AND EMPLOYEES.] A corporation may

not lend money to or guarantee the obligation of a director, officer, or employee of the corporation or a related organization, or of the spouse, parents, children and spouses of children, brothers and sisters or spouses of brothers and sisters of the director, officer, or employee, unless the loan or guarantee may reasonably be expected, in the judgment of the board, to benefit the corporation. If a loan or guarantee is made in violation of this subdivision, the borrower's liability on the loan is not affected. The officers and directors who make a loan in violation of this subdivision or assent to it are jointly and severally liable for its repayment. This subdivision does not prohibit an advance of money for expenses authorized by section 82.

Subd. 3. [INTEREST; SECURITY.] A loan, guaranty, surety contract, or other financial assistance under subdivision 1 or 2 may be with or without interest and may be unsecured or secured.

Subd. 4. [BANKING AUTHORITY NOT GRANTED.] This section does not grant authority to act as a bank or to carry on the business of banking.

Sec. 82. [317A.505] [ADVANCES.]

A corporation may, without a vote of the directors, advance money to its directors, officers, employees, or agents to cover expenses that can reasonably be anticipated to be incurred by them in the performance of their duties and for which they would be entitled to reimbursement in the absence of an advance.

Sec. 83. [317A.521] [INDEMNIFICATION.]

Subdivision 1. [DEFINITIONS.] (a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Corporation" includes a domestic or foreign corporation that was the predecessor of the corporation referred to in this section in a merger, consolidation, or other transaction in which the predecessor's existence ended upon completion of the transaction.

(c) "Official capacity" means:

(1) with respect to a director, the position of director in a corporation;

(2) with respect to a person other than a director, the elective or appointive office or position held by an officer, member of a committee of the board, or the employment relationship undertaken by an employee of the corporation; and

(3) with respect to a director, officer, or employee of the corporation who, while a director, officer, or employee of the corporation, is

or was serving at the request of the corporation or whose duties in that position involve or involved service as a director, officer, partner, trustee, employee, or agent of another organization or employee benefit plan, the position of that person as a director, officer, partner, trustee, employee, or agent, as the case may be, of the other organization or employee benefit plan.

(d) "Proceeding" means a threatened, pending, or completed civil, criminal, administrative, arbitration, or investigative proceeding, including a proceeding by or in the right of the corporation.

(e) "Special legal counsel" means counsel who has not represented the corporation or a related organization, or a director, officer, member of a committee of the board, or employee whose indemnification is in issue.

Subd. 2. [INDEMNIFICATION MANDATORY; STANDARD.] (a) Subject to subdivision 4, a corporation shall indemnify a person made or threatened to be made a party to a proceeding by reason of the former or present official capacity of the person against judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorneys fees and disbursements, incurred by the person in connection with the proceeding, if, with respect to the acts or omissions of the person complained of in the proceeding, the person:

(1) has not been indemnified by another organization or employee benefit plan for the same liability described in the preceding paragraph with respect to the same acts or omissions;

(2) acted in good faith;

(3) received no improper personal benefit and section 46, if applicable, has been satisfied;

(4) in the case of a criminal proceeding, did not have reasonable cause to believe the conduct was unlawful; and

(5) in the case of acts or omissions occurring in the official capacity described in subdivision 1, paragraph (c), clause (1) or (2), reasonably believed that the conduct was in the best interests of the corporation, or in the case of acts or omissions occurring in the official capacity described in subdivision 1, paragraph (c), clause (3), reasonably believed that the conduct was not opposed to the best interests of the corporation. If the person's acts or omissions complained of in the proceeding relate to conduct as a director, officer, trustee, employee, or agent of an employee benefit plan, the conduct is not considered to be opposed to the best interests of the corporation if the person reasonably believed that the conduct was in the

best interests of the participants or beneficiaries of the employee benefit plan.

(b) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent does not, of itself, establish that the person did not meet the criteria in this subdivision.

Subd. 3. [ADVANCES.] Subject to subdivision 4, if a person is made or threatened to be made a party to a proceeding, the person is entitled, upon written request to the corporation, to payment or reimbursement by the corporation of reasonable expenses, including attorneys fees and disbursements, incurred by the person in advance of the final disposition of the proceeding:

(1) upon receipt by the corporation of a written affirmation by the person of a good faith belief that the criteria for indemnification in subdivision 2 have been satisfied and a written undertaking by the person to repay the amounts paid or reimbursed by the corporation, if it is determined that the criteria for indemnification have not been satisfied; and

(2) after a determination that the facts then known to those making the determination would not preclude indemnification under this section.

The written undertaking required by clause (1) is an unlimited general obligation of the person making it, but need not be secured and must be accepted without reference to financial ability to make the repayment.

Subd. 4. [PROHIBITION OR LIMIT ON INDEMNIFICATION OR ADVANCES.] The articles or bylaws may prohibit indemnification or advances of expenses required by this section or may impose conditions on indemnification or advances of expenses in addition to the conditions contained in subdivisions 2 and 3 including, without limitation, monetary limits on indemnification or advances of expenses, if the conditions apply equally to all persons or to all persons within a given class. A prohibition or limit on indemnification or advances may not apply to or affect the right of a person to indemnification or advances of expenses with respect to acts or omissions of the person occurring before the effective date of a provision in the articles or the date of adoption of a provision in the bylaws establishing the prohibition or limit on indemnification or advances.

Subd. 5. [REIMBURSEMENT TO WITNESSES.] This section does not require, or limit the ability of, a corporation to reimburse expenses, including attorneys fees and disbursements, incurred by a person in connection with an appearance as a witness in a proceed-

ing at a time when the person has not been made or threatened to be made a party to a proceeding.

Subd. 6. [DETERMINATION OF ELIGIBILITY.] (a) Determinations as to whether indemnification of a person is required because the criteria set forth in subdivision 2 have been satisfied and whether a person is entitled to payment or reimbursement of expenses in advance of the final disposition of a proceeding under subdivision 3 must be made:

(1) by the board by a majority of a quorum; directors who are at the time parties to the proceeding are not counted for determining a majority or the presence of a quorum;

(2) if a quorum under clause (1) cannot be obtained, by a majority of a committee of the board, consisting solely of two or more directors not at the time parties to the proceeding, duly designated to act in the matter by a majority of the full board including directors who are parties;

(3) if a determination is not made under clause (1) or (2), by special legal counsel, selected either by a majority of the board or a committee by vote under clause (1) or (2) or, if the requisite quorum of the full board cannot be obtained and the committee cannot be established, by a majority of the full board including directors who are parties;

(4) if a determination is not made under clauses (1) to (3), by the members with voting rights, other than members who are parties to the proceeding; or

(5) if an adverse determination is made under clauses (1) to (4) or under paragraph (b), or if no determination is made under clauses (1) to (4) or under paragraph (b) within 60 days after the termination of a proceeding or after a request for an advance of expenses, by a court in this state, which may be the court in which the proceeding involving the person's liability took place, upon application of the person and notice the court requires.

(b) With respect to a person who is not, and was not at the time of the acts or omissions complained of in the proceedings, a director, officer, or person having, directly or indirectly, the power to direct or cause the direction of the management or policies of the corporation, the determination whether indemnification of this person is required because the criteria in subdivision 2 have been satisfied and whether this person is entitled to payment or reimbursement of expenses in advance of the final disposition of a proceeding under subdivision 3 may be made by an annually appointed committee of the board, having at least one member who is a director. The committee shall report at least annually to the board concerning its actions.

Subd. 7. [INSURANCE.] A corporation may buy and maintain insurance on behalf of a person in that person's official capacity against liability asserted against and incurred by the person in or arising from that capacity, whether or not the corporation would have been required to indemnify the person against the liability under this section.

Subd. 8. [DISCLOSURE.] A corporation with members with voting rights that indemnifies or advances expenses to a person under this section in connection with a proceeding by or on behalf of the corporation shall report to the members in writing the amount of the indemnification or advance and to whom and on whose behalf it was paid not later than the next meeting of members.

Subd. 9. [INDEMNIFICATION OF OTHER PERSONS.] This section does not limit the power of a corporation to indemnify other persons.

MERGER; CONSOLIDATION; TRANSFER

Sec. 84. [317A.601] [MERGER, CONSOLIDATION, OR TRANSFER.]

Subdivision 1. [MERGER OR CONSOLIDATION.] Two or more corporations may merge or consolidate, resulting in a single corporation subject to this chapter. A merger or consolidation must be made as provided in sections 85 to 91.

Subd. 2. [TRANSFER.] A corporation may sell, lease, transfer, or dispose of all or substantially all of its property and assets under section 92.

Subd. 3. [NOTICE TO ATTORNEY GENERAL.] If applicable, a corporation shall comply with section 118 before it may merge or consolidate or transfer all or substantially all of its assets.

Sec. 85. [317A.611] [PLAN OF MERGER OR CONSOLIDATION.]

A plan of merger or consolidation must contain:

- (1) the names of the corporations proposing to merge or consolidate;
- (2) the name of the surviving or new corporation;
- (3) the terms and conditions of the proposed merger or consolidation;

(4) in the case of a merger, the manner and basis of converting the memberships of the constituent corporations into memberships of the surviving corporation or of any other corporation;

(5) in the case of a merger, a statement of amendments to the articles of the surviving corporation proposed as part of the merger;

(6) in the case of a consolidation, the provisions required by section 10 to be set out in the articles of the new corporation; and

(7) other provisions with respect to the proposed merger or consolidation that are considered necessary or desirable.

Sec. 86. [317A.613] [PLAN APPROVAL.]

Subdivision 1. [APPROVAL REQUIRED.] A plan of merger or consolidation must be approved and adopted by each constituent corporation as provided in this section.

Subd. 2. [APPROVAL BY BOARD AND MEMBERS WITH VOTING RIGHTS.] When a constituent corporation has members with voting rights, the board of directors of the corporation shall adopt a resolution by a majority vote of all directors approving a proposed plan of merger or consolidation and directing that the plan be submitted to a vote at a meeting of the members with voting rights. Notice of the meeting must be given, accompanied by a copy or summary of the proposed plan. Unless the articles or bylaws require a greater vote, the plan of merger or consolidation is adopted upon receiving the affirmative vote of a majority of the members who vote upon the proposed plan.

Subd. 3. [APPROVAL BY BOARD.] When a constituent corporation does not have members with voting rights, and unless the articles or bylaws require a greater vote, a plan of merger or consolidation is adopted at a meeting of the board of directors of the corporation upon receiving the affirmative votes of a majority of all directors. Notice of the meeting must be given accompanied by a copy of the proposed plan of merger or consolidation.

Sec. 87. [317A.615] [ARTICLES OF MERGER OR CONSOLIDATION; CERTIFICATE.]

Subdivision 1. [CONTENTS OF ARTICLES.] Upon receiving the approval required by section 86 and after compliance with section 118, if applicable, articles of merger or consolidation must be prepared that contain:

(1) the plan of merger or consolidation;

(2) a statement that the plan has been approved by each corporation under this chapter; and

(3) if applicable, a statement that the notice to the attorney general required by section 118 has been given and the waiting period has expired or has been waived by the attorney general.

Subd. 2. [ARTICLES SIGNED, FILED.] The articles of merger or consolidation must be signed on behalf of each constituent corporation and filed with the secretary of state.

Subd. 3. [CERTIFICATE.] The secretary of state shall issue a certificate of merger to the surviving corporation or a certificate of consolidation and incorporation to the new corporation.

Sec. 88. [317A.631] [ABANDONMENT.]

Subdivision 1. [BY MEMBERS OR BOARD OF EACH CORPORATION; UNDER TERMS OF PLAN.] After a plan of merger or consolidation has been approved by each constituent corporation under section 86 and before the effective date of the plan, it may be abandoned:

(1) if each constituent corporation has approved the abandonment at a meeting by a majority of the members with voting rights voting on the issue, or if the corporation does not have voting members, by a majority of all directors; or

(2) if the plan itself provides for abandonment and the conditions for abandonment in the plan are met.

Subd. 2. [BY BOARD OF ONE CORPORATION.] A plan of merger or consolidation may be abandoned after it has been approved by each constituent corporation and before the effective date of the plan, by a resolution approved by a majority of all directors of the constituent corporation abandoning the plan of merger or consolidation, subject to the contract rights of any other person under the plan.

Subd. 3. [FILING OF ARTICLES.] If articles of merger or consolidation have been filed with the secretary of state, but have not yet become effective, the constituent corporations, in the case of abandonment under subdivision 1, clause (1), the constituent corporations or any one of them, in the case of abandonment under subdivision 1, clause (2), or the abandoning corporation in the case of abandonment under subdivision 2, shall file with the secretary of state articles of abandonment that contain:

(1) the names of the constituent corporations;

(2) the provision of this section under which the plan is abandoned; and

(3) if the plan is abandoned under subdivision 2, the text of the resolution approved by the directors abandoning the plan.

Sec. 89. [317A.641] [EFFECTIVE DATE OF MERGER OR CONSOLIDATION; EFFECT.]

Subdivision 1. [EFFECTIVE DATE.] A merger or consolidation is effective when the articles of merger or consolidation are filed with the secretary of state or on a later date named in the articles.

Subd. 2. [EFFECT ON CORPORATION; GENERAL.] When a merger or consolidation becomes effective:

(1) the constituent corporations become a single corporation, which in case of merger is a surviving corporation, or in case of consolidation is a new corporation;

(2) subject to clause (3) and section 90, the separate existence of the constituent corporations except the surviving corporation ends;

(3) when the agreement of merger or consolidation expressly provides for the continuance of the corporate existence of a constituent corporation and expressly declares the purpose for the continuance, the corporate existence of the constituent corporation continues in the single corporation for the purpose declared in the agreement;

(4) the single corporation has the rights, privileges, immunities, and powers, and is subject to the duties and liabilities, of a corporation formed under this chapter;

(5) the single corporation has the rights, privileges, immunities, powers, and franchises, public and private, of each constituent corporation;

(6) all real or personal property, debts, including debts arising from a subscription for membership, and interests belonging to each constituent corporation are transferred to the single corporation without further act or deed;

(7) interest in real estate possessed by a constituent corporation does not revert to the grantor, or otherwise, nor is it in any way impaired by reason of the merger or consolidation; and the personal property of a constituent corporation does not revert by reason of the merger or consolidation;

(8) except where the will or other instrument provides otherwise, and subject to section 93, a devise, bequest, gift, or grant contained in a will or other instrument, in trust or otherwise, made before or after the merger or consolidation has become effective, to or for any of the constituent corporations, inures to the single corporation;

(9) debts, liabilities, and obligations of each constituent corporation become the debts, liabilities, and obligations of the single corporation, just as if the debts, liabilities, and obligations had been incurred or contracted by the single corporation;

(10) existing claims or a pending action or proceeding by or against a constituent corporation may be prosecuted to judgment as though the merger or consolidation had not been effected, or the single corporation may be substituted for the constituent corporation;

(11) the liabilities of the members, officers, directors, or similar groups or persons, however denominated, of a constituent corporation are not affected by the merger or consolidation of a constituent corporation;

(12) the rights of creditors or liens upon the property of a constituent corporation are not impaired by the merger or consolidation, but the liens are limited to the property upon which they were liens immediately before the merger or consolidation;

(13) the articles of the surviving corporation are considered to be amended to the extent that changes in its articles are contained in a plan of merger; and

(14) in the case of a consolidation, the plan of consolidation constitutes the articles of incorporation of the new corporation.

Subd. 3. [EFFECT ON FIDUCIARY CAPACITY.] (a) For purposes of this subdivision, "fiduciary capacity" means the capacities of trustee, executor, administrator, personal representative, guardian, conservator, receiver, escrow agent, agent for the investment of money, attorney-in-fact, or a similar capacity.

(b) Except where the will, declaration of trust, or other instrument provides otherwise, the single corporation is, without further act or deed, the successor of the constituent corporations in fiduciary capacities in which a constituent corporation was acting at the time of the merger or consolidation and is liable to the beneficiaries as fully as if the constituent corporation had continued its separate corporate existence.

(c) If a constituent corporation is nominated and appointed, or has been nominated and appointed, in a fiduciary capacity in a will,

declaration of trust, or other instrument, order, or judgment before or after the merger or consolidation, then even if the will or other instrument, order, or judgment does not become operative or effective until after the merger or consolidation becomes effective, every fiduciary capacity and the rights, powers, privileges, duties, discretions, and responsibilities provided for in the nomination or appointment fully vest in and are to be exercised by the single corporation, whether there are one or more successive mergers or consolidations.

Sec. 90. [317A.643] [CONTINUANCE OF CORPORATE AUTHORITY.]

When an act or instrument is considered necessary or appropriate to evidence the vesting of property or other rights in the single corporation, the persons with authority to do so under the articles or bylaws of each constituent corporation shall do the act or execute and deliver the instrument and for this purpose, the existence of the constituent corporations and the authority of those persons is continued.

Sec. 91. [317A.651] [MERGER OR CONSOLIDATION WITH FOREIGN CORPORATION.]

Subdivision 1. [WHEN PERMITTED.] A corporation may merge or consolidate with a foreign corporation by following the procedures set forth in this section, if the merger or consolidation is permitted by the laws of the state under which the foreign corporation is incorporated.

Subd. 2. [LAWS APPLICABLE BEFORE TRANSACTION.] Each corporation shall comply with sections 84 to 90 with respect to the merger or consolidation of corporations and each foreign corporation shall comply with the laws under which it was incorporated or by which it is governed.

Subd. 3. [SURVIVING CORPORATION.] If the single corporation will be incorporated under this chapter, it shall comply with this chapter.

Subd. 4. [FOREIGN SURVIVING CORPORATION.] If the single corporation will be a foreign corporation and will transact business in this state, it shall comply with the provisions of chapter 303 with respect to foreign corporations. In every case the single corporation shall file with the secretary of state:

(1) an agreement that it may be served with process in this state in a proceeding for the enforcement of an obligation of a constituent corporation; and

(2) an irrevocable appointment of the secretary of state as its

agent to accept service of process in any proceeding and an address to which process may be forwarded.

Sec. 92. [317A.661] [TRANSFER OF ASSETS; WHEN PERMITTED.]

Subdivision 1. [MEMBER APPROVAL; WHEN NOT REQUIRED.] Unless otherwise provided in its articles or bylaws, a corporation, by affirmative vote of the board of directors, may sell, lease, transfer, or dispose of all or substantially all of its property and assets in the usual and regular course of its activities and, subject to section 81, subdivision 1, grant a security interest in all or substantially all of its property and assets whether or not in the usual and regular course of its activities, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board considers expedient, in which case no member approval is required.

Subd. 2. [VOTING MEMBER APPROVAL; WHEN REQUIRED.] A corporation, by affirmative vote of the board of directors, may sell, lease, transfer, or dispose of all or substantially all of its property and assets, including its good will, not in the usual and regular course of its activities, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board considers expedient, when approved at a regular or special meeting of the members by the affirmative vote of the majority of the members with voting rights. If there are no members with voting rights, member approval is not required. Notice of the meeting must be given to the members with voting rights. The notice must state that a purpose of the meeting is to consider the sale, lease, transfer, or other disposition of all or substantially all of the property and assets of the corporation.

Subd. 3. [NOTICE TO ATTORNEY GENERAL.] If applicable, a corporation shall comply with section 118 before transferring all or substantially all of its assets under this section.

Subd. 4. [SIGNING OF DOCUMENTS.] Confirmatory deeds, assignments, or similar instruments to evidence a sale, lease, transfer, or other disposition may be signed and delivered at any time in the name of the transferor by its current officers or, if the corporation no longer exists, by its last officers.

Subd. 5. [TRANSFEREE LIABILITY.] The transferee is liable for the debts, obligations, and liabilities of the transferor only to the extent provided in the contract or agreement between the transferee and the transferor or to the extent provided by this chapter or other statutes of this state.

Sec. 93. [317A.671] [CERTAIN ASSETS NOT TO BE DIVERTED.]

Except as provided in section 501.12, when a corporation dissolves, merges or consolidates, transfers its assets, or grants a mortgage or other security interest in its assets, assets of the corporation or a constituent corporation, and assets subsequently received by a single corporation after a merger or consolidation, may not be diverted from the uses and purposes for which the assets have been received and held, or from the uses and purposes expressed or intended by the original donor.

DISSOLUTION

Sec. 94. [317A.701] [METHODS OF DISSOLUTION.]

(a) Subject to section 118, a corporation may be dissolved:

(1) by the incorporators under section 95;

(2) by the board and members with voting rights under sections 96 to 103; or

(3) by order of a court under sections 105 to 111.

(b) A corporation also may be dissolved by the secretary of state under section 123.

Sec. 95. [317A.711] [VOLUNTARY DISSOLUTION BY INCORPORATORS.]

Subdivision 1. [MANNER.] If the first board of directors has not been named in the articles, designated or appointed pursuant to the articles, or elected under section 25, a corporation may be dissolved by the incorporators as provided in this section.

Subd. 2. [ARTICLES OF DISSOLUTION.] (a) A majority of the incorporators shall sign articles of dissolution containing:

(1) the name of the corporation;

(2) the date of incorporation;

(3) a statement that the first board of directors has not been named in the articles, designated or appointed pursuant to the articles, or elected at an organizational meeting;

(4) a statement that no debts remain unpaid; and

(5) if applicable, a statement that notice to the attorney general required by section 118 has been given and the waiting period has expired or has been waived by the attorney general.

(b) The articles of dissolution must be filed with the secretary of state.

Subd. 3. [EFFECTIVE DATE.] When the articles of dissolution have been filed with the secretary of state, the corporation is dissolved.

Subd. 4. [CERTIFICATE.] The secretary of state shall issue to the dissolved corporation a certificate of dissolution that contains:

(1) the name of the corporation;

(2) the date and time the articles of dissolution were filed with the secretary of state; and

(3) a statement that the corporation is dissolved.

Sec. 96. [317A.721] [VOLUNTARY DISSOLUTION BY BOARD AND MEMBERS WITH VOTING RIGHTS.]

Subdivision 1. [MANNER.] A corporation may be dissolved by the board and members with voting rights as provided in this section.

Subd. 2. [APPROVAL BY BOARD; PLAN OF DISSOLUTION.] The board shall adopt a resolution proposing dissolution of the corporation by the affirmative vote of a majority of all directors. The resolution must include a plan of dissolution that states to whom the assets owned or held by the corporation will be distributed after creditors are paid. The plan must comply with the requirements of section 104. If the board will have discretion in distributing assets, the plan must state that the assets will be distributed to persons the board subsequently identifies. If there are members with voting rights, the resolution and plan of dissolution must be submitted to the members under subdivision 3.

Subd. 3. [APPROVAL BY MEMBERS WITH VOTING RIGHTS.] (a) Written notice must be given to each member with voting rights, within the time and in the manner provided in section 67 for notice of meetings of members and, whether the meeting is a regular or a special meeting, must state that a purpose of the meeting is to consider dissolving the corporation.

(b) The proposed dissolution must be submitted for approval at a meeting of members. If the proposed dissolution is approved by the members, the dissolution must be started.

Sec. 97. [317A.723] [FILING NOTICE OF INTENT TO DISSOLVE; EFFECT.]

Subdivision 1. [CONTENTS.] If dissolution of the corporation is approved under section 96, the corporation shall file with the secretary of state a notice of intent to dissolve. The notice must contain:

(1) the name of the corporation;

(2) the date and place of the meeting at which the resolution was approved by the board under section 96, subdivision 2, and by the members under section 96, subdivision 3, if applicable; and

(3) a statement that the requisite approval of the directors and members was received.

If applicable, the corporation also shall notify the attorney general under section 118.

Subd. 2. [WINDING UP.] When the notice of intent to dissolve has been filed with the secretary of state and subject to section 102, the corporation may not carry on its activities, except to the extent necessary for the winding up of the corporation. The board and members with voting rights have the right to revoke the dissolution proceedings under section 102 and the members with voting rights have the right to remove directors or fill vacancies on the board. The corporate existence continues to the extent necessary to wind up the affairs of the corporation until the dissolution proceedings are revoked or articles of dissolution are filed with the secretary of state.

Subd. 3. [REMEDIES CONTINUED.] The filing with the secretary of state of a notice of intent to dissolve does not affect a remedy in favor of the corporation or a remedy against it or its directors, officers, or members in those capacities, except as provided in section 113.

Sec. 98. [317A.725] [PROCEDURE IN DISSOLUTION.]

Subdivision 1. [COLLECTION; PAYMENT.] When a notice of intent to dissolve has been filed with the secretary of state, the board, or the officers acting under the direction of the board, shall proceed as soon as possible:

(1) to collect or make provision for the collection of debts due or owing to the corporation; and

(2) to pay or make provision for the payment of debts, obligations, and liabilities of the corporation according to their priorities.

Subd. 2. [TRANSFER OF ASSETS.] Notwithstanding section 92, when a notice of intent to dissolve has been filed with the secretary of state, the directors may sell, lease, transfer, or otherwise dispose of all or substantially all of the property and assets of a dissolving corporation without a vote of the members, subject to sections 93 and 118.

Subd. 3. [DISTRIBUTION OF ASSETS.] Tangible or intangible property, including money, remaining after the discharge of the debts, obligations, and liabilities of the corporation must be distributed under section 104.

Sec. 99. [317A.727] [NOTICE TO CREDITORS AND CLAIMANTS.]

Subdivision 1. [WHEN PERMITTED; HOW GIVEN.] When a notice of intent to dissolve has been filed with the secretary of state and the attorney general, if applicable, the corporation may give notice of the filing to each creditor of and claimant against the corporation known or unknown, present or future, and contingent or noncontingent. If notice to creditors and claimants is given, it must be given by publishing the notice once each week for four successive weeks in a legal newspaper in the county where the registered office of the corporation is located and by giving written notice to known creditors and claimants under section 2, subdivision 14.

Subd. 2. [CONTENTS.] The notice to creditors and claimants must contain:

- (1) a statement that the corporation is in the process of dissolving;
- (2) a statement that the corporation has filed a notice of intent to dissolve with the secretary of state;
- (3) the date of filing the notice of intent to dissolve;
- (4) the address of the office to which written claims against the corporation must be presented; and
- (5) the date by which the claims must be received, which is the later of 90 days after published notice or, with respect to a particular known creditor or claimant, 90 days after the date on which written notice is given to that creditor or claimant. Published notice is considered given on the date of first publication for determining this date.

Sec. 100. [317A.729] [CLAIMS IN DISSOLUTION.]

If the corporation gives notice to creditors and claimants under section 99:

(1) the corporation has 30 days from the receipt of each claim filed according to the procedures set forth by the corporation on or before the date set forth in the notice to accept or reject the claim by giving written notice to the person submitting it, a claim not expressly rejected in this manner is considered accepted; and

(2) a creditor or claimant to whom notice is given and whose claim is rejected by the corporation has 60 days from the date of rejection, or 180 days from the date the corporation filed the notice of intent to dissolve with the secretary of state, or 90 days after the date on which notice was given to the creditor or claimant, whichever is longer, to pursue other remedies with respect to the claim.

Sec. 101. [317A.730] [STATUTE OF LIMITATIONS.]

Subdivision 1. [CORPORATIONS THAT GIVE NOTICE.] If the corporation gives notice to creditors and claimants under section 99:

(1) the claim of a creditor or claimant to whom notice is given who fails to file a claim according to the procedures set forth by the corporation on or before the date set forth in the notice is subject to section 113; and

(2) the claim of a creditor or claimant that is rejected by the corporation under section 100 is subject to section 113 if the creditor or claimant does not begin legal, administrative, or arbitration proceedings with respect to the claim during the period set forth in section 100, clause 2.

Subd. 2. [OTHER CORPORATIONS.] If the corporation does not give notice to creditors and claimants under section 99, the claim of a creditor or claimant who does not begin legal, administrative, or arbitration proceedings concerning the claim within two years after the date of filing the notice of intent to dissolve is subject to section 113.

Sec. 102. [317A.731] [REVOCATION OF DISSOLUTION PROCEEDINGS.]

Subdivision 1. [GENERALLY.] Dissolution proceedings begun under section 96 may be revoked before the articles of dissolution are filed as provided in this section.

Subd. 2. [REVOCATION BY BOARD.] The board may adopt a resolution revoking the proposed dissolution by the affirmative vote of a majority of all directors. If there are members with voting rights, the resolution must be submitted to the members under subdivision 3.

Subd. 3. [APPROVAL BY MEMBERS WITH VOTING RIGHTS.]

Written notice must be given to the members with voting rights within the time and in the manner provided in section 67 for notice of meetings of members and must state that a purpose of the meeting is to consider the advisability of revoking the dissolution proceedings. The proposed revocation must be submitted to the members at the meeting. If the proposed revocation is approved by the members with voting rights, the dissolution proceedings are revoked.

Subd. 4. [EFFECTIVE DATE; EFFECT.] Revocation of dissolution proceedings is effective when a notice of revocation is filed with the secretary of state. After the notice is filed, the corporation may resume business. If notice to the attorney general has been given under section 118, the notice of revocation also must be given to the attorney general on or before the time that it is filed with the secretary of state.

Sec. 103. [317A.733] [ARTICLES OF DISSOLUTION; CERTIFICATE OF DISSOLUTION; EFFECT.]

Subdivision 1. [ARTICLES; WHEN FILED.] Articles of dissolution for a corporation dissolving under section 96 must be filed with the secretary of state after compliance with section 118, if applicable, and:

(1) the payment of claims of known creditors and claimants has been made or provided for;

(2) if the corporation has given notice to creditors and claimants in the manner provided in section 99: (i) the 90-day period in section 99, subdivision 2, clause (4), has expired and the payment of claims of the creditors and claimants filing a claim within that period has been made or provided for; or (ii) the longer of the periods described in section 100, clause (2), has expired; or, in all other cases;

(3) the two-year period described in section 101 has expired.

Subd. 2. [CONTENTS OF ARTICLES.] The articles of dissolution must state:

(a)(1) whether notice has been given to the creditors and claimants of the corporation in the manner provided in section 99 and, if notice has been given, the last date on which the notice was given and: (i) that the payment of the creditors and claimants filing a claim within the 90-day period set forth in section 99, subdivision 2, clause (4), has been made or provided for; or (ii) the date on which the longer of the periods described in section 100, clause (2), expired; or

(2) if notice was not given and articles of dissolution are being

filed under subdivision 1, clause (1), that the debts, obligations, and liabilities of the corporation have been paid and discharged or that adequate provisions have been made for them;

(b) that the remaining assets of the corporation have been distributed under section 104 or that adequate provision has been made for the distribution;

(c) that there are no pending legal, administrative, or arbitration proceedings by or against the corporation, or that adequate provision has been made for the satisfaction of a judgment, order, or decree that may be entered against it in a pending proceeding; and

(d) if applicable, that notice to the attorney general required by section 118 has been given and the waiting period has expired or has been waived by the attorney general.

Subd. 3. [EFFECTIVE DATE.] When the articles of dissolution have been filed with the secretary of state, the corporation is dissolved.

Subd. 4. [CERTIFICATE.] The secretary of state shall issue to the dissolved corporation a certificate of dissolution that contains:

(1) the name of the corporation;

(2) the date and time the articles of dissolution were filed with the secretary of state; and

(3) a statement that the corporation is dissolved.

Sec. 104. [317A.735] [DISTRIBUTION OF ASSETS.]

Subdivision 1. [GENERAL.] In performing their duties under section 98, the board, or the officers acting under the direction of the board, shall distribute the assets of the corporation in the following order of priority:

(1) distribution of assets held under a special condition or limit under subdivision 2;

(2) payment of costs and expenses of the dissolution proceedings, including attorney fees and disbursements;

(3) payment of debts, obligations, and liabilities of the corporation;

(4) distribution of assets pursuant to articles or bylaws of the dissolving corporation or the rules or canons of another organization under subdivision 3; and

(5) distribution of remaining assets under subdivision 4.

Subd. 2. [SPECIAL CONDITIONS.] Assets held by the corporation upon condition or subject to an executory or special limitation, if the condition or limitation occurs by reason of the dissolution of the corporation, must revert, be returned, transferred, or conveyed in accordance with the condition or limitation.

Subd. 3. [ARTICLES, BYLAWS, OR ANOTHER ORGANIZATION.] Where the articles or bylaws of the dissolving corporation, or the rules or canons of another organization by which the dissolving corporation is bound, provide for a particular distribution of the assets of the dissolving corporation, the assets must be distributed accordingly.

Subd. 4. [REMAINDER.] The distribution of assets held for or devoted to a charitable or public use or purpose is subject to section 501.12.

Sec. 105. [317A.741] [SUPERVISED VOLUNTARY DISSOLUTION.]

After the notice of intent to dissolve has been filed with the secretary of state and before a certificate of dissolution has been issued, the corporation, the attorney general, or, for good cause, a creditor or at least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, may apply to a court within the county in which the registered office of the corporation is located to have the dissolution conducted or continued under the supervision of the court under sections 106 to 111.

Sec. 106. [317A.751] [JUDICIAL INTERVENTION; EQUITABLE REMEDIES OR DISSOLUTION.]

Subdivision 1. [GENERAL; WHEN PERMITTED.] A court may grant equitable relief it considers just and reasonable in the circumstances or may dissolve a corporation and liquidate its assets and business as provided in this section.

Subd. 2. [SUPERVISED VOLUNTARY DISSOLUTION.] A court may grant equitable relief in a supervised voluntary dissolution under section 105.

Subd. 3. [ACTION BY MEMBERS WITH VOTING RIGHTS.] A court may grant equitable relief in an action by at least 50 members with voting rights or ten percent of the members with voting rights, whichever is less, when it is established that:

(1) the directors or the persons having the authority otherwise vested in the board are deadlocked in the management of the

corporate affairs, the members cannot break the deadlock, and the corporation or the parties have not provided for a procedure to resolve the dispute;

(2) the directors or those in control of the corporation have acted fraudulently, illegally, or in a manner unfairly prejudicial toward one or more members in their capacities as members, directors, or officers;

(3) the members of the corporation are so divided in voting power that, for a period that includes the time when two consecutive regular meetings were held, they have failed to elect successors to directors whose terms have expired or would have expired upon the election and qualification of their successors;

(4) the corporate assets are being misapplied or wasted; or

(5) the period of duration as provided in the articles has expired and has not been extended as provided in section 116.

Subd. 4. [ACTION BY CREDITOR.] A court may grant equitable relief in an action by a creditor when:

(1) the claim of the creditor has been reduced to judgment and an execution on it has been returned unsatisfied; or

(2) the corporation has admitted in writing that the claim of the creditor is due and owing and it is established that the corporation cannot pay its debts in the ordinary course of its activities.

Subd. 5. [ACTION BY ATTORNEY GENERAL.] A court may grant equitable relief in an action by the attorney general when it is established that:

(1) the articles and certificate of incorporation were obtained through fraud;

(2) the corporation should not have been formed under this chapter;

(3) the corporation failed to comply with the requirements of sections 3 to 21 essential to incorporation under or election to become governed by this chapter;

(4) the corporation has flagrantly violated a provision of this chapter, has violated a provision of this chapter more than once, or has violated more than one provision of this chapter;

(5) the corporation has engaged in an unauthorized act, contract, conveyance, or transfer or has exceeded its powers;

(6) the corporation has acted, or failed to act, in a manner that constitutes surrender or abandonment of the corporate purpose, franchise, privileges, or enterprise;

(7) the corporation has liabilities and obligations exceeding the corporate assets;

(8) the period of corporate existence has ended without extension;

(9) the corporation has failed for a period of 90 days to pay fees, charges, or penalties required by this chapter;

(10) the corporation has failed for a period of 30 days after changing its registered office to file with the secretary of state a statement of the change;

(11) the corporation has answered falsely or failed to answer a reasonable written interrogatory from the secretary of state, the attorney general, the commissioner of human services, commissioner of commerce, or commissioner of revenue, to the corporation, its officers, or directors;

(12) the corporation has solicited property and has failed to use it for the purpose solicited; or

(13) the corporation has fraudulently used or solicited property.

Subd. 6. [CONDITION OF CORPORATION.] In determining whether to order equitable relief or dissolution under this section, the court shall consider the financial condition of the corporation but may not refuse to order equitable relief or dissolution solely on the ground that the corporation is solvent.

Subd. 7. [DISSOLUTION AS REMEDY.] In deciding whether to order dissolution, the court shall consider whether lesser relief suggested by one or more parties, such as any form of equitable relief or a partial liquidation, would be adequate to permanently relieve the circumstances established under subdivision 3, 4, or 5. Lesser relief may be ordered if it would be appropriate under the facts and circumstances of the case.

Subd. 8. [EXPENSES.] If the court finds that a party to a proceeding brought under this section has acted arbitrarily, vexatiously, or otherwise not in good faith, it may award reasonable expenses, including attorneys fees and disbursements, to any of the other parties.

Subd. 9. [VENUE; PARTIES.] Proceedings under this section must be brought in a court within the county in which the registered office of the corporation is located. It is not necessary to make

members parties to the action or proceeding unless relief is sought against them personally.

Sec. 107. [317A.753] [PROCEDURE IN INVOLUNTARY OR SUPERVISED VOLUNTARY DISSOLUTION.]

Subdivision 1. [ACTION BEFORE HEARING.] In dissolution proceedings the court may issue injunctions, appoint receivers with powers and duties the court directs, take other actions required to preserve the corporate assets wherever located, and carry on the business of the corporation until a full hearing can be held.

Subd. 2. [NOTICE TO ATTORNEY GENERAL; INTERVENTION.] When a proceeding involving a corporation described in section 118, subdivision 1, is begun, the court shall order that a copy of the petition be served on the attorney general. In all proceedings under this section, the attorney general has a right to participate as a party.

Subd. 3. [ACTION AFTER HEARING.] After a full hearing has been held, upon whatever notice the court directs to be given to the parties to the proceedings and to other parties in interest designated by the court, the court may appoint a receiver to collect the corporate assets. A receiver has authority, subject to the order of the court, to continue the business of the corporation and to sell, lease, transfer, or otherwise dispose of all or any of the assets of the corporation at a public or private sale.

Subd. 4. [DISCHARGE OF OBLIGATIONS.] The assets of the corporation or the proceeds resulting from a sale, lease, transfer, or other disposition must be applied in the following order of priority to the payment and discharge of:

(1) the costs and expenses of the dissolution proceedings, including attorneys fees and disbursements;

(2) debts, taxes, and assessments due the United States, the state of Minnesota and their subdivisions, and other states and their subdivisions, in that order;

(3) claims duly proved and allowed to employees under the workers' compensation act, provided that claims under this clause are not allowed if the corporation carried workers' compensation insurance, as provided by law, at the time the injury was sustained;

(4) claims, including the value of compensation paid in a medium other than money, duly proved and allowed to employees for services performed within three months preceding the appointment of the receiver, if any; and

(5) other claims duly proved and allowed.

Subd. 5. [REMAINDER.] After payment of the expenses of receivership and claims of creditors duly proved, the remaining assets, if any, must be distributed as provided in section 104.

Sec. 108. [317A.755] [QUALIFICATIONS OF RECEIVERS; POWERS.]

Subdivision 1. [QUALIFICATIONS.] A receiver must be a natural person or a domestic corporation or a foreign corporation authorized to transact business in this state. A receiver shall give bond as directed by the court with the sureties required by the court.

Subd. 2. [POWERS.] A receiver may sue and defend in courts as receiver of the corporation. The court appointing the receiver has exclusive jurisdiction of the corporation and its property.

Sec. 109. [317A.759] [FILING CLAIMS IN PROCEEDINGS TO DISSOLVE.]

Subdivision 1. [FILING MAY BE REQUIRED.] In a proceeding under section 106 to dissolve a corporation, the court may require creditors and claimants of the corporation to file their claims under oath with the court administrator or with the receiver in a form prescribed by the court.

Subd. 2. [DATE; CLAIMS BARRED.] If the court requires the filing of claims, it shall fix a date, which may not be less than 120 days from the date of the order, as the last day for the filing of claims, and shall prescribe the notice of the fixed date that must be given to creditors and claimants. Before the fixed date, the court may extend the time for filing claims. Creditors and claimants failing to file claims on or before the fixed date may be barred, by order of court, from claiming an interest in or receiving payment out of the assets of the corporation.

Sec. 110. [317A.763] [DECREE OF DISSOLUTION.]

Subdivision 1. [PROCEDURE; WHEN ENTERED.] In an involuntary or supervised voluntary dissolution, the court shall provide for the discharge of obligations and the distribution of the assets as set forth in section 107, subdivision 4, and shall enter a decree dissolving the corporation.

Subd. 2. [EFFECTIVE DATE.] When the decree dissolving the corporation has been entered, the corporation is dissolved.

Sec. 111. [317A.765] [FILING DECREE.]

After the court enters a decree dissolving a corporation, the court administrator shall cause a certified copy of the decree to be filed with the secretary of state. The secretary of state may not charge a fee for filing the decree.

Sec. 112. [317A.771] [DEPOSIT WITH STATE TREASURER OF AMOUNT DUE CERTAIN PERSONS.]

Upon dissolution of a corporation, the part of the assets distributable to a person who is unknown or cannot be found, or who is under disability, if there is no person legally competent to receive it, must be reduced to money and deposited with the state treasurer. The amount deposited is appropriated to the state treasurer and must be paid over to the person, upon proof satisfactory to the state treasurer of a right to payment.

Sec. 113. [317A.781] [CLAIMS BARRED; EXCEPTIONS.]

Subdivision 1. [CLAIMS BARRED.] A person who is or becomes a creditor or claimant at any time before, during, or following the conclusion of dissolution proceedings, who does not file a claim or pursue a remedy in a legal, administrative, or arbitration proceeding within the time provided in section 101, 105, 106, or 109, or has not begun a legal, administrative, or arbitration proceeding before the beginning of the dissolution proceedings, and a person claiming through or under the creditor or claimant, is barred from suing on that claim or otherwise realizing upon or enforcing it, except as provided in this section.

Subd. 2. [CLAIMS REOPENED.] Within one year after articles of dissolution have been filed with the secretary of state under section 103, subdivision 1, clause (1) or (2), or a decree of dissolution has been entered, a creditor or claimant who shows good cause for not having previously filed the claim may apply to a court in this state to allow a claim against the corporation to the extent of undistributed assets.

Subd. 3. [CLAIMS PERMITTED.] Debts, obligations, and liabilities incurred during dissolution proceedings must be paid or provided for by the corporation before the distribution of assets under section 104. A person to whom this kind of debt, obligation, or liability is owed but not paid may pursue any remedy against the officers or directors of the corporation before the expiration of the applicable statute of limitations. This subdivision does not apply to dissolution under the supervision or order of a court.

Sec. 114. [317A.783] [RIGHT TO SUE OR DEFEND AFTER DISSOLUTION.]

After a corporation has been dissolved, its former officers, direc-

tors, or members with voting rights may assert or defend, in the name of the corporation, a claim by or against the corporation.

Sec. 115. [317A.791] [OMITTED ASSETS.]

Title to assets remaining after payment of the debts, obligations, or liabilities and after distributions may be transferred by a court in this state.

EXTENSION

Sec. 116. [317A.801] [EXTENSION AFTER DURATION EXPIRED.]

Subdivision 1. [EXTENSION BY AMENDMENT.] A corporation whose period of duration provided in the articles has expired and that has continued to operate despite that expiration may reinstate its articles and extend the period of corporate duration, including making the duration perpetual, after the date of expiration by filing an amendment to the articles as set forth in this section.

Subd. 2. [CONTENTS OF AMENDMENT.] An amendment to the articles must be approved by the board of directors and must include:

(1) the date the period of duration expired under the articles;

(2) a statement that the period of duration will be perpetual or, if a shorter period is to be provided, the date to which the period of duration is extended; and

(3) a statement that the corporation has been in continuous operation since before the date of expiration of its original period of duration.

Subd. 3. [APPROVAL BY MEMBERS WITH VOTING RIGHTS.] If the corporation has members with voting rights, the amendment to the articles must be presented, after notice, to a meeting of those members. The amendment is adopted when approved by the members with voting rights under section 17.

Subd. 4. [FILING.] Articles of amendment conforming to section 10 must be filed with the secretary of state.

Sec. 117. [317A.805] [EFFECT OF EXTENSION.]

Filing with the secretary of state of articles of amendment extending the period of duration of a corporation:

(1) relates back to the date of expiration of the original period of duration of the corporation as provided in the articles;

(2) validates contracts or other acts within the authority of the articles, and the corporation is liable for those contracts or acts; and

(3) restores to the corporation the assets and rights of the corporation to the extent they were held by the corporation before expiration of its original period of duration, except those sold or otherwise distributed after that time.

ATTORNEY GENERAL

Sec. 118. [317A.811] [NOTICE TO ATTORNEY GENERAL; WAITING PERIOD.]

Subdivision 1. [WHEN REQUIRED.] Except as provided in subdivision 6, the following corporations shall notify the attorney general of their intent to dissolve, merge, or consolidate, or to transfer all or substantially all of their assets:

(1) a corporation that holds assets for a public or charitable purpose; or

(2) a corporation that is recognized as exempt under section 501(c)(3) of the Internal Revenue Code of 1986, or any successor section.

The notice must include the plan of dissolution, merger or consolidation, or, in the case of a transfer of assets under section 92, a list of the persons to whom the assets will be transferred and the terms and conditions of the transfer.

Subd. 2. [RESTRICTION ON TRANSFERS.] Subject to subdivision 3, a corporation described in subdivision 1 may not transfer or convey assets as part of a dissolution, merger or consolidation, or transfer of assets under section 92 until 45 days after it has given written notice to the attorney general, unless the attorney general waives all or part of the waiting period.

Subd. 3. [EXTENSION OF WAITING PERIOD.] The attorney general may extend the waiting period under subdivision 2 for one additional 30-day period by notifying the corporation in writing of the extension. The attorney general shall notify the secretary of state if the waiting period is extended.

Subd. 4. [NOTICE AFTER TRANSFER.] When all or substantially all of the assets of a corporation described in subdivision 1 have been transferred or conveyed following approval by the attor-

ney general, the board shall deliver to the attorney general a list of persons to whom the assets were transferred or conveyed. The list must include the addresses of each person who received assets and show what assets the person received.

Subd. 5. [EFFECT.] Failure of the attorney general to take an action with respect to a transaction under this section does not constitute approval of the transaction and does not prevent the attorney general from taking other action.

Subd. 6. [EXCEPTION.] Subdivisions 1 to 4 do not apply to a merger with, consolidation into, or transfer of assets to a corporation described in subdivision 1, clause (2), or to a transfer of assets to an organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code of 1986, or any successor section. A corporation that is exempt under this subdivision shall send a copy of the certificate of merger or certificate of consolidation and incorporation to the attorney general.

Sec. 119. [317A.813] [REMEDIAL POWERS OF ATTORNEY GENERAL.]

The attorney general has the powers in sections 8.31, 501.78, and 501.79 to supervise and investigate corporations under this chapter and to bring proceedings to secure compliance.

CORPORATE REGISTRATION

Sec. 120. [317A.821] [INITIAL CORPORATE REGISTRATION WITH SECRETARY OF STATE.]

Subdivision 1. [NOTICE FROM SECRETARY OF STATE; REGISTRATION REQUIRED.] (a) Before February 1, 1990, the secretary of state shall mail a corporate registration form by first-class mail to each corporation at its last registered office address listed in the records of the secretary of state. The form must include the exact legal corporate name and registered office address currently on file with the secretary of state.

(b) A corporation that is subject to chapter 317 shall file an initial corporate registration with the secretary of state between January 1, 1990, and December 31, 1990. The registration must include the exact legal corporate name and registered office address of the corporation and must be signed by an authorized person. If the current registered office address listed in the records of the secretary of state is not in compliance with section 2, subdivision 2, or if the corporation has changed its registered office address to an address other than that listed with the secretary of state, the corporation shall list a new registered office address that complies with section 2, subdivision 2, on the registration form. A fee of \$ must be

paid for filing the registered office address change. The new registered office address must have been approved by the board.

Subd. 2. [LOSS OF GOOD STANDING; CORPORATE NAME.] A corporation that does not file the initial corporate registration required under subdivision 1 with the secretary of state on or before December 31, 1990, loses its good standing. To regain its good standing, the corporation must file the initial corporate registration. If a corporation loses its good standing under this subdivision, its corporate name or a deceptively similar name may be registered after January 1, 1992, by another person before the corporation regains its good standing. If the name or a deceptively similar name has been registered by another person, the corporation may not file its initial corporate registration and regain its good standing unless it obtains the consent of the other person as provided in section 12, subdivision 2, or adopts a new corporate name that complies with section 12.

Subd. 3. [DISSOLUTION; EXTENSION.] If a corporation fails to regain its good standing under subdivision 2 on or before December 31, 2000, the corporation is dissolved under section 123. After December 31, 2000, the corporate existence of a corporation dissolved under this subdivision may be extended by filing the initial corporate registration with the secretary of state and payment of a \$1,000 fee. The extension relates back to December 31, 2000.

Subd. 4. [IMMEDIATE DISSOLUTION.] As part of the initial registration process under this section, a corporation may elect to dissolve immediately if the corporation has assets valued at \$1,000 or less. The corporation must state that it wishes to be dissolved on the initial registration form and must state that it has assets valued at \$1,000 or less and that any assets will be disposed of in accordance with section 104. Section 118 does not apply to dissolutions under this subdivision.

Sec. 121. [317A.823] [ANNUAL CORPORATE REGISTRATION.]

Subdivision 1. [NOTICE FROM SECRETARY OF STATE; REGISTRATION REQUIRED.] (a) Before February 1 of each year, the secretary of state shall mail a corporate registration form by first-class mail to each corporation that incorporated or filed a corporate registration during either of the previous two calendar years at its last registered office address listed on the records of the secretary of state. The form must include the exact legal corporate name and registered office address currently on file with the secretary of state.

(b) A corporation shall file a corporate registration with the secretary of state once each calendar year. The registration must include the exact legal corporate name and registered office address of the corporation and must be signed by an authorized person. If the

corporation has changed its registered office address to an address other than that listed on the records of the secretary of state, the corporation shall list the new registered office address on the registration form. A fee of \$ must be paid for filing the registered office address change. The new address must comply with section 2, subdivision 2, and must have been approved by the board.

Subd. 2. [LOSS OF GOOD STANDING; CORPORATE NAME.] A corporation that files an initial corporate registration under section 120 or that is incorporated on or after January 1, 1990, and that does not file a corporate registration during a calendar year loses its good standing after December 31 of that year. To regain its good standing, the corporation must file the annual corporate registration and pay a \$25 fee. If a corporation loses its good standing under this subdivision, its corporate name or a deceptively similar name may be registered by another person before the corporation regains its good standing. If the name or a deceptively similar name has been registered by another person, the corporation may not file its corporate registration and regain its good standing unless it obtains the consent of the other person as provided in section 12, subdivision 2, or adopts a new corporate name that complies with section 12.

Subd. 3. [NOTICE; DISSOLUTION.] If a corporation fails to file a report required under this section for two consecutive calendar years, the secretary of state shall give notice to the corporation by first-class mail at its registered office that it has violated this section and is subject to dissolution under section 123 if the delinquent registrations are not filed with a \$ fee within 60 days after the mailing of the notice. A corporation that fails to file the delinquent annual registrations within the 60 days is dissolved under section 123.

Sec. 122. [317A.825] [ACCEPTANCE OF REGISTRATION BY SECRETARY OF STATE.]

The secretary of state may accept a registration under section 120 or 121 if the information on the registration is in substantial compliance with these sections, even if the information on the registration is not identical to equivalent information in the records of the secretary of state.

Sec. 123. [317A.827] [ADMINISTRATIVE DISSOLUTION.]

Subdivision 1. [PROCEDURE.] If a corporation requests dissolution as part of the initial registration under section 120, if it fails to file the initial registration by December 31, 2000, or if it fails to file the delinquent registrations before expiration of the 60-day period in section 121, subdivision 3, the secretary of state shall immediately issue a certificate of dissolution and file a copy in the office of the secretary of state. If the corporation is dissolved for failure to file a registration, the secretary of state shall issue a certificate of

involuntary dissolution. The secretary of state shall send the original certificate and a notice that the corporation has been dissolved to the registered office of the corporation. The secretary of state shall annually inform the attorney general of the names of corporations dissolved under this section during the previous year and indicate whether the dissolution was voluntary or involuntary. A corporation dissolved under this section is not entitled to the benefits of section 113, subdivision 1.

Subd. 2. [ATTORNEY GENERAL POWERS CONTINUED.] A corporation dissolved under this section continues for three years after the dissolution date for the sole purpose of supervision, investigation, and other actions by the attorney general under sections 8.31, 501.78, and 501.79.

ACTIONS AGAINST CORPORATIONS

Sec. 124. [317A.901] [SERVICE OF PROCESS ON CORPORATION.]

Subdivision 1. [WHO MAY BE SERVED.] A process, notice, or demand required or permitted by law to be served upon a corporation may be served upon the registered agent, if any, of the corporation named in the articles, upon an officer of the corporation, or upon the secretary of state as provided in this section.

Subd. 2. [SERVICE ON SECRETARY OF STATE; WHEN PERMITTED.] If a corporation has appointed and maintained a registered agent in this state but its registered agent or an officer of the corporation cannot be found at the registered office, or if a corporation fails to appoint or maintain a registered agent in this state and an officer of the corporation cannot be found at the registered office, then the secretary of state is the agent of the corporation upon whom the process, notice, or demand may be served. The return of the sheriff, or the affidavit of a person not a party, that no registered agent or officer can be found at the registered office in a county is conclusive evidence that the corporation has no registered agent or officer at its registered office. Service on the secretary of state of a process, notice, or demand is personal service upon the corporation and must be made by filing with the secretary of state duplicate copies of the process, notice, or demand. The secretary of state shall immediately forward, by certified mail, addressed to the corporation at its registered office, a copy of the process, notice, or demand. Service on the secretary of state is returnable in not less than 30 days notwithstanding a shorter period named in the process, notice, or demand.

Subd. 3. [RECORD OF SERVICE.] The secretary of state shall maintain at its office a record of processes, notices, and demands

served upon the secretary of state under this section, including the date and time of service and the action taken with reference to it.

Subd. 4. [OTHER METHODS OF SERVICE.] This section does not limit the right of a person to serve a process, notice, or demand required or permitted by law to be served upon a corporation in another manner permitted by law.

Sec. 125. [317A.903] [STATE INTERESTED; PROCEEDINGS.]

If it appears at any stage of a proceeding in a court in this state that the state is, or is likely to be, interested in the proceeding, or that it is a matter of general public interest, the court shall order that a copy of the complaint or petition be served upon the attorney general in the manner prescribed for serving a summons in a civil action. The attorney general shall intervene in a proceeding when the attorney general determines that the public interest requires it, whether or not the attorney general has been served.

SPECIAL PROVISIONS

Sec. 126. [317A.905] [CHAMBERS OF COMMERCE, BOARDS OF TRADE, EXCHANGES.]

Subdivision 1. [SPECIAL PURPOSES:] A corporation may be formed under this chapter to:

- (1) acquire and disseminate useful business information;
- (2) promote equitable principles of trade; or
- (3) establish, maintain, and enforce uniformity in the commercial usages, business transactions, and trade relations in the municipality in which it is located.

Subd. 2. [ARBITRATION OF DIFFERENCES.] A corporation, formed for a purpose in subdivision 1, may, through its articles or bylaws, arbitrate and adjust differences between:

- (1) the corporation and its members;
- (2) the members; or
- (3) a member and a third person who has given written consent.

The corporation may take testimony, make awards, and enforce an award by a fine or by a forfeiture of the membership of a person or of the person's other rights or privileges.

Subd. 3. [PUBLIC MARKETS.] A corporation that is a chamber of commerce, board of trade, or exchange, and that maintains or operates a regular place of business or trading room for members only, in which the members buy, sell, or exchange grain, livestock, or other farm products for themselves or for others, is a public market.

Subd. 4. [ASSOCIATION OR CORPORATION DEFINED.] As used in subdivisions 5 and 6, the words "association or corporation" include a cooperative corporation or association authorized to do business in this state.

Subd. 5. [MEMBERSHIP IN PUBLIC MARKET.] Membership in a public market is open to a person, association, or corporation:

(1) having a method of business operation or plan of organization that does not conflict with a reasonable rule of the public market; and

(2) desiring to deal or trade in the commodities usually dealt in on the public market.

Application for membership must be made in the manner provided in the articles or bylaws of the public market.

Subd. 6. [RULES AND BYLAWS OF PUBLIC MARKETS.] A public market may make reasonable rules, regulations, and bylaws, including provisions for membership fees and uniform reasonable assessments. A rule, regulation, or bylaw of a public market is unreasonable when it modifies a provision in the articles, constitution, or bylaws of an association or corporation, governing the distribution of profits to the shareholders or members of the association or corporation. Members of a public market shall comply with reasonable rules, regulations, and bylaws established by the market.

Subd. 7. [MONOPOLY IN RESTRAINT OF TRADE.] A public market is a monopoly in restraint of trade when it:

(1) wrongfully or unreasonably refuses to admit or delays the admission of an applicant for membership;

(2) discriminates, or causes another to discriminate, among members; or

(3) violates this section.

Subd. 8. [PROSECUTION BY ATTORNEY GENERAL.] When a public market is a monopoly in restraint of trade under subdivision 7, trading or dealing in it is prohibited, and the attorney general

shall bring an action to terminate the existence of the corporation under section 106, or sue to enjoin further operation of the market or further violations of this chapter.

Sec. 127. [317A.907] [CORPORATIONS TO SECURE OR MAINTAIN HOMES FOR DEPENDENT CHILDREN.]

Subdivision 1. [PURPOSES.] A corporation may be formed for the following purposes:

(1) securing homes for orphaned, homeless, abandoned, neglected, or mistreated children; or

(2) establishing and maintaining homes for those children.

Subd. 2. [CERTIFICATE OF TRUSTWORTHINESS.] When it files its articles with the secretary of state, the corporation shall file an accompanying certificate of the commissioner of human services declaring that the corporation has complied with applicable rules of the commissioner of human services governing the operation of child caring agencies or child caring institutions and is reputable and trustworthy.

Subd. 3. [COMPLY WITH RULES; OPEN BOOKS TO PUBLIC INSPECTION.] A corporation formed under subdivision 1 shall:

(1) comply with rules established by the commissioner of human services to govern its operation; and

(2) maintain the financial records of the corporation open to public inspection.

Subd. 4. [VISITORIAL POWERS OF COURT.] Upon its own motion, or upon application, a court of equity has visitorial powers over the corporation, its affairs, and officers.

Subd. 5. [LEGAL GUARDIAN.] If the commissioner of human services currently certifies that a corporation formed for the purpose set out in subdivision 1, clause (1), is a licensed child caring agency complying with the rules established by the commissioner of human services to govern its operation, the corporation has the power to become the guardian of a child in the manner prescribed for securing the guardianship of children in need of protection or services under chapter 260.

Subd. 6. [EXPENSE REIMBURSEMENT.] (a) An organization, association, or society licensed by the commissioner of human services may receive payment for expenses related to adoption services in an amount that fairly reflects the agency's reasonable and necessary expenses of:

(1) adoptive counseling, whether or not legal adoption is completed;

(2) provision of services to children before adoptive placement; or

(3) the supervision of children in the home until legal adoption is completed.

Only that part of the expenses may be requested that the person seeking to adopt is financially able to meet. No person may be barred from receiving a child for adoption because of inability to pay part of the expenses referred to in this subdivision. In addition to other reports as may be required, a licensed agency shall file annually with the commissioner of human services a full accounting of expense reimbursement received under this subdivision, together with the record of the services given for which the reimbursement was made. If the person returns the child to the corporation, the person may not receive compensation for the care, clothing, or medical expenses of the child. This paragraph does not preclude voluntary contributions by an individual or organization. A pledge by an adoption applicant to make a voluntary contribution is voidable at the option of the person pledging.

(b) No organization, association, or society is eligible to receive an expense reimbursement from a person who takes a child into the person's home or who adopts a child during the first 12 months that the organization, association, or society is licensed by the commissioner of human services.

Subd. 7. [EXEMPTION OF PROPERTY FROM TAXATION.] A corporation formed for one or both of the purposes set out in subdivision 1 and personal and real property owned by it are exempt from taxation.

Sec. 128. [317A.909] [CORPORATIONS FOR RELIGIOUS PURPOSES.]

Subdivision 1. [BENEFITS FOR MEMBERS.] When authorized by its members or otherwise, a corporation formed for a religious purpose may provide directly or through a church benefits board for:

(1) support and payment of benefits to its ministers, teachers, employees, or functionaries and to the ministers, teachers, employees, or functionaries of a nonprofit organization affiliated with it or under its jurisdiction;

(2) payment of benefits to the surviving spouses, children, dependents, or other beneficiaries of the persons named in clause (1);

(3) collection of contributions and other payments; or

(4) creation, maintenance, investment, management, and disbursement of necessary endowment, reserve, and other funds for these purposes, including a trust fund or corporation that funds a "church plan" as defined in section 414(e) of the Internal Revenue Code of 1986, as amended through December 31, 1988.

Subd. 2. [INSURANCE LAWS NOT APPLICABLE.] The insurance laws of this state do not apply to the operations of a corporation under subdivision 1.

Subd. 3. [PROPERTY EXEMPT FROM TAXATION.] Except for property leased or used for profit, personal and real property that a religious corporation necessarily uses for a religious purpose is exempt from taxation.

Subd. 4. [PEACE OFFICER POWERS.] The governing board of a religious corporation may appoint peace officers to keep order on its grounds. The peace officers shall be paid by the corporation. When on duty, these officers have the authority of constables.

Subd. 5. [CHURCH BENEFITS BOARD.] A "church benefits board" is an organization described in section 414(e)(3)(A) of the Internal Revenue Code of 1986, as amended through December 31, 1988, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits for the employees of a church or a convention or association of churches, if the organization is controlled by or associated with a church or a convention or association of churches.

MISCELLANEOUS SECTIONS

Sec. 129. Minnesota Statutes 1988, section 8.31, subdivision 1, is amended to read:

Subdivision 1. [INVESTIGATE OFFENSES AGAINST THE PROVISIONS OF CERTAIN DESIGNATED SECTIONS; ASSIST IN ENFORCEMENT.] The attorney general shall investigate violations of the law of this state respecting unfair, discriminatory, and other unlawful practices in business, commerce, or trade, and specifically, but not exclusively, the nonprofit corporation act (sections 1 to 128), the act against unfair discrimination and competition (sections 325D.01 to 325D.08), the unlawful trade practices act (sections 325D.09 to 325D.16), the antitrust act (sections 325D.49 to 325D.66), section 325F.67 and other laws against false or fraudulent advertising, the antidiscrimination acts contained in section 325D.67, the act against monopolization of food products (section 325D.68), and the prevention of consumer fraud act (sections 325F.68 to 325F.70) and assist in the enforcement of those laws as in this section provided.

Sec. 130. Minnesota Statutes 1988, section 79A.09, subdivision 1, is amended to read:

Subdivision 1. [CREATION.] The self-insurers' security fund is established as a nonprofit corporation pursuant to the Minnesota nonprofit corporation act, sections ~~317.01 to 317.69~~ 1 to 128. If any provision of the Minnesota nonprofit corporation act conflicts with any provision of this chapter, the provisions of this chapter apply. Each private self-insurer who is self-insured on July 1, 1988, or who becomes self-insured thereafter, shall participate as a member in the security fund. This participation shall be a condition of maintaining its certificate to self-insure.

Sec. 131. Minnesota Statutes 1988, section 257.03, is amended to read:

257.03 [NOTICE TO COMMISSIONER OF HUMAN SERVICES.]

Any person receiving a child in the person's home with intent to adopt the child or keep the child permanently, except a person receiving a child from an authorized agency, must notify the commissioner of human services in writing within 30 days after the child is received. Notice shall state the true name of the child; the child's last previous address; the name and address of the child's parents or legal guardian and of persons with whom the child last resided; and the names and addresses of persons who placed the child in the home, arranged for, or assisted with arrangements for the child's placement there; and such other facts about the child or the home as the commissioner may require. It is the duty of the commissioner or a designated agent to investigate the circumstances surrounding the child's entry into the home and to take appropriate action to assure for the child, the biological parents, and the foster parents the full protection of all laws of Minnesota relating to custody and foster care of children. Except as provided by section ~~317.65~~ 127, no person shall solicit, receive, or accept any payment, promise of payment, or compensation, for placing a child in foster care or for assisting to place a child in foster care. Nor shall any person pay or promise to pay or in any way compensate any person, for placing or for assisting to place a child in foster care.

Sec. 132. Minnesota Statutes 1988, section 309.67, is amended to read:

309.67 [STANDARD OF CONDUCT.]

In the administration of the powers to appropriate appreciation, to make and retain investments, and to delegate investment management of institutional funds, members of a governing board shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision discharge their duties in the manner provided in section 44. In so

doing they shall consider long and short term needs of the institution in carrying out its educational, religious, charitable, or other eleemosynary purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Sec. 133. Minnesota Statutes 1988, section 319A.20, is amended to read:

319A.20 [SUSPENSION OR REVOCATION.]

The corporate charter of a professional corporation or the certificate of authority of a foreign professional corporation may be suspended or revoked pursuant to section 301.57, 302A.757, or ~~317.62~~ 106 for the reasons enumerated therein or for failure to comply with the provisions of sections 319A.01 to 319A.22 or the rules of any board. A board through the attorney general may institute such suspension or revocation proceedings.

Sec. 134. Minnesota Statutes 1988, section 354A.021, subdivision 2, is amended to read:

Subd. 2. [ORGANIZATION.] Each teachers retirement fund association shall be organized and governed pursuant to this chapter and chapter ~~317~~ 317A, except that ~~no association shall be required to amend its articles of incorporation or bylaws to conform with section 317.08, subdivision 2, clause (3), and that each association shall be deemed to be a nonprofit corporation without coming within the application of definition in section 317.02, subdivision 5 2, subdivision 7.~~ Any corporate action of any teachers retirement fund association taken prior to April 9, 1976 shall be deemed to be valid if it conformed with Minnesota Statutes 1976, chapter 317 or 354A, or Revised Laws 1905, chapter 58, as amended through April 9, 1976.

Sec. 135. Minnesota Statutes 1988, section 469.144, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT.] Any county or combination of counties by resolution of the county board or boards may establish a rural development financing authority as a public nonprofit corporation. An authority has the powers and duties conferred and imposed on a private nonprofit corporation by chapter ~~317~~ 317A, except as otherwise or additionally provided herein. No such authority shall transact any business or exercise any powers until a certified copy of the resolutions of each participating county board has been submitted to the secretary of state and a certificate of incorporation issued pursuant to section ~~317.10~~ 21. Each resolution shall include all of the provisions required by section ~~317.08, subdivision 2 10, subdivision 1.~~ Alternatively, a county may determine by resolution of the county board to exercise the powers

granted in this chapter to a rural development finance authority; no filing is required.

Sec. 136. [INSTRUCTION TO REVISOR.]

The revisor of statutes shall change the phrase "chapter 317" to "chapter 317A" wherever it appears in Minnesota Statutes.

Sec. 137. [APPROPRIATION.]

(a) \$ is appropriated from the general fund to the secretary of state to carry out the additional duties imposed by this act.

(b) \$ is appropriated from the general fund to the attorney general to carry out the additional duties imposed by this act.

Sec. 138. [REPEALER.]

Minnesota Statutes 1988, sections 317.01; 317.02; 317.03; 317.04; 317.05; 317.06; 317.07; 317.08; 317.09; 317.10; 317.12; 317.13; 317.14; 317.15; 317.16; 317.165; 317.17; 317.175; 317.18; 317.19; 317.20; 317.201; 317.21; 317.22; 317.23; 317.24; 317.25; 317.26; 317.27; 317.271; 317.28; 317.285; 317.29; 317.30; 317.31; 317.32; 317.33; 317.34; 317.35; 317.36; 317.37; 317.38; 317.39; 317.40; 317.41; 317.42; 317.44; 317.45; 317.46; 317.47; 317.48; 317.49; 317.50; 317.51; 317.52; 317.53; 317.54; 317.55; 317.56; 317.57; 317.58; 317.59; 317.60; 317.61; 317.62; 317.63; 317.64; 317.65; 317.66; 317.67; 317.68, and 317.69, are repealed.

Section 120, subdivision 4, is repealed.

Sec. 139. [EFFECTIVE DATES.]

Sections 1 to 120 and 122 to 128 are effective August 1, 1989. Sections 121, 129 to 136, and 138, are effective January 1, 1991."

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

The report was adopted.

Skoglund from the Committee on Insurance to which was referred:

H. F. No. 1407, A bill for an act relating to political subdivisions; permitting participation in risk retention groups; amending Minnesota Statutes 1988, section 471.981, by adding a subdivision.

Reported the same back with the following amendments:

Page 1, line 9, delete "If a political"

Page 1, delete lines 10 to 12

Page 1, line 13, delete "reasonable cost, the" and insert "A"

With the recommendation that when so amended the bill pass.

The report was adopted.

Osthoff from the Committee on Financial Institutions and Housing to which was referred:

H. F. No. 1548, A bill for an act relating to financial institutions; regulating charges and fees on loans and extensions of credit by financial institutions and others; making various internal reference changes; amending Minnesota Statutes 1988, sections 47.20, subdivision 2; 51A.02, subdivision 14; 51A.38, subdivision 3; 51A.385, subdivisions 4, 5, 6, 7, 8, 9, 12, and 13; 51A.50; 51A.51, subdivision 4; 51A.53; 51A.55, subdivisions 1 and 2; 51A.56; 51A.57; 56.131, subdivision 1; 168.72, subdivision 1; 168.73; and 507.45, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 47.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1988, section 51A.01, is amended to read:

51A.01 [CITATION.]

Sections 51A.01 to ~~51A.57~~ 51A.58 may be cited as the "savings association act."

Sec. 2. Minnesota Statutes 1988, section 51A.02, subdivision 14, is amended to read:

Subd. 14. [CONDITIONAL SALE CONTRACT.] "Conditional sale contract" or "credit sale contract" means a contract evidencing a credit sale on credit.

Sec. 3. Minnesota Statutes 1988, section 51A.38, subdivision 3, is amended to read:

Subd. 3. [PAYMENTS.] Payments on real estate loans shall be applied first to other charges, ~~then to~~ and the payment of interest on

the unpaid balance of the loan, in the manner determined by the association, and the remainder on the reduction of principal. All loans may be prepaid in part or in full, at any time. An association may charge a borrower a prepayment fee on any loan that is not a consumer loan. Unless otherwise agreed in writing, any prepayment of principal on any loan may, at the option of the association, be applied on the final installment of the note or other obligation until fully paid, and thereafter on the installments in the inverse order of their maturity, or, at the option of the association, the payments may be applied from time to time wholly or partially to offset payments which subsequently accrue under the loan contract.

Sec. 4. Minnesota Statutes 1988, section 51A.385, subdivision 4, is amended to read:

Subd. 4. [ADDITIONAL AUTHORITY.] Extensions of credit, and purchases of extensions of credit, authorized by sections 47.20, subdivision 1, 3, or 4a; 47.204; 47.21; 48.153; 48.185; 48.195; 59A.01 to 59A.15; 168.66 to 168.77; ~~or~~ 334.01, subdivision 2; ~~and 334.011; and 334.012~~ may, but need not, be made pursuant to those sections in lieu of the authority set forth in subdivisions 1 to 3, and if so, are subject to the provisions of those sections, and not the provisions of this section, except this subdivision. An association may also charge an organization any rate of interest and any charges agreed to by the organization, and may calculate and collect finance and other charges in any manner agreed to by that organization. Except for extensions of credit the association elects to make under section 334.01, subdivision 2; ~~or 334.011; or 334.012~~, the provisions of chapter 334 do not apply to extensions of credit made pursuant to this section or the sections mentioned in this subdivision.

Sec. 5. Minnesota Statutes 1988, section 51A.385, subdivision 5, is amended to read:

Subd. 5. [ADDITIONAL CHARGES.] (a) In addition to the finance charges permitted by this section, an association, or a person described in subdivision 2, to the extent not otherwise prohibited by law, may contract for and receive the following additional charges which may be included in the amount financed:

(1) official fees and taxes;

(2) charges for insurance as described in paragraph (b);

(3) with respect to a loan or credit sale contract secured by real estate, including a real estate loan, the following "closing costs," if they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this section:

(i) fees or premiums for title examination, abstract of title, title insurance, surveys, or similar purposes;

(ii) fees for preparation of a deed, mortgage, settlement statement, or other documents, if not paid to the association;

(iii) escrows for future payments of taxes, including assessments for improvements, insurance, and water, sewer, and land rents;

(iv) fees for notarizing deeds and other documents; and

(v) appraisal and credit report fees;

(4) a delinquency charge on any installment payment, including the minimum payment due in connection with the open-end credit, not paid in full on or before the tenth day after its due date in an amount not to exceed five percent of the amount of the installment payment;

(5) for any returned check or returned automatic payment withdrawal request, an amount not in excess of the service charge limitation in section 332.50; and

(6) charges for other benefits, including insurance, conferred on the borrower that are of a type that is not for credit.

(b) An additional charge may be made for insurance written in connection with the loan or credit sale contract, which may be included in the amount financed:

(1) with respect to insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, if the association furnishes a clear, conspicuous, and specific statement in writing to the borrower setting forth the cost of the insurance if obtained from or through the association and stating that the borrower may choose the person through whom the insurance is to be obtained;

(2) with respect to credit insurance providing life, accident, health, or unemployment coverage, if the insurance coverage is not required by the association, and this fact is clearly and conspicuously disclosed in writing to the borrower, and the borrower gives specific, dated, and separately signed affirmative written indication of the borrower's desire to do so after written disclosure to the borrower of the cost of the insurance; and

(3) with respect to vendor's single interest insurance, but only (i) to the extent that the insurer has no right of subrogation against the borrower, and (ii) to the extent that the insurance does not duplicate the coverage of other insurance under which loss is payable to the

association as its interest may appear, against loss of or damage to property for which a separate charge is made to the borrower pursuant to paragraph (b), clause (1), and (iii) if a clear, conspicuous, and specific statement in writing is furnished by the association to the borrower setting forth the cost of the insurance if obtained from or through the association and stating that the borrower may choose the person through whom the insurance is to be obtained.

(c) In addition to the finance charges and other additional charges permitted by this section, an association may contract for and receive the following additional charges in connection with open-end credit, which may be included in the amount financed or balance upon which the finance charge is computed:

(1) annual charges, not to exceed \$50 per annum, payable in advance, for the privilege of opening and maintaining open-end credit;

(2) charges for the use of an automated teller machine;

(3) charges for any monthly or other periodic payment period in which the borrower has exceeded or, except for the association's dishonor would have exceeded, the maximum approved credit limit, in an amount not in excess of the service charge permitted in section 332.50;

(4) charges for obtaining a cash advance in an amount not to exceed the service charge permitted in section 332.50; and

(5) charges for check and draft copies and for the replacement of lost or stolen credit cards.

Sec. 6. Minnesota Statutes 1988, section 51A.385, subdivision 6, is amended to read:

Subd. 6. [ADVANCES TO PERFORM COVENANTS OF BORROWER OR PURCHASER.] (a) If the agreement with respect to a loan or credit sale contract contains covenants by the borrower or purchaser to perform certain duties pertaining to insuring or preserving collateral and the association pursuant to the agreement pays for performance of the duties on behalf of the borrower or purchaser, the association may add to the debt or contract balance the amounts so advanced. Before or within a reasonable time after advancing any sums, the association shall state to the borrower or purchaser in writing the amount of sums advanced or to be advanced, any charges with respect to this amount, and any revised payment schedule and, if the duties of the borrower or purchaser performed by the association pertain to insurance, a brief description of the insurance paid for or to be paid for by the association

including the type and amount of coverages. Further information need not be given.

(b) A finance charge equal to that specified in the loan agreement or credit sale contract may be made for sums advanced under paragraph (a).

Sec. 7. Minnesota Statutes 1988, section 51A.385, subdivision 7, is amended to read:

Subd. 7. [ATTORNEY'S FEES.] With respect to a loan or credit sale, the agreement may provide for payment by the borrower of the attorney's fees and court costs incurred in connection with collection or foreclosure. This subdivision is not a limitation on attorney's fees that may be charged to an organization.

Sec. 8. Minnesota Statutes 1988, section 51A.385, subdivision 8, is amended to read:

Subd. 8. [RIGHT TO PREPAY.] The borrower or purchaser may prepay in full the unpaid balance of a consumer loan or credit sale contract, at any time without penalty.

Sec. 9. Minnesota Statutes 1988, section 51A.385, subdivision 9, is amended to read:

Subd. 9. [CREDIT INSURANCE.] (a) The sale of credit insurance is subject to the provisions of chapter 62B and the rules adopted under that chapter, but the term of the insurance may exceed 60 months if the loan or credit sale contract exceeds 60 months and the insurance will nevertheless be subject to chapter 62B and the rules adopted under that chapter. In case there are multiple consumers obligated under a transaction subject to this chapter, no policy or certificate or insurance providing credit life insurance may be procured by or through an association or person described in subdivision 2 upon more than two of the consumers, in which case they may be insured jointly.

(b) An association which provides credit insurance in relation to open-end credit may calculate the charge to the borrower in each billing cycle by applying the current premium rate to the balance in the manner permitted with respect to finance charges by the provisions on finance charge in this section.

(c) Upon prepayment in full of a consumer loan or credit sale contract by the proceeds of credit insurance, the consumer or the consumer's estate is entitled to a refund of any portion of a separate charge for insurance which by reason of prepayment is retained by the association or returned to it by the insurer, unless the charge was

computed from time to time on the basis of the balances of the consumer's loan or credit sale contract.

(d) This section does not require an association to grant a refund to the consumer if all refunds due to the consumer under paragraph (c) amount to less than \$1 and, except as provided in paragraph (c), does not require the association to account to the consumer for any portion of a separate charge for insurance because:

(1) the insurance is terminated by performance of the insurer's obligation;

(2) the association pays or accounts for premiums to the insurer in amounts and at times determined by the agreement between them; or

(3) the association receives directly or indirectly under any policy of insurance a gain or advantage not prohibited by law.

(e) Except as provided in paragraph (d), the association shall promptly make or cause to be made an appropriate refund to the consumer with respect to any separate charge made to the consumer for insurance if:

(1) the insurance is not provided or is provided for a shorter term than for which the charge to the borrower for insurance was computed; or

(2) the insurance terminates before the end of the term for which it was written because of prepayment in full or otherwise.

(f) If an association requires insurance, upon notice to the borrower, the borrower has the option of providing the required insurance through an existing policy of insurance owned or controlled by the borrower, or through a policy to be obtained and paid for by the borrower, but the association for reasonable cause may decline the insurance provided by the borrower.

Sec. 10. Minnesota Statutes 1988, section 51A.385, subdivision 11, is amended to read:

Subd. 11. [CONSUMER PROTECTIONS.] (a) Associations shall comply with the requirements of the Federal Truth in Lending Act, United States Code, title 15, section 1601 to 1693, in connection with a consumer loan or credit sale for a consumer purpose where the federal Truth in Lending Act is applicable.

(b) Associations shall comply with the following consumer protection provisions in connection with a consumer loan or credit sale for a consumer purpose: sections 325G.02 to 325G.05; 325G.06 to

325G.11; 325G.15 to 325G.22; and 325G.29 to 325G.36, and the Code of Federal Regulations, title 12, part 535, where those statutes or regulations are applicable.

(c) An assignment of a consumer's earnings by the consumer to an association as payment or as security for payment of a debt arising out of a consumer loan or consumer credit sale is unenforceable by the association and revocable by the consumer.

Sec. 11. Minnesota Statutes 1988, section 51A.385, subdivision 12, is amended to read:

Subd. 12. [LOANS AND CONTRACTS OTHER THAN CONSUMER LOANS AND CONTRACTS.] Loans and credit sale contracts other than consumer loans and consumer credit sale contracts are not subject to the provisions and limitations of subdivisions 8, 9, 10, paragraph (b), and 11.

Sec. 12. Minnesota Statutes 1988, section 51A.385, subdivision 13, is amended to read:

Subd. 13. [EFFECT OF VIOLATIONS ON RIGHTS OF PARTIES.] (a) If an association has violated any provision of this section applying to collection of finance or other charges, the borrower or purchaser under a credit sale contract has a cause of action to recover damages and also a right in an action other than a class action, to recover from the association violating this section a penalty in an amount determined by the court not less than \$100 nor more than \$1,000. With respect to violations arising from other than open-end credit transactions, no action may be brought pursuant to this paragraph and no set-off or recoupment may be asserted pursuant to this paragraph, more than one year after the making of the debt.

(b) A borrower or purchaser under a credit sale contract is not obligated to pay a charge in excess of that allowed by this section and has a right of refund of any excess charge paid. A refund may not be made by reducing the borrower's or purchaser's obligation by the amount of the excess charge, unless the association has notified the borrower or purchaser that the borrower or purchaser may request a refund and the borrower or purchaser has not so requested within 30 days thereafter. If the ~~debtor~~ borrower or purchaser has paid an amount in excess of the lawful obligation under the agreement, the borrower or purchaser may recover the excess amount from the association who made the excess charge or from an assignee of the association's rights who undertakes direct collection of payments from or enforcement of rights against borrowers or purchasers arising from the debt.

(c) If an association has contracted for or received a charge in excess of that allowed by this section, or if a borrower or purchaser

under a credit sale contract is entitled to a refund and a person liable to the borrower or purchaser refuses to make a refund within a reasonable time after demand, the borrower or purchaser may recover from the association or the person liable in an action other than a class action a penalty in an amount determined by the court not less than \$100 nor more than \$1,000. With respect to excess charges arising from other than open-end credit transactions, no action pursuant to this paragraph may be brought more than one year after the making of the debt. For purposes of this paragraph, a reasonable time is presumed to be 30 days.

(d) A violation of this section does not impair rights on a debt.

(e) An association is not liable for a penalty under paragraph (a) or (c) if it notifies the borrower or purchaser under a credit sale contract of a violation before the association receives from the borrower or purchaser written notice of the violation or the borrower or purchaser has brought an action under this section, and the association corrects the violation within 45 days after notifying the borrower or purchaser. If the violation consists of a prohibited agreement, giving the borrower or purchaser a corrected copy of the writing containing the violation is sufficient notification and correction. If the violation consists of an excess charge, correction must be made by an adjustment or refund.

(f) An association may not be held liable in an action brought under this section for a violation of this section if the association shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid the error.

(g) In an action in which it is found that an association has violated this section, the court shall award to the borrower or the purchaser under a credit sale contract the costs of the action and to the borrower's or purchaser's attorneys their reasonable fees.

Sec. 13. Minnesota Statutes 1988, section 51A.51, subdivision 4, is amended to read:

Subd. 4. [SUPERVISION AND EXAMINATION FEE.] At the time of filing its annual report each association shall pay to the commissioner as a fee for supervision and examination an annual assessment as determined by the commissioner pursuant to the provisions of section 46.131. Such assessment shall be in lieu of all other license fees and charges of any kind whatsoever to any other state department or office, municipality, county, or other political subdivision; provided that the commissioner may assess against any such association the actual and necessary per diem expenses of and incidental to any additional examinations, or to supervision, or to any appraisal or special audit made pursuant to an order of the

commissioner acting under authority of sections 51A.01 to ~~51A.57~~ 51A.58.

Sec. 14. Minnesota Statutes 1988, section 51A.53, is amended to read:

51A.53 [POWERS OF FEDERAL ASSOCIATIONS; APPROVAL.]

Subject to the approval of the commissioner, any savings and loan association organized under sections 51A.01 to ~~51A.57~~ 51A.58 is vested with all powers conferred upon a federal association organized under the laws and regulations of the United States or its agencies, as amended, as fully and completely as if the powers were specifically enumerated and described herein, provided that the same are not specifically prohibited by state law.

Sec. 15. Minnesota Statutes 1988, section 51A.55, subdivision 1, is amended to read:

Subdivision 1. ~~[ALL THRIFT AND HOME FINANCING ORGANIZATIONS, TO BE SUBJECT TO PROVISIONS OF SECTIONS 51A.01 TO 51A.57.]~~ All persons accepting moneys from the public and engaged in home financing, whether or not incorporated, and every corporation heretofore incorporated under the statutes of this state which has for its purpose the promotion of thrift and the financing of homes, except those regulated under other Minnesota Statutes or federal laws, by whatever name known, shall at the time sections 51A.01 to ~~51A.57~~ 51A.58 become effective be subject to the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 and shall be deemed to exist hereunder.

Sec. 16. Minnesota Statutes 1988, section 51A.55, subdivision 2, is amended to read:

Subd. 2. ~~[ALL SUCH EXISTING CORPORATIONS HERETOFORE INCORPORATED CONFORMED TO PROVISIONS OF SECTIONS 51A.01 TO 51A.57.]~~ The name, rights, powers, privileges, and immunities of every such corporation heretofore incorporated in this state shall be governed, controlled, construed, extended, limited, and determined by the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 to the same extent and effect as if such corporation had been incorporated pursuant hereto, and the articles of association, certificate of incorporation, or charter, however entitled, bylaws and constitution, or other rules of every such corporation heretofore made or existing are hereby modified, altered, and amended to conform to the provisions of sections 51A.01 to ~~51A.57~~ 51A.58, with or without the issuance or approval by the commissioner of conformed copies of such documents, and the same are declared void to the extent that the same are inconsistent with the provisions of sections 51A.01 to ~~51A.57~~ 51A.58; except that the obligations of any such existing corporation, whether between such

corporation and its members, or any of them, or any other person or persons, or any valid contract between the members of any such corporation, or between such corporation and any other person or persons, existing on July 1, 1969, shall not be in any way impaired by the provisions of sections 51A.01 to ~~51A.57~~ 51A.58, and, with such exceptions, every such corporation shall possess the rights, powers, privileges, and immunities and shall be subject to the duties, liabilities, disabilities, and restrictions conferred and imposed by sections 51A.01 to ~~51A.57~~ 51A.58, notwithstanding anything to the contrary in its certificate of incorporation, bylaws, constitution, or rules.

Sec. 17. Minnesota Statutes 1988, section 51A.56, is amended to read:

51A.56 [ACT CONTROLLING.]

Insofar as the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 are inconsistent with the provisions of any other law affecting associations, the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 shall control.

Sec. 18. Minnesota Statutes 1988, section 51A.57, is amended to read:

51A.57 [SEPARABILITY.]

If any provision, clause, or phrase of sections 51A.01 to ~~51A.57~~ 51A.58 or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of sections 51A.01 to ~~51A.57~~ 51A.58 which can be given effect without the invalid provisions or application, and to this end the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 are declared to be separable.

Sec. 19. Minnesota Statutes 1988, section 56.131, subdivision 1, is amended to read:

Subdivision 1. [INTEREST RATES AND CHARGES.] (a) On any loan in a principal amount not exceeding \$35,000 or ~~ten~~ 15 percent of a corporate licensee's contributed capital and appropriated reserves as defined in section 53.015, if greater, a licensee may contract for and receive interest, calculated according to the actuarial method, not exceeding the equivalent of the greater of any of the following:

(1) the total of: (i) 33 percent per year on that part of the unpaid balance of the principal amount not exceeding \$350; and (ii) 19 percent per year on that part of the unpaid balance of the principal amount exceeding \$350; or

(2) 21.75 percent per year on the unpaid balance of the principal amount.

(b) On any loan where interest has been calculated according to the method provided for in paragraph (a), clause (1), interest must be contracted for and earned as provided in that provision or at the single annual percentage rate computed to the nearest 1/100 of one percent that would earn the same total interest at maturity of the contract as would be earned by the application of the graduated rates provided in paragraph (a), clause (1), when the debt is paid according to the agreed terms and the calculations are made according to the actuarial method.

(c) Loans may be interest-bearing or precomputed.

(d) To compute time on interest-bearing and precomputed loans, including, but not limited to the calculation of interest, a day is considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month.

In the alternative, for interest-bearing loans, a licensee may charge interest at the rate of 1/365 of the agreed annual rate for each actual day elapsed.

(e) With respect to interest-bearing loans:

(1) Interest must be computed on unpaid principal balances outstanding from time to time, for the time outstanding. Each payment must be applied first to the accumulated interest and the remainder of the payment applied to the unpaid principal balance; provided however, that if the amount of the payment is insufficient to pay the accumulated interest, the unpaid interest continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the principal balance.

(2) Interest must not be payable in advance or compounded. However, if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, then the principal amount payable under the new loan contract may include any unpaid interest which has accrued. The unpaid principal balance of a precomputed loan is the balance due after refund or credit of unearned interest as provided in paragraph (f), clause (3). The resulting loan contract is deemed a new and separate loan transaction for all purposes.

(f) With respect to precomputed loans:

(1) Loans must be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may be more or less than one month by not more than 15 days, and the first installment payment amount may be larger than the remaining payments by the amount of interest charged for the extra days and must be reduced by the amount of interest for the number of days less than one month to the first installment payment; and monthly installment payment dates may be omitted to accommodate borrowers with seasonal income.

(2) Payments may be applied to the combined total of principal and precomputed interest until the loan is fully paid. Payments must be applied in the order in which they become due.

(3) When any loan contract is paid in full by cash, renewal or refinancing, or a new loan, one month or more before the final installment due date, a licensee shall refund or credit the borrower with the total of the applicable charges for all fully unexpired installment periods, as originally scheduled or as deferred, which follow the day of prepayment; if the prepayment is made other than on a scheduled payment date, the nearest scheduled installment payment date must be used in the computation; provided further, if the prepayment occurs prior to the first installment due date, the licensee may retain 1/30 of the applicable charge for a first installment period of one month for each day from the date of the loan to the date of prepayment, and shall refund or credit the borrower with the balance of the total interest contracted for. If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee shall credit the borrower with the same refund as if prepayment in full had been made on the date the judgment is entered.

(4) If an installment, other than the final installment, is not paid in full within ten days of its scheduled due date, a licensee may contract for and receive a default charge not exceeding five percent of the amount of the installment, but not less than \$4.

A default charge under this subdivision may not be collected on an installment paid in full within ten days of its scheduled due date, or deferred installment due date with respect to deferred installments, even though a default or deferral charge on an earlier installment has not been paid in full. A default charge may be collected at the time it accrues or at any time thereafter.

(5) If the parties agree in writing, either in the loan contract or in a subsequent agreement, to a deferment of wholly unpaid installments, a licensee may grant a deferment and may collect a deferment charge as provided in this section. A deferment postpones the scheduled due date of the earliest unpaid installment and all

subsequent installments as originally scheduled, or as previously deferred, for a period equal to the deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one-month period may not exceed the applicable charge for the installment period immediately following the due date of the last undeferred payment. A proportionate charge may be made for deferment for periods of more or less than one month. A deferment charge is earned pro rata during the deferment period and is fully earned on the last day of the deferment period. Should a loan be prepaid in full during a deferment period, the licensee shall make or credit to the borrower a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan in full.

(6) If two or more installments are delinquent one full month or more on any due date, and if the contract so provides, the licensee may reduce the unpaid balance by the refund credit which would be required for prepayment in full on the due date of the most recent maturing installment in default. Thereafter, and in lieu of any other default or deferment charges, the single annual percentage rate permitted by this subdivision may be charged on the unpaid balance until fully paid.

(7) Following the final installment as originally scheduled or deferred, the licensee, for any loan contract which has not previously been converted to interest-bearing under paragraph (f), clause (6), may charge interest on any balance remaining unpaid, including unpaid default or deferment charges, at the single annual percentage rate permitted by this subdivision until fully paid.

Sec. 20. Minnesota Statutes 1988, section 168.72, subdivision 1, is amended to read:

Subdivision 1. (a) The finance charge authorized by sections 168.66 to 168.77 in a retail installment sale may not exceed the following simple interest annual percentage rates:

Class 1. Any motor vehicle designated by the manufacturer by a year model of the same or not more than one year prior to the year in which the sale is made - 18 percent per year.

Class 2. Any motor vehicle designated by the manufacturer by a year model of two or three years prior to the year in which the sale is made - 19.75 percent per year.

Class 3. Any motor vehicle not in Class 1 or Class 2 - 23.25 percent per year.

(b) The finance charge must be computed on the principal balance

outstanding from time to time as originally determined under section 168.71, clause (b). The beginning principal balance must be as originally determined under section 168.71.

Retail installment contracts may be interest-bearing or precomputed, and fixed-rate or variable rate. For precomputed retail installment contracts, the finance charge may be calculated in advance on the assumption that all scheduled payments will be made when due and the effect of prepayment in full is governed by section 168.73. To compute time for the purpose of calculating interest under this section and section 168.73, a day may be considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same-numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month. In the alternative, for interest-bearing retail installment contracts, a retail seller may charge finance charges not to exceed 1/365th of the simple interest annual percentage rate permitted in this section for each actual day elapsed from the date of the retail installment contract through and including the date of payment in full.

(c) The finance charge is inclusive of all charges incident to investigating and making the contract, and for the extension of the credit provided for in the contract and no fee, commission, expense or other charge whatsoever may be taken, received, reserved, or contracted for except taxes, fees, and charges that actually are or will be paid to public officials or government agencies for determining the existence of or for perfecting, releasing, or satisfying a security interest, and except as provided in sections 168.66 to 168.77.

Sec. 21. Minnesota Statutes 1988, section 168.73, is amended to read:

168.73 [PREPAYMENT IN FULL, REFUND CREDITS, ALLOWANCE.]

Notwithstanding the provisions of any retail installment contract to the contrary, any retail buyer may pay in full at any time before maturity the debt of any retail installment contract without penalty. In paying a precomputed retail installment contract in full, the retail buyer shall receive a refund credit thereon for such anticipation of payments. For contracts with substantially equal scheduled monthly payments remaining after the date of prepayment in full, the refund must be calculated for all fully unexpired monthly payment periods following the date of payment in full. For all other contracts, the refund must be calculated as of the date in the month following prepayment which corresponds to the original contract date. The refund shall be calculated according to the actuarial

method, less an acquisition cost of \$15 after the date prepayment is made which may be deducted from the refund so calculated.

Where the amount of the credit for anticipation of payment is less than \$1, no refund need be made.

The actuarial method means the method of allocating payments on a contract between the principal amount and finance charge at the contract rate charged under section 168.72, whereby a payment is applied first to the accumulated finance charge and then to the unpaid principal balance based on the original terms of the contract and based on the assumption that all payments are made on the due date as originally scheduled or deferred.

Sec. 22. Minnesota Statutes 1988, section 507.45, subdivision 2, is amended to read:

Subd. 2. No charge for closing services, except a charge required to be disclosed by under Regulation Z, Code of Federal Regulations, title 12, section 226, or for which an estimate has been given pursuant to the Federal Real Estate Settlement Procedures Act, may be made by a closing agent unless the party to be charged is informed of the charge in writing at least five business days before the closing by or on behalf of the party charging for the closing services."

Delete the title and insert:

"A bill for an act relating to financial institutions; regulating charges and fees on loans and extensions of credit by financial institutions and others; making various internal reference changes; amending Minnesota Statutes 1988, sections 51A.01; 51A.02, subdivision 14; 51A.38, subdivision 3; 51A.385, subdivisions 4, 5, 6, 7, 8, 9, 11, 12, and 13; 51A.51, subdivision 4; 51A.53; 51A.55, subdivisions 1 and 2; 51A.56; 51A.57; 56.131, subdivision 1; 168.72, subdivision 1; 168.73; and 507.45, subdivision 2."

With the recommendation that when so amended the bill pass.

The report was adopted.

Munger from the Committee on Environment and Natural Resources to which was referred:

H. F. No. 1610, A bill for an act relating to natural resources; authorizing the commissioner to appoint Indians as special enforcement officers under certain conditions; amending Minnesota Statutes 1988, section 97A.241.

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.

Munger from the Committee on Environment and Natural Resources to which was referred:

H. F. No. 1668, A bill for an act relating to state lands; authorizing the sale of certain state lands bordering on public waters; authorizing the sale of certain trust fund land in Itasca, St. Louis, and Cook counties; authorizing the sale of certain surplus land for recreational purposes in the cities of Faribault, Anoka, Warroad, and Ortonville; authorizing the sale of a certain gifted city lot in the city of Brainerd; authorizing a private sale of certain land in Goodhue county to resolve an inadvertent trespass.

Reported the same back with the following amendments:

Page 1, line 18, delete "one-half" and insert "half" and delete "North one-fourth" and insert "Northeast Quarter"

Page 3, line 1, delete "one-fourth" and insert "Quarter"

Page 3, line 2, delete "one-fourth" and insert "Quarter"

Page 3, line 12, delete "CITY OF" and after "ANOKA" insert "COUNTY"

Page 3, line 16, delete "the city of" and after "Anoka" insert "county"

Page 5, line 17, delete the third comma

Page 5, line 18, delete the comma

Page 5, line 20, delete both commas

Page 5, line 23, delete the first two commas

Page 5, line 24, delete the first two commas

Amend the title as follows:

Page 1, line 7, delete "Anoka,"

Page 1, line 8, before the semicolon insert "and to Anoka county"

With the recommendation that when so amended the bill pass and be placed on the Consent Calendar.

The report was adopted.

Long from the Committee on Taxes to which was referred:

H. F. No. 1734, 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; creating tax exemptions; changing the computation, administration, and payment of aids, credits, and refunds; providing new aids and credits; making technical corrections and clarifications; changing proposed property tax notice provisions; changing levy limits and other local government powers and duties; providing for subordinate service districts; providing for accreditation of assessors; changing tax increment financing provisions; providing for payment of deferred taxes on sale of railroad operating property; authorizing the city of Mankato to establish a special service district; authorizing establishment of an economic development authority in Kandiyohi county; exempting Itasca county from a levy limit penalty; amending Minnesota Statutes 1988, sections 60A.15, subdivision 1; 124.2131, subdivision 1; 256.018; 256.82, subdivision 1; 256.871, subdivision 6; 256B.041, subdivision 5; 270.052; 270.067, subdivisions 1 and 2; 270.071, subdivision 6; 270.072, subdivisions 2 and 3; 270.075, subdivision 2; 270.11, subdivision 2; 270.12, subdivisions 2 and 3, and by adding a subdivision; 270.13; 270.18; 270.485; 270.80, subdivision 1; 270.82; 270.84; 270.85; 270.87; 272.01, subdivision 2; 272.02, subdivisions 2 and 4; 272.115, subdivision 1; 272.20; 273.01; 273.02, subdivision 2; 273.061, subdivisions 1 and 2; 273.062; 273.064; 273.065; 273.11, subdivision 10, and by adding a subdivision; 273.119, subdivision 2; 273.123, subdivisions 4 and 5; 273.124, subdivisions 6, 9, 12, 13, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, and 25; 273.135, subdivision 2a; 273.1391, subdivisions 2 and 3; 273.1392; 273.1393; 273.1398, subdivisions 1, 2, 3, 4, and by adding a subdivision; 273.33, subdivision 2; 273.37, subdivision 2; 274.14; 275.065, subdivisions 1, 2, 3, and 6; 275.07, subdivision 1, and by adding a subdivision; 275.08, subdivisions 2 and 3; 275.124; 275.28, subdivision 1; 275.29; 275.50, subdivision 5; 275.51, subdivisions 3f, 3g, 3h, 3i, 3j, 4, 6, and by adding a subdivision; 275.58, subdivisions 1, 2, and 3; 276.01; 276.04, subdivisions 2 and 3; 276.09; 276.10; 276.11, subdivision 1; 277.01, subdivision 1; 277.02; 277.05; 277.06; 277.13; 278.03; 278.05, subdivisions 4 and 5; 279.01, subdivisions 1 and 3; 279.37, subdivision 1; 290.015, subdivisions 3 and 4; 290.02; 290.05, subdivision 3; 290.06, subdivisions 1 and 21; 290.191, subdivision 6; 290.37, subdivision 1; 290.92, subdivision 4b, as added; 290.934, subdivision 3a; 290A.03, subdivision 12; 290A.04, subdivisions 2, 2h, and by adding a subdivision; 295.34, subdivision 1; 297.01, subdivision 13, and by adding a subdivision; 297.03, subdivision 6; 297.04, subdivisions 4, 5, and 6; 297.041, subdivision 1; 297.08,

subdivision 1; 297.31, by adding a subdivision; 297.33, subdivisions 4, 5, 6, 7, and 8; 297A.15, by adding a subdivision; 297A.25, subdivision 3, and by adding subdivisions; 297B.03; 297C.03, subdivision 1; 298.01, by adding subdivisions; 349.12, subdivisions 11, 13, and by adding a subdivision; 349.15; 349.212, by adding a subdivision; 373.40, subdivisions 1, 2, 4, and 6; 375.192, subdivision 2; 429.061, subdivision 3; 459.14, by adding a subdivision; 469.012, by adding a subdivision; 469.040, subdivision 2; 469.171, by adding a subdivision; 469.174, subdivision 10, and by adding a subdivision; 469.175, subdivisions 3, 7, and by adding a subdivision; 469.176, subdivisions 1, 4c, 6, and by adding a subdivision; 469.177, subdivisions 6 and 10; 473.167, subdivisions 3 and 5; 473.249, subdivision 1; 473F.05; 473F.06; 473F.07, subdivisions 1, 2, and 5; 473F.08, subdivisions 3 and 5; 473F.09; 473H.10, subdivision 3; 477A.011, subdivisions 3, 3a, and 15; and 477A.013, subdivisions 1, 3, 4, and by adding a subdivision; Laws 1988, chapter 719, articles 7, section 9; 8, section 37; and 12, sections 29 and 30, as amended; proposing coding for new law in Minnesota Statutes, chapters 270; 273; 274; 275; 276; 290; 297A; and 469; proposing coding for new law as Minnesota Statutes, chapter 365B; repealing Minnesota Statutes, sections 270.81, subdivision 5; 271.061; 276.13; 276.14; 275.57; 275.58, subdivision 4; 290.092, subdivision 5; 297.01, subdivision 15; 297.03, subdivision 12; 297.04, subdivision 10; 297.33, subdivision 13; 297C.03, subdivisions 4 and 4a; and 473.249, subdivision 3; Laws 1988, chapter 719, articles 5, section 86, and 8, section 35.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"ARTICLE 1

CORPORATE TAXES

Section 1. Minnesota Statutes 1988, 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, (ii) writing life insurance, or (iii) (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). For town and farmers' mutual insurance companies

and mutual property and casualty insurance companies other than those (i) ~~principally writing workers' compensation insurance~~, (ii) writing life insurance, or (iii) (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 the following percentages of the premiums described in paragraph (b):

(1) for premiums paid after December 31, 1987, and before January 1, 1989, 1.5 percent;

(2) for premiums paid after December 31, 1988, and before January 1, 1992, one percent; and

(3) (2) for premiums paid after December 31, 1991, one-half of one percent.

(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 (1) the total tax paid during the previous calendar year or (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 1988, 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 or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231.

(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 or a fund of a regulated investment company, as those terms are defined

in the Internal Revenue Code of 1986, as amended through December 31, 1987;

(2) an interest in money market instruments or securities as defined in section 290.191, subdivision 6, paragraphs (c) and (d);

(3) 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) (4) an interest acquired from a person 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 subject to the provisions of clause (c)(2)(A);

(4) (5) an interest acquired from a person 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 subject to the provisions of clause (c)(2)(A);

(6) an interest acquired from a person in a funded or unfunded agreement to extend or guarantee credit whether conditional, mandatory, temporary, standby, secured or otherwise, subject to the provisions of clause (c)(2)(A);

(5) (7) an interest of a person other than an individual, estate, or trust, in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which 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; or

(6) (8) 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 a member of the unitary group, paragraph (b) does not apply to an interest acquired from another member of the unitary group.

(c)(1) For purposes of paragraph (b), clauses (4) to (6), an interest in the type of assets or credit agreements described is deemed to exist at the time the owner becomes legally obligated (conditionally or unconditionally) to fund, acquire, renew, extend, amend, or otherwise enter into the credit arrangement.

(2)(A) An owner has acquired an interest from a person in paragraph (b), clauses (4) to (6) assets if:

(i) the owner, at the time of the acquisition of the asset, does not own, directly or indirectly, 15 percent or more of the outstanding stock or, in the case of a partnership, 15 percent or more of the capital or profit interests of the person from whom it acquired the asset;

(ii) the person from whom the owner acquired the asset regularly sells, assigns, or transfers interests in paragraph (b), clauses (4) to (6) assets during the 12 calendar months immediately preceding the month of acquisition to three or more persons; and

(iii) the person from whom the owner acquired the asset does not sell, assign, or transfer 75 percent or more of its paragraph (b), clauses (4) to (6) assets during the 12 calendar months immediately preceding the month of acquisition to the owner.

For purposes of determining indirect ownership under clause (i), the owner is deemed to own all stock, capital, or profit interests owned by another person if the owner directly owns 15 percent or more of the stock, capital, or profit interests in the other person. The owner is also deemed to own, through any intermediary parties, all stock, capital, and profit interests directly owned by a person to the extent there exists a 15 percent or more chain of ownership of stock, capital, or profit interests between the owner, intermediary parties, and the person.

(B) If the owner of the asset is a member of the unitary group, paragraph (b), clauses (4) to (8), do not apply to an interest acquired from another member of the unitary group. If the interest in the asset was originally acquired from a nonunitary member and at that time qualified as a section 290.015, subdivision (3), paragraph (b) asset, the foregoing limitation does not apply.

Sec. 3. Minnesota Statutes 1988, section 290.015, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS.] (a) This section does not 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.

(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. This paragraph is subject to the limitations contained in subdivision 3, paragraph (b), clauses (4) to (6).

(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, or with respect to deposits received from or by a Minnesota financial institution, 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 which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such 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. 4. Minnesota Statutes 1988, section 290.05, subdivision 3, is amended to read:

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

(i) Section 527 (dealing with political organizations) ~~and~~;

(ii) section 528 (dealing with certain homeowners associations); and

(iii) Sections 511 to 515 (dealing with unrelated business income);

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

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations or the unrelated business taxable income, as defined in section 512 of the Internal Revenue

Code, of organizations defined in section 511 of the Internal Revenue Code. The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in sections 290.09 and section 290.21 shall not be allowed in computing Minnesota taxable net income.

Sec. 5. Minnesota Statutes 1988, 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) or (c).

(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 May 31, 1990, 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.

(c) If the rate as adjusted under paragraph (b) is held invalid, the rate in effect for taxable years beginning after December 31, 1989, is 10.6 percent.

Sec. 6. Minnesota Statutes 1988, section 290.06, subdivision 21, is amended to read:

Subd. 21. [ALTERNATIVE MINIMUM TAX; FACTORS 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 equals the lesser of (1) the excess of the tax under this section for the taxable year over the amount computed under section 290.092, subdivision 1, clause (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 the taxable year is an alternative minimum tax 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 taxable year to which such the amount may be carried. Any The 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 under section 290.092, subdivision 1, was paid.

(c) For taxable years beginning after December 31, 1989, qualification for a credit and computation of the amount of the credit for alternative minimum tax under paragraph (a) must be determined by computing the alternative minimum tax that would apply if section 290.092 were in effect for the taxable year.

Sec. 7. Minnesota Statutes 1988, section 290.17, is amended by adding a subdivision to read:

Subd. 7. [ALLOCATION AND APPORTIONMENT OF CERTAIN FARM INCOME BY C CORPORATIONS.] (a) Notwithstanding any other subdivision, income to a taxpayer from the operation of a farm by a C corporation is assigned to this state and other states and countries under subdivision 3, the unitary business principle in subdivision 4, and the allocation provisions of sections 290.191 and 290.20 if:

(1) the farm operation provides material value added to an agricultural product by processing, packaging, grading, promotion, or distribution;

(2) the farm operation is classified by the United States Department of Commerce Standard Industrial Classification as industrial, manufacturing, or distribution;

(3) a material part of the income is attributable directly or indirectly to testing, research, genetic, or biological selection, genetic engineering, or creation or licensing of patents, copyrights, trademarks, or other intellectual property; or

(4) a material part of the income is derived from an activity that would not in itself be income from farming if performed by another person not otherwise engaged in farming.

Sec. 8. Minnesota Statutes 1988, 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, in which the recipient owns 20 percent or more of the stock, by vote and value, not

including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, 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 of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1988.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986 as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

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

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

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, 1987.

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, 1987.

(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, 1987.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) ~~80 percent or 70 percent~~, the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

Sec. 9. Minnesota Statutes 1988, section 290.37, subdivision 1, is amended to read:

Subdivision 1. [PERSONS MAKING RETURNS.] (a) A taxpayer shall file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1987, except that an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota.

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

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

Every corporation shall file a return, if the corporation is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, except that a foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return. The return in the case of a corporation must be signed by a person designated by the corporation. The commissioner may adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report if the affiliated group includes a bank subject to tax under this chapter. Members of an affiliated group that elect to file one return on behalf of the members of the group under rules adopted by the commissioner may modify or rescind the election by filing the form required by the commissioner.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if a return is required.

(b) Such return shall (1) contain a written declaration that it is correct and complete, and (2) shall contain language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

(c) An exempt organization that is subject to tax on unrelated business income under section 290.05, subdivision 3, must file a return for each taxable year in which the organization is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1988, because of the receipt of unrelated business income. If an organization is required to file a return under federal law but has no federal tax liability for the taxable year, the commissioner may provide that the filing requirement under this paragraph is satisfied by filing a copy of the taxpayer's federal return.

Sec. 10. Minnesota Statutes 1988, section 290.934, subdivision 3a, is amended 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:

In the case of the following required installments:	The applicable percentage is:
1st	22.5
2nd	45
3rd	67.5
4th	90

(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. 11. [REPEALER.]

Laws 1989, chapter 27, article 2, sections 2 and 3 are repealed.

Sec. 12. [EFFECTIVE DATE.]

Section 1 is effective for premiums paid after December 31, 1988. Sections 2, 3, 4, 8, and 9 are effective for taxable years beginning after December 31, 1988. Sections 5 and 6 are effective for taxable years beginning after December 31, 1989. Section 7 is effective for taxable years ending after December 31, 1990; and, for corporations that filed returns apportioning farm income, also for tax years ending in 1984, 1985, 1986, and 1987. Section 10 is effective for payments due after May 31, 1989.

ARTICLE 2

SALES TAX

Section 1. Minnesota Statutes 1988, 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, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities, meals or drinks purchased for and

served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, except meals furnished at no charge to employees of restaurants, resorts, and hotels, and except meals furnished to employees of hospitals, nursing homes, boarding care homes, sanitariums, group homes, and correctional, detention, and detoxification facilities, who are required to eat with the patients, residents, or inmates residing in them. 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;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services not including services

performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(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 partnership or association for another 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

(l) 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.

Sec. 2. Minnesota Statutes 1988, section 297A.15, is amended by adding a subdivision to read:

Subd. 6. [REFUND; APPROPRIATION.] The tax on the gross receipts from the sale of items exempt under section 297A.25 subdivision 42, must be imposed and collected as if the sale were taxable and the rate under section 297A.02, subdivision 1, applied.

Upon application by the owner of the homestead property on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the building materials and equipment must be paid to the homeowner. In the case of building materials in which the tax was paid by a contractor, application must be made by the homeowner for the sales tax paid by the contractor. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The contractor must furnish to the homeowner a statement of the cost of building materials and the sales taxes paid on the materials. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

Sec. 3. Minnesota Statutes 1988, 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. "Prescribed drugs" or "prescribed medicine" includes over-the-counter drugs or medicine prescribed by a licensed physician. "Therapeutic devices" includes reusable finger pricking devices for the extraction of blood and blood glucose monitoring machines used in the treatment of diabetes. Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicylic acid, ibuprofen, or a combination thereof are exempt.

Sec. 4. Minnesota Statutes 1988, section 297A.25, is amended by adding a subdivision to read:

Subd. 42. [CHAIR LIFTS, RAMPS, ELEVATORS.] The gross receipts from the sale of chair lifts, ramps, and elevators and building materials used to install or construct them are exempt, if they are authorized by a physician and installed in or attached to the owner's homestead.

Sec. 5. Minnesota Statutes 1988, section 297A.25, is amended by adding a subdivision to read:

Subd. 43. [PUBLIC LIBRARIES.] Gross receipts from the sale or use of library materials, equipment, services, or facilities by a public library operating under chapter 134 are exempt.

Sec. 6. Minnesota Statutes 1988, section 297A.257, is amended by adding a subdivision to read:

Subd. 4. [CONTINUED EXEMPTION.] The exemptions provided under subdivisions 2 and 2a apply to capital equipment and construction materials and supplies purchased by a person, partnership, or corporation in connection with the expansion of a major manufacturing facility in any county that was designated as a distressed county under subdivision 1 for any year from 1985 through 1989. For the purposes of this subdivision, "expansion of a major manufacturing facility" means an expansion of an existing manufacturing facility requiring at least \$100,000,000 of capital investment over a three-year period. To qualify for the exemption under this subdivision, contracts for purchase of the capital equipment and the construction materials and supplies must be executed by June 30, 1992.

Sec. 7. [297A.259] [LOTTERY TICKETS; IN LIEU TAX.]

Sales of state lottery tickets are exempt from the tax imposed under section 297A.02. The state agency responsible for operating a state lottery must on or before the 20th day of each month transmit to the commissioner of revenue an amount equal to the gross receipts from the sale of lottery tickets for the previous month multiplied by the tax rate under section 297A.02, subdivision 1. The resulting payment is in lieu of the sales tax that otherwise would be imposed by this chapter. The commissioner shall deposit the moneys transmitted in the general fund as provided by section 297A.44 and the moneys must be treated as other proceeds of the sales tax. Gross receipts for purposes of this section mean the proceeds of the sale of tickets before deduction of a commission or other compensation paid to the vendor or retailer for selling tickets.

Sec. 8. Minnesota Statutes 1988, 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.

(7) Purchase or use of a motor vehicle by a public library operating under chapter 134 for use as a bookmobile.

Sec. 9. [EFFECTIVE DATE.]

Sections 2 and 4 are effective for sales tax paid after June 30, 1989. Sections 1, 3, 5, and 6 are effective for sales made after June 30, 1989. Section 8 is effective for the purchase or use of motor vehicles as bookmobiles after June 30, 1989.

ARTICLE 3
SPECIAL TAXES

Section 1. Minnesota Statutes 1988, section 297.01, subdivision 13, is amended to read:

Subd. 13. "Stamp" means the adhesive stamp supplied by the revenue commissioner or the imprint made by a tax meter machine authorized by the commissioner.

Sec. 2. Minnesota Statutes 1988, section 297.01, is amended by adding a subdivision to read:

Subd. 16. "Licensing period" means a two-year period during which licenses are issued. A licensing period begins on January 1 of each even-numbered year and ends on December 31 of the following odd-numbered year.

Sec. 3. Minnesota Statutes 1988, section 297.03, subdivision 6, is amended to read:

Subd. 6. [TAX METER MACHINES; STAMPING MACHINES.]
(a) Before January July 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. 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.

(b) Before January 1, 1990, the commissioner may authorize, and After December 31, 1989 June 30, 1990, 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. 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.

(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 shall annually 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 will be based upon actual heat applied stamps or meter units purchased during the reporting period.

Sec. 4. Minnesota Statutes 1988, section 297.04, subdivision 4, is amended to read:

Subd. 4. [DISTRIBUTOR'S APPLICATION; FEE; BOND; CERTIFIED CHECK; SUBJOBBER'S LICENSE.] (a) Except as otherwise provided in paragraph (b), Each application for a distributor's license shall be accompanied by a fee of \$150 and a corporate surety bond issued by a surety licensed to do business in this state in the sum of \$1,000, conditioned upon the true and faithful compliance by the licensee with all of the provisions of this act. This bond, or a reissue thereof, or a substitute therefor, shall be kept in full force and effect during the entire period covered by the license \$300. A separate application for license shall be made for each place of business at which a distributor proposes to engage in business as such under sections 297.01 to 297.13, provided that a separate application for a subjobber's license may be made by a licensed distributor for each place of business (other than that licensed in the distributor's license) to which the distributor delivers and from which the distributor sells or distributes stamped cigarettes.

Each application for a subjobber's license shall be accompanied by a fee of \$12 \$24.

A distributor or subjobber applying for a license between July 1 and December 31 during the second year of any year a two-year licensing period shall be required to pay only one-half of the license fee provided for herein.

(b) ~~In lieu of the bond required in paragraph (a), a certified check made payable to the commissioner may be filed with the commissioner. The department of revenue shall not pay interest on funds encumbered by the check.~~

Sec. 5. Minnesota Statutes 1988, section 297.04, subdivision 5, is amended to read:

Subd. 5. [ISSUANCE.] The commissioner, upon receipt of the application and bond in proper form, and payment of the license fee required by subdivision 4, shall, unless otherwise provided by sections 297.01 to 297.13, issue the applicant a license in form as prescribed by the commissioner, which said license shall permit the applicant to whom it is issued to engage in business as a distributor or subjobber at the place of business shown in the application.

Sec. 6. Minnesota Statutes 1988, section 297.04, subdivision 6, is amended to read:

Subd. 6. [EXPIRATION.] Each license issued shall expire on December 31 following its date of issue the second year of the licensing period unless sooner revoked by the commissioner or unless the business with respect to which the license was issued is transferred. In either case the holder of the license shall immediately surrender it to the commissioner.

Sec. 7. Minnesota Statutes 1988, 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 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.

Sec. 8. Minnesota Statutes 1988, 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. 9. Minnesota Statutes 1988, section 297.31, is amended by adding a subdivision to read:

Subd. 17. "Licensing period" means a two-year period during which licenses are issued. A licensing period begins on January 1 of each even-numbered year and ends on December 31 of the following odd-numbered year.

Sec. 10. Minnesota Statutes 1988, section 297.33, subdivision 4, is amended to read:

Subd. 4. (a) Except as otherwise provided in paragraph (b), Each application for a distributor's license shall be accompanied by a fee of ~~\$37.50~~ \$75. The application shall also be accompanied by a corporate surety bond issued by a surety licensed to do business in this state, in the sum of \$1,000, conditioned upon the true and faithful compliance by the distributor with all the provisions of sections 297.31 to 297.39 and the payment when due of all taxes, penalties, and accrued interest arising in the ordinary course of business or by reason of any delinquent money which may be due the state of Minnesota. This bond shall be in a form to be fixed by the commissioner and approved by the attorney general. Whenever it is the opinion of the commissioner that the bond given by a licensee is inadequate in amount to fully protect the state, the commissioner shall require either an increase in the amount of said bond or additional bond, in such amount as the commissioner deems sufficient. Any bond required by this subdivision, or a reissue thereof, or a substitute therefor, shall be kept in full force and effect during the entire period covered by the license.

A separate application for license shall be made for each place of business at which a distributor proposes to engage in business as such under sections 297.31 to 297.39. A separate application for a subjobber's license may be made by a licensed distributor for each place of business, other than that licensed in the distributor's license, to which the distributor sells or distributes tobacco products upon which the tax imposed by this chapter has been imposed to other than the ultimate consumer.

(b) In lieu of the bond required in paragraph (a), a certified check may be filed with the commissioner. The check must be made payable to the commissioner and in an amount to be established by the commissioner or the commissioner's designee but not less than twice the average monthly liability of the taxpayer. The department of revenue shall pay no interest on funds encumbered by the check.

Sec. 11. Minnesota Statutes 1988, section 297.33, subdivision 5, is amended to read:

Subd. 5. (a) Each application for a subjobber's license shall be accompanied by a fee of ~~\$10~~ \$20.

(b) All licenses expire on December 31 of the second year of the licensing period in which they were issued.

Sec. 12. Minnesota Statutes 1988, section 297.33, subdivision 6, is amended to read:

Subd. 6. A distributor or subjobber applying for a license ~~between July 1 and December 31 of any~~ during the second year of a licensing period shall be required to pay only one-half of the license fee provided for herein.

Sec. 13. Minnesota Statutes 1988, section 297.33, subdivision 7, is amended to read:

Subd. 7. The commissioner, upon receipt of the application ~~(and bond, in the case of the distributor)~~ in proper form, and payment of the license fee required by subdivision 4 or subdivision 5, shall, unless otherwise provided by sections 297.31 to 297.39, issue the applicant a license in form as prescribed by the commissioner, which license shall permit the applicant to whom it is issued to engage in business as a distributor or subjobber at the place of business shown in the application. The commissioner shall assign a permit number to each person licensed as a distributor at the time of issuance of the first license, which shall be inscribed upon all licenses issued to that distributor.

Sec. 14. Minnesota Statutes 1988, section 297.33, subdivision 8, is amended to read:

Subd. 8. Each license ~~issued for any period subsequent to June 30, 1971~~ shall expire on December 31 ~~following its date of issue the second year of the licensing period~~ unless sooner revoked by the commissioner or unless the business with respect to which the license was issued is transferred. In either case the holder of the license shall immediately surrender it to the commissioner.

Sec. 15. Minnesota Statutes 1988, section 297C.03, subdivision 1, is amended to read:

Subdivision 1. [MANNER AND TIME OF PAYMENT; PENALTIES; DEPOSIT OF TAX PROCEEDS.] The tax on wines and distilled spirits on which the excise tax has not been previously paid must be paid to the commissioner by persons ~~having on file with the commissioner a sufficient bond as provided in subdivision 4~~ liable for the tax on or before the 18th day of the month following the month in which the first sale is made in this state by a licensed manufacturer or wholesaler. Every person liable for the tax on wines or distilled spirits imposed by section 297C.02 must file with the commissioner on or before the 18th day of the month following first sale in this state by a licensed manufacturer or wholesaler a return in the form prescribed by the commissioner, and must keep records and render reports required by the commissioner. ~~A person liable for any tax on wines or distilled spirits not having on file a sufficient bond must pay the tax within 24 hours after first sale in this state.~~ The commissioner may certify to the commissioner of public safety any failure to pay taxes when due as a violation of a statute relating

to the sale of intoxicating liquor for possible revocation or suspension of license.

Sec. 16. Minnesota Statutes 1988, section 297C.09, is amended to read:

297C.09 [IMPORTATION BY INDIVIDUALS.]

A person, other than a person under the age of 21 years, entering Minnesota from another state may have in possession one liter of intoxicating liquor or 288 ounces of malt liquor and a person entering Minnesota from a foreign country may have in possession four liters of intoxicating liquor or ten quarts (320 ounces) of malt liquor without the required payment of the Minnesota excise tax. ~~Amounts in excess of these quantities may be imported only by a licensee holding the appropriate license as manufacturer, wholesaler, or importer under section 340A.301 or 340A.302.~~ A collector of commemorative bottles, other than a person under the age of 21 years, entering Minnesota from another state may have in possession 12 or fewer commemorative bottles without the required payment of the Minnesota excise tax. A person who imports or has in possession untaxed intoxicating liquor or malt liquor in excess of the quantities provided for in this section is guilty of a misdemeanor. This section does not apply to the consignments of alcoholic beverages shipped into this state by holders of Minnesota import licenses or Minnesota manufacturers and wholesalers when licensed by the commissioner of public safety or to common carriers with licenses to sell intoxicating liquor in more than one state. A peace officer, the commissioner, or their authorized agents, may seize untaxed liquor.

Sec. 17. [REPEALER.]

Minnesota Statutes 1988, sections 297.01, subdivision 15; 297.03, subdivision 12; 297.04, subdivision 10; 297.33, subdivision 13; and 297C.03, subdivisions 4 and 4a, are repealed.

Sec. 18. [EFFECTIVE DATE.]

Sections 1 and 8 are effective July 1, 1990. Sections 2, 4, 6, 9 to 12, and 14 are effective for license applications for the year 1990 and thereafter, except that sections 4 and 10 are effective for bonding periods beginning after December 31, 1989, for provisions applying to bonding requirements. Any bonds for periods before December 31, 1989, must be kept in full force and effect until the statute of limitations for those periods has expired.

Sections 3, 5, 7, 13, 15, and 17 are effective for bonding periods beginning after December 31, 1989, with the following exceptions: (1) any bonds for periods before December 31, 1989, must be kept in full force and effect until the statute of limitations for those periods

has expired, (2) section 17 is effective July 1, 1990, for provisions applying to stamps and tax meter machines, (3) section 3 is effective July 1, 1989, for provisions applying to tax meter machines, and (4) section 3 is effective July 1, 1990, for provisions applying to meter units.

ARTICLE 4

PROPERTY TAX REFUND AND TARGETING

Section 1. Minnesota Statutes 1988, section 290A.04, subdivision 2, is amended to read:

Subd. 2. [HOMEOWNERS.] A claimant whose property taxes payable ~~or rent constituting property taxes~~ are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level 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 \$550
1,000 to 1,999	1.1 percent	11 percent	\$1,100 \$550
2,000 to 2,999	1.2 percent	12 percent	\$1,100 \$550
3,000 to 3,499	1.3 percent	13 percent	\$1,100 \$550
3,500 to 3,999	1.3 percent	13 percent	\$1,100 \$550
4,000 to 4,499	1.4 percent	14 percent	\$1,100 \$550
4,500 to 4,999	1.4 percent	14 percent	\$1,100 \$550
5,000 to 5,999	1.5 percent	15 percent	\$1,100 \$550
6,000 to 6,999	1.5 percent	16 percent	\$1,100 \$550
7,000 to 7,999	1.6 percent	17 percent	\$1,100 \$550
8,000 to 8,999	1.6 percent	18 percent	\$1,100 \$550
9,000 to 9,999	1.7 percent	19 percent	\$1,100 \$550
10,000 to 10,999	1.7 percent	20 percent	\$1,075 \$550
11,000 to 11,999	1.8 percent	22 percent	\$1,075 \$550
12,000 to 12,999	1.8 percent	24 percent	\$1,075 \$550
13,000 to 13,999	1.9 percent	26 percent	\$1,075 \$550
14,000 to 14,999	2.0 percent	28 percent	\$1,075 \$550
15,000 to 15,999	2.1 percent	30 percent	\$1,075 \$550
16,000 to 16,999	2.2 percent	32 percent	\$1,075 \$550
17,000 to 17,999	2.3 percent	34 percent	\$1,050 \$550
18,000 to 18,999	2.4 percent	36 percent	\$1,050 \$550
19,000 to 19,999	2.6 percent	38 percent	\$1,050 \$550

20,000 to 20,999	2.8 percent	40 percent	\$1,050	\$550
21,000 to 21,999	3.0 percent	42 percent	\$1,050	
22,000 to 22,999	3.2 percent	44 percent	\$1,050	
23,000 to 23,999	3.3 percent	46 percent	\$1,025	
24,000 to 24,999	3.4 percent	48 percent	\$1,025	
25,000 to 25,999	3.5 percent	50 percent	\$1,025	
26,000 to 26,999	3.6 percent	52 percent	\$1,025	
27,000 to 27,999	3.7 percent	54 percent	\$1,000	
28,000 to 28,999	3.8 percent	56 percent	\$ 900	
29,000 to 29,999	3.9 percent	58 percent	\$ 800	
30,000 to 30,999	4.0 percent	60 percent	\$ 700	
31,000 to 31,999	4.0 percent	60 percent	\$ 600	
32,000 to 32,999	4.0 percent	60 percent	\$ 500	
33,000 to 33,999	4.0 percent	60 percent	\$ 300	
34,000 to 34,999	4.0 percent	60 percent	\$ 100	
21,000 to 21,999	3.0 percent	41 percent	\$550	
22,000 to 23,999	3.0 percent	42 percent	\$550	
24,000 to 25,999	3.0 percent	44 percent	\$550	
26,000 to 27,999	3.0 percent	46 percent	\$550	
28,000 to 29,999	3.0 percent	48 percent	\$550	
30,000 to 63,999	3.0 percent	50 percent	\$550	
64,000 to 65,999	3.0 percent	50 percent	\$400	
66,000 to 67,999	3.0 percent	50 percent	\$200	
68,000 to 69,999	3.0 percent	50 percent	\$100	

The payment made to a claimant shall be the amount of the state refund calculated pursuant to under this subdivision. For taxes payable in 1989, the amount of the refund must be reduced by the homestead credit. No payment is allowed if the claimant's household income is \$35,000 \$70,000 or more.

Sec. 2. Minnesota Statutes 1988, section 290A.04, is amended by adding a subdivision to read:

Subd. 2a. [RENTERS.] A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 999	1.0 percent	10 percent	\$1,000
1,000 to 1,999	1.1 percent	10 percent	\$1,000

2,000 to 2,999	1.2 percent	10 percent	\$1,000
3,000 to 3,999	1.3 percent	11 percent	\$1,000
4,000 to 4,999	1.4 percent	12 percent	\$1,000
5,000 to 5,999	1.5 percent	13 percent	\$1,000
6,000 to 6,999	1.5 percent	14 percent	\$1,000
7,000 to 7,999	1.6 percent	15 percent	\$1,000
8,000 to 8,999	1.6 percent	16 percent	\$1,000
9,000 to 9,999	1.7 percent	17 percent	\$1,000
10,000 to 10,999	1.7 percent	18 percent	\$1,000
11,000 to 11,999	1.8 percent	20 percent	\$1,000
12,000 to 12,999	1.8 percent	22 percent	\$1,000
13,000 to 13,999	1.9 percent	24 percent	\$1,000
14,000 to 14,999	2.0 percent	25 percent	\$1,000
15,000 to 15,999	2.1 percent	27 percent	\$1,000
16,000 to 16,999	2.2 percent	28 percent	\$1,000
17,000 to 17,999	2.3 percent	30 percent	\$1,000
18,000 to 18,999	2.4 percent	32 percent	\$1,000
19,000 to 19,999	2.6 percent	34 percent	\$1,000
20,000 to 20,999	2.8 percent	36 percent	\$1,000
21,000 to 21,999	3.0 percent	38 percent	\$1,000
22,000 to 22,999	3.2 percent	39 percent	\$1,000
23,000 to 23,999	3.3 percent	40 percent	\$1,000
24,000 to 24,999	3.4 percent	42 percent	\$1,000
25,000 to 25,999	3.5 percent	45 percent	\$1,000
26,000 to 26,999	3.6 percent	46 percent	\$1,000
27,000 to 27,999	3.7 percent	48 percent	\$1,000
28,000 to 28,999	3.8 percent	50 percent	\$ 900
29,000 to 29,999	3.9 percent	50 percent	\$ 800
30,000 to 30,999	4.0 percent	50 percent	\$ 700
31,000 to 31,999	4.0 percent	50 percent	\$ 600
32,000 to 32,999	4.0 percent	50 percent	\$ 500
33,000 to 33,999	4.0 percent	50 percent	\$ 300
34,000 to 34,999	4.0 percent	50 percent	\$ 100

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$35,000 or more.

Sec. 3. Minnesota Statutes 1988, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. If the net property taxes payable in 1989 on a homestead increase more than ten percent over the net property taxes payable in 1988 the prior year on the same property, and the amount of that increase is \$40 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 75 percent of the amount by which the increase exceeds ten percent. This subdivision shall not apply to any increase in the net property taxes payable attributable to improvements made to the homestead.

A refund under this subdivision shall not exceed \$250.

For purposes of this subdivision, "net property taxes payable" means property taxes payable after reductions made pursuant to under sections 273.13, subdivisions 22 and 23; 273.132; 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivision 2.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

The provisions of this subdivision apply to the increase in property taxes over the prior year for property taxes payable in 1989 and 1990 only. In computing the refund for increases in taxes payable in 1990 over 1989, net property taxes payable for 1989 must be reduced by the refund paid under this subdivision.

Sec. 4. [EFFECTIVE DATE.]

Section 1 is effective beginning for property taxes paid in 1990. Section 2 is effective beginning for refunds based on rent paid in 1990. Section 3 is effective only for property taxes paid in 1989 and 1990.

ARTICLE 5

PROPERTY TAX POLICY

Section 1. [INTERGOVERNMENTAL FINANCE REFORM.]

Subdivision 1. [POLICY STATEMENT.] Under state and federal law, the responsibility for determining the public services to be provided is divided between the federal, state, and local governments. The responsibility for raising the revenues necessary to pay for these services also is divided between the federal, state, and local governments.

The complexity of the intergovernmental finance system creates confusion and diminishes the accountability of federal, state, and local public officials for decisions affecting service levels and property taxes.

The legislature finds that this circumstance, and the decline in federal aid to the states and local units of government, make it necessary to reexamine intergovernmental fiscal relations.

Subd. 2. [STUDY AND REPORT.] The legislature directs the

legislative commission on planning and fiscal policy to collect and analyze information on:

(1) the distribution of responsibility among the various local units of government and the state government for determining the services that must be provided and the financing of those services;

(2) the current and appropriate levels of property tax funding for those programs required by state law; and

(3) the extent to which the state is funding both those programs and services required by state law and those within the discretion of local public officials.

The commission shall make recommendations for more effective mechanisms of state and local finance that take into account both the distribution of need and the resources available within the various local taxing jurisdictions. The commission shall make preliminary recommendations to the 1990 legislature and a final report to the 1991 legislature. With respect to those programs required by federal or state law, the study and report shall:

(1) examine the program requirements;

(2) evaluate the current and alternative funding sources for the program;

(3) evaluate the current and alternative mechanisms for limiting the property tax affects of these programs;

(4) develop a system of reporting any property tax consequences of the program, including separate levy reporting of the property tax proportion of the local program costs; and

(5) develop methods for more accurately estimating any property tax consequences of programs or policies.

Sec. 2. Minnesota Statutes 1988, section 270.12, is amended by adding a subdivision to read:

Subd. 4. For purposes of equalization only, public utility personal property shall be treated as a separate class of property notwithstanding the fact that its tax capacity percentage is the same as commercial-industrial property.

Sec. 3. Minnesota Statutes 1988, 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 local government services division obtain senior accreditation from the state board of assessors. By January 1, 1990, or in the case of a county assessor within one year two years 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, 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, 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. 4. Minnesota Statutes 1988, section 270.80, subdivision 1, is amended to read:

Subdivision 1. The following words and phrases when used in Laws 1979, chapter 303, article 7, sections 1 to 13 270.80 to 270.92, unless the context clearly indicates otherwise, shall have the meanings ascribed to them in this section.

Sec. 5. Minnesota Statutes 1988, section 272.01, subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which for any reason is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to (1) property leased or used by way of a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, housing and redevelopment authority, economic development authority established under chapter 458C, municipal auditorium, municipal automobile parking facility, airport owned by a city, town, county, or group thereof but not the airports owned or operated by the metropolitan airports commission or a city of over 50,000 population or an airport authority therein, municipal museum or municipal stadium or (2) property constituting or used as a

public pedestrian ramp or concourse in connection with a public airport or (3) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the metropolitan airports commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes shall not be exempt.

(c) Taxes imposed by this subdivision shall be due and payable as in the case of personal property taxes and such taxes shall be assessed to such lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

Sec. 6. Minnesota Statutes 1988, 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, 1990, or within ~~one year~~ two years of the assessor's first appointment under this section, whichever is later.

Sec. 7. Minnesota Statutes 1988, 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.

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.

(c) In the case of the first appointment under paragraph (a) of a county assessor who is accredited but who does not have senior accreditation, an approval of the appointment by the commissioner shall be for a term of ~~one year~~ provisional, provided that a county assessor appointed to a ~~one-year~~ provisional term under this paragraph must reapply to the commissioner at the end of the ~~one-year~~ provisional term. A provisional term may not exceed two years. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

Sec. 8. Minnesota Statutes 1988, section 273.11, is amended by adding a subdivision to read:

Subd. 11. [LIMITED MARKET VALUE.] (a) After determining the value of class 1 property, the assessor shall compare the market value with that determined for the preceding year. Notwithstanding any law to the contrary, the amount of the increase entered in the current assessment, excluding any amount resulting from a state board of equalization order, must not exceed the greater of: (1) ten percent of the market value in the preceding assessment; or (2) \$10,000. The sum of the market value for the preceding year and the limited increase is the limited market value of the property. The amount of the excess must be entered in a subsequent year, subject to the limits of this subdivision.

(b) The limit under paragraph (a) does not apply to an increase in value attributable to additions or new improvements. The limited market value of new improvements and additions must be determined by multiplying their market value by a fraction, the numerator of which is limited market value and the denominator of which is market value for class 1 property in the assessment district. The computation in the preceding sentence applies only if the total value of class 1 property in the assessment district exceeds by ten percent the limited market value of the property.

Sec. 9. Minnesota Statutes 1988, section 273.111, subdivision 3, is amended to read:

Subd. 3. Real estate consisting of ten acres or more shall be entitled to valuation and tax deferment under this section only if it is actively and exclusively devoted to agricultural use as defined in subdivision 6 and either:

(1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the owner or is real estate which is farmed with the real estate which contains the homestead property; or

(2) has been in possession of the applicant, the applicant's spouse, parent, or sibling, or any combination thereof, for a period of at least seven years prior to application for benefits under the provisions of Laws 1969, chapter 1039, or is real estate which is farmed with the real estate which qualifies under this clause and is within two townships or cities or combination thereof from the qualifying real estate; or

(3) is the homestead of a shareholder in a family farm corporation as defined in section 500.24, notwithstanding the fact that legal title to the real estate may be held in the name of the family farm corporation.

Valuation of real estate under this section is limited to parcels the ownership of which is in noncorporate entities except for family farm corporations organized pursuant to section 500.24. Corporate entities who previously qualified for tax deferment pursuant to this section and who continue to otherwise qualify under subdivisions 3 and 6 for a period of at least three years following the effective date of this section will not be required to make payment of the previously deferred taxes, notwithstanding the provisions of subdivision 9. Sale of the land prior to the expiration of the three-year period shall result in payment of deferred taxes as follows: sale within the first year requires payment of payable 1980, 1981, and 1982 deferred taxes; sale during the second year requires payment of payable 1981 and 1982 taxes deferred; and sale at any time during the third year will require payment of payable 1983 taxes deferred. Deferred taxes shall be paid even if the land qualifies pursuant to subdivision 11a.

Special assessments are payable at the end of the three-year period or at time of sale, whichever comes first.

Sec. 10. Minnesota Statutes 1988, 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 not offer a membership or golfing privileges to a spouse of a member that provides greater or less access to the golf course than is provided to that person's spouse under the same or a separate membership in that club, except that the terms of a membership may provide that one spouse may have no right to use the golf course at any time while the other spouse may have either limited or unlimited access to the golf course.

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. 11. Minnesota Statutes 1988, section 273.112, is amended by adding a subdivision to read:

Subd. 6a. The commissioner of revenue shall develop and issue guidelines for qualification by private golf clubs under this section covering the access to and use of the golf course by members and other adults so as to be consistent with the purposes and terms of this section. The guidelines shall be mailed to the county attorney and assessor of each county not later than 60 days following the date of enactment of this act. Within 15 days of receipt of the guidelines from the commissioner, the assessor shall mail a copy of the guidelines to each golf club in the county. The guidelines issued under this subdivision are not subject to the administrative procedure act under chapter 14.

Sec. 12. [273.1196] [STATE COMMERCIAL-INDUSTRIAL EFFECTIVE TAX RATE REDUCTION.]

For property taxes payable in 1990 only, class 3a commercial industrial property is eligible for a state commercial-industrial effective tax rate reduction if the payable 1990 property taxes on the first \$200,000 of market value of the property exceed four percent of the January 2, 1989, market value. The state reduction is equal to 75 percent of the property tax amount that is in excess of four percent of market value. Only the first \$200,000 of market value of a qualifying parcel and the taxes attributable to the first \$200,000 of market value are eligible for the computation of this reduction. Only a parcel that qualifies for the 3.1 percent tax capacity percentage contained in section 273.13, subdivision 24, paragraph (a), qualifies for the reduction 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 reduction provided in this section.

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 273.1392 and 477A.015.

Sec. 13. Minnesota Statutes 1988, section 273.124, subdivision 9, is amended to read:

Subd. 9. [HOMESTEAD ESTABLISHED AFTER ASSESSMENT DATE.] Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on June 1 of a year, constitutes class 1 or class 2a ~~to the extent of one-half of the valuation that would have been includable in class 1 or class 2a.~~

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, prior to June 15 of the year of occupancy in order to qualify under this subdivision.

The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

The owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, regardless of whether or not the notification has been timely filed, may be entitled to receive homestead classification by proper application as provided in section 270.07 or 375.192.

The county assessor shall publish in a newspaper of general circulation within the county no later than June 1 of each year a notice informing the public of the requirement to file an application for homestead prior to June 15.

Sec. 14. Minnesota Statutes 1988, section 273.124, subdivision 12, is amended to read:

Subd. 12. [HOMESTEAD OF MEMBER OF UNITED STATES ARMED FORCES; PEACE CORPS; VISTA.] Real estate actually occupied and used for the purpose of a homestead by a member of the armed forces of the United States, or by a member of that person's immediate family shall, ~~notwithstanding the absence of the person, while on active duty with the armed forces of the United States or the family under such conditions,~~ be classified as a homestead provided that absence of the owner is solely by reason of service in the armed forces, and that even though the person or family is absent if (1) the person or the person's family is absent solely because the person is on active duty with the armed forces of the United States, or is serving as a volunteer under the VISTA or Peace Corps program; (2) the owner intends to return as soon as

discharged or relieved from service; and (3) the owner claims it as a homestead. Every A person who, for the purpose of obtaining or aiding another in obtaining any benefit under this subdivision, shall knowingly make makes or submit submits to any an assessor any an affidavit or other statement which that is false in any material matter shall be to obtain or aid another in obtaining a benefit under this subdivision is guilty of a felony.

Sec. 15. Minnesota Statutes 1988, section 273.124, is amended by adding a subdivision to read:

Subd. 14. [AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.] (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is adjacent to agricultural land on at least two sides;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not further than two townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

Homesteads initially classified as class 2a under the provisions of this subdivision shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, so long as the homestead remains under the same ownership and the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres.

(b) Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), 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.

(c) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). 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.

Sec. 16. Minnesota Statutes 1988, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$68,000 of market value of class 1a property has a net tax capacity of one .95 percent of its market value and a gross tax capacity of 2.17 percent of its market value. The market value of class 1a property that exceeds \$68,000 but does not exceed \$100,000 \$110,000 has a tax capacity of 2.5 1.9 percent of its market value. The market value of class 1a property that exceeds \$100,000 \$110,000 has a tax capacity of 3.3 3.0 percent of its market value.

(b) Class 1b property includes real estate or manufactured homes used for the purposes of a homestead by

(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

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(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

(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

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 85 percent or more of total income from

- (A) aid from any state as a result of that disability; or
- (B) supplemental security income for the disabled; or
- (C) workers' compensation based on a finding of total and permanent disability; or
- (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
- (E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or
- (F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(iii) whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed pursuant to clause (1) only if the commissioner of jobs and training certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of jobs and training shall provide a copy of the certification to the commissioner of revenue.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net tax capacity of .4 percent of its market value and a gross tax capacity of .87 percent of its market value. The remaining market value of class 1b property has a gross or net tax capacity using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is 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. Class 1c property has a tax capacity of .9 .8 percent of market value with the following limitation: the area of the property 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. For purposes of this paragraph, class 1c property may be owned by a corporation or partnership and occupied as a homestead by one or more of its shareholders or partners who are actively engaged in the business on behalf of the corporation or partnership. Homestead treatment applies even if

legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it.

(d) For taxes levied in 1988, payable in 1989 only, the tax to be paid on class 1a or class 1b property shall be reduced by 54 percent of the tax imposed on the first \$68,000 of market value. The amount of the reduction shall not exceed \$725.

Sec. 17. Minnesota Statutes 1988, section 273.13, subdivision 23, is amended to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land that does not exceed \$65,000 has a net tax capacity of .805 percent of market value and a gross tax capacity of 1.75 percent of market value. The excess market value over \$65,000 has a tax capacity of 2.2 percent shall have the same tax capacity as if it were class 1a property under subdivision 22. If the market value of the house, garage, and surrounding one acre of land is less than \$65,000 \$100,000, the value of the remaining land including improvements equal to the difference between \$65,000 \$100,000 and the market value of the house, garage, and surrounding one acre of land has a net tax capacity of 1.12 .3 percent of market value and a gross tax capacity of 1.75 percent of market value for the first 320 acres of land and the remaining value over 320 acres has a net tax capacity of 1.295 percent of market value and a gross tax capacity of 1.75 percent of market value. The remaining value of class 2a property over the \$65,000 \$100,000 market value that does not exceed 320 acres has a net tax capacity of 1.44 percent of market value and a gross tax capacity of 2.25 percent of market value. The remaining property over the \$65,000 \$100,000 market value in excess of 320 acres has a net tax capacity of 1.665 percent of market value and a gross tax capacity of 2.25 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.

For taxes levied in 1988, payable in 1989 only, the tax to be paid

on class 2a property and class 1b property under section 273.13, subdivision 22, paragraph (b), used for agricultural purposes shall be reduced by 54 percent of the tax. The amount of the reduction shall not exceed \$725.

(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 has a net tax capacity of 1.665 percent of market value and a gross tax capacity of 2.25 percent of market value.

Agricultural land as used in this section means 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, including the breeding of fish for sale and consumption provided that it is located on land zoned for agricultural use, 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. 18. Minnesota Statutes 1988, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial, and industrial, property and utility real and personal property, except for class 5a property as identified in subdivision 31, is class 3a. It has a tax capacity of 3.3 3.1 percent of the first ~~\$100,000~~ \$125,000 of market value and 5.25 percent of the market value over ~~\$100,000~~ \$125,000. For taxes payable in 1991, the 5.25 percent rate shall be 5.2 percent and for taxes payable in 1992 and subsequent years the rate shall be 5.15 percent. In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a tax capacity ~~3.3~~ 3.1 percent. In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a tax capacity of ~~3.3~~ 3.1 percent.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a tax capacity of 2.5 percent of the first \$50,000 of market value and 3.5 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 tax capacity of the first \$100,000 of market value is 3.3 percent and the tax capacity of the remainder is 4.8 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.

Sec. 19. Minnesota Statutes 1988, 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 has a tax capacity of ~~4.1~~ 3.7 percent of market value.

(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal recreational residential; ~~recreational~~, and a structure having ~~five or more stories that is constructed with materials meeting the requirements for type I or II construction as defined in the state building code, 90 percent or more of which is used or is to be used as apartment housing for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is the earlier date;~~

(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;

(4) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b), which has a tax capacity of 2.7 percent of market value.

Class 4b property has a tax capacity of ~~3.5~~ 3.1 percent of market value, except as provided in clause (4).

(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; and

(3) a qualified low-income building that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1987; or (ii) meets the requirements of that section. Classification pursuant to this clause is limited to buildings the construction or rehabilitation of which began after May 1, 1988, and to a term of 15 years.

For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents. The land on which these structures are situated has a tax capacity of ~~3.5~~ 3.1 percent of market value if the structure contains fewer than four units, and ~~4.1~~ 3.7 percent of market value if the structure contains four or more units.

(4) 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 individ-

ual 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

(5) except as provided in subdivision 22, paragraph (c), 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 classified in clauses (5) and (6) also includes the remainder of class 1c resorts and has a tax capacity of ~~2.6~~ 2.4 percent of market value, except that noncommercial seasonal recreational property has a tax capacity of 2.3 percent of market value; and

(6) 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 classified under clauses (1), (2), (3), and (4) has a tax capacity of 2.5 percent of market value.

(d) Class 4d property includes 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 is classified 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 1.5 percent and 2.5 percent tax capacity assignments apply to the properties described in paragraph (c), clauses (1), (2), and (3) 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.

Class 4d property has a tax capacity of 1.5 percent of market value.

(e) Class 4e property includes any structure having five or more stories that is constructed with materials meeting the requirements for type I or II construction as defined in the state building code, 90 percent or more of which is used or is to be used as apartment housing for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is the earlier date.

Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clause (1); paragraph (c), clauses (1), (2), (3), or (4); or paragraph (d), is assessed as class 5 property under subdivision 31, paragraph (d), if it is found to be a substandard building under section 273.1316.

Class 4e property has a tax capacity of 3.5 percent of market value.

Sec. 20. Minnesota Statutes 1988, section 273.13, subdivision 31, is amended to read:

Subd. 31. [CLASS 5.] All property not included in any other class is class 5 property.

(a) 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, which are fixtures, have a tax capacity of 4.6 percent of market value.

(b) Unmined iron ore and low-grade iron-bearing formations as defined in section 273.14 have a tax capacity of 5.25 percent of market value.

(c) ~~Vacant land has a tax capacity of 5.25 percent of market value.~~

(d) All other property not otherwise classified has a tax capacity of 5.25 percent of market value.

Sec. 21. Minnesota Statutes 1988, 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. 22. [273.1316] [CLASSIFICATION OF SUBSTANDARD RESIDENTIAL RENTAL PROPERTY.]

Subdivision 1. [DENIAL OF RENTAL CLASSIFICATION.] No

substandard building shall be classified as residential rental property under section 273.13, subdivision 25.

Subd. 2. [DEFINITION.] "Substandard building" means a building that:

(1) has been determined by a state, county, or city agency that is charged by the governing body of the appropriate political subdivision with the responsibility for enforcing health, housing, building, fire prevention, or housing maintenance codes:

(i) to materially endanger the health and safety of the occupants;
or

(ii) if unoccupied, to be a hazardous building within the meaning of section 463.15, subdivision 3; or

(iii) to be substantially out of compliance with the housing and maintenance code of that county or city, to the extent that the reasonably anticipated cost of repairs necessary to achieve compliance would be at least \$1,000; and

(2) has not been repaired or brought to a condition of compliance within three months after the date of the violation notice to the owner as provided in subdivision 3 or within the time prescribed by the agency in the notice in accordance with applicable state law or local ordinance, whichever period is shortest.

A building is not substandard under this subdivision if it was rendered substandard solely by reason of a tornado, flood, or other natural disaster.

Subd. 3. [VIOLATION NOTICE.] The initial notice of violation by the agency to the owner must be written and must contain:

(1) the details of the violation;

(2) the date by which repairs must be completed or compliance with other requirements must be achieved;

(3) a general description of the tax consequences if the violations are not corrected; and

(4) information on where and how an appeal may be filed.

The agency may, if authorized by law or ordinance, extend the compliance date prescribed in the violation notice, for good cause shown or may determine that good faith efforts at compliance are sufficient to prevent designation as a substandard building.

Subd. 4. [NOTICE OF NONCOMPLIANCE.] When the period specified in subdivision 3 has expired without compliance, the agency shall mail to the owner a notice of noncompliance. The notice of noncompliance must be mailed by certified mail, return receipt requested, to the owner of the property at the owner's last known address. The notice must contain:

- (1) the details of the noncompliances;
- (2) a statement that the local assessor has been notified of the noncompliance and that the property will be reclassified;
- (3) a general description of the tax consequences resulting from the denial of a residential rental property tax classification; and
- (4) information on where and how an appeal may be filed.

Subd. 5. [APPEALS TO BOARD.] Appeals shall be made to the board created under this subdivision. Each county and city, prior to issuance of a violation notice under subdivision 3, must establish a board to hear appeals under this subdivision. The board shall have five members appointed by the governing body. A decision of the appeal board may be appealed to the district court of the county in which the building is located, concerning the violation and determination of material endangerment or hazard made under subdivision 2 and concerning a determination of noncompliance under subdivision 4. An appeal must be made no later than 30 days after receipt of the notice of the action or determination being appealed. If the board determines that the substandard building has been brought to a condition of compliance, the board shall require the agency to mail to the taxpayer a notice of compliance, which notice shall be in the form and include the information prescribed by the local assessor.

Subd. 6. [TIMING OF PROCESS.] If a notice of noncompliance is mailed before July 1 of any year, and the property owner has not successfully appealed the determination by October 15 of that year, the property will be disqualified from residential rental classification for taxes levied in that year and all subsequent years until the agency determines that the property is no longer a substandard building, or the property owner prevails on an appeal of the matter. If a notice of noncompliance is mailed after June 30 of any year, the disqualification would initially be effective for taxes levied in the following year.

Subd. 7. [REFUND UPON APPEAL.] If the property owner prevails on an appeal at any time after taxes have been paid based on assessment of the property as class 5 property, the agency shall notify the property owner concerning the procedures for the filing of a refund. The notice shall be in the form and include the information prescribed by the local tax assessor. The taxpayer may then file for

a refund of the difference between the amount of the tax paid and the tax that would have been payable if the property had not been incorrectly assessed under this section, and each governmental subdivision that levied the tax on the property shall refund to the property owner its proportionate share of the refund.

Subd. 8. [SPECIFICATION OF VIOLATIONS.] A notice of non-compliance shall not be mailed by the agency to the taxpayer until the state or the governing body of the appropriate political subdivision has prescribed by statute or ordinance the nature and types of violations of codes referred to in subdivision 2, that would constitute a nuisance or material endangerment to the health and safety of occupants of buildings, or that would constitute a hazardous building within the meaning of section 463.15, subdivision 3.

Sec. 23. Minnesota Statutes 1988, section 273.1398, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of tax capacity rates.

(c) "Gross tax capacity" means the product of the appropriate percentages of market value listed as gross tax capacities in section 273.13 and equalized market values. "Total gross tax capacity" means the gross tax capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the gross tax capacity of property referred to in clauses (1) and (2) for disparity reduction aid payable in 1989, the gross tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Gross tax capacity cannot be less than zero.

(d) "Net tax capacity" means the product of the appropriate percentages of market value listed as net tax capacities in section 273.13 and equalized market values. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section

473F.02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. For computation of aids payable in 1989 only, if the aggregate assessment sales ratio is less than or equal to 92 percent, the assessment sales ratios by class shall be adjusted proportionally so that the aggregate ratio of the unequalized market values to the equalized market values equals 92 percent; otherwise the equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Homestead effective Adjusted gross tax capacity rate" means the product of (i) 46 percent; (ii) 2.17 percent; and (iii) the total gross taxes divided by the total gross tax capacity rate for taxes payable in 1989 within a unique taxing jurisdiction multiplied by the 1988 aggregate assessment sales ratio. A sales ratio of .92 is used if the actual sales ratio is less than .92.

(g) For purposes of calculating the transition homestead and agricultural credit aid authorized pursuant to subdivision 2, the "subtraction factor" is the product 1.03 times the sum of (i) a unique taxing jurisdiction's homestead effective adjusted gross tax capacity rate; (ii) times its net tax capacity based on payable 1989 market values and net tax capacity percentages in effect for taxes payable in 1990; and (iii) 103 (ii) its fiscal disparities distribution levy for taxes payable in 1989.

(h) For purposes of calculating and allocating transition aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "Gross taxes levied on all properties" or "gross taxes" means the amount of disparity aid received plus the total gross taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction before reduction by any credits for taxes payable in the year prior to that in which the aids are payable. For purposes of disparity reduction aid only, total gross taxes shall be reduced by

the taxes levied for any school district referendum levies authorized pursuant to section 124A.03, subdivision 2, and any school district debt levies authorized pursuant to section 475.61. Gross taxes levied cannot be less than zero but including the amount received from the distribution of the areawide tax as provided in section 473F.08, subdivision 3, clause (a).

(i) "Income maintenance aids" means:

(1) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(2) preadmission screening and alternative care grants under section 256B.091, subdivision 8;

(3) general assistance, and work readiness under section 256D.03, subdivision 2;

(4) general assistance medical care under section 256D.03, subdivision 6;

(5) aid to families with dependent children under section 256.82, subdivision 1, including emergency assistance under section 256.871, subdivision 6; and funeral expense payments under section 256.935, subdivision 1; and

(6) supplemental aid under section 256D.36, subdivision 1.

Sec. 24. Minnesota Statutes 1988, section 273.1398, subdivision 2, is amended to read:

Subd. 2. TRANSITION HOMESTEAD AND AGRICULTURAL CREDIT AID. (a) Transition Homestead and agricultural credit aid for each unique taxing jurisdiction for taxes payable in 1990 equals the total gross taxes levied on all properties for taxes payable in 1989, minus the unique taxing jurisdiction's subtraction factor. Transition Homestead and agricultural credit aid cannot be less than zero. The transition homestead and agricultural credit aid so determined for school districts for purposes of general education and transportation levies shall be multiplied by the ratio of the adjusted gross tax capacity based upon the 1988 adjusted gross tax capacity to the estimated 1987 adjusted gross tax capacity based upon the 1987 adjusted assessed value. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue with the 1988 market values for taxes payable in 1989 for any new classes of property established in this article. The commissioner shall use those values, and estimate values where needed, in developing the 1988 tax capacity for each unique taxing jurisdiction under this section.

(b)(1) The transition homestead and agricultural credit aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's gross taxes bears to the total gross taxes levied within the unique taxing jurisdiction.

(2) The homestead and agricultural credit aid determined for each county government shall be increased by a percentage equal to the percentage increase in population, if any, for the most recent 12-month period for which data is available.

(3) If a local government's total tax capacity rate for all funds for taxes payable in 1989 varies within the area in which it exercises taxing authority, the local government's allocated transition homestead and agricultural credit aid must be further allocated between the part of its levy in respect to which the tax capacity rate is constant throughout the area in which it exercises taxing authority and the part of its levy in respect to which the tax capacity rate varies throughout the area in which it exercises taxing authority.

(c) In 1991 and subsequent years, a local government shall receive transition homestead and agricultural credit aid equal to that it received in 1990 subject to the requirement of the last sentence of subdivision 6.

(d) The difference between (1) the income maintenance aids payable to a county and (2) the income maintenance aids that would be payable to the county pursuant to the rates in effect for calendar year 1989 shall be reduced by the sum of the amount of transition aid a county receives under this subdivision for all unique taxing jurisdictions located within its borders. The reduction must not reduce the difference to less than zero. The reduction shall be prorated among all payments of the increased income maintenance aids so that each payment is reduced by an equal percentage amount. The commissioner of revenue shall certify each county's transition aid to the commissioner of human services for purposes of this adjustment.

Sec. 25. Minnesota Statutes 1988, section 273.1398, subdivision 3, is amended to read:

Subd. 3. [DISPARITY REDUCTION AID.] (a) For taxes payable in 1989, a disparity reduction aid shall be calculated for each unique taxing jurisdiction. The aid is the greater of:

(1) the difference between (i) the total 1988 gross tax payable on all taxable property within the unique taxing jurisdiction, and (ii) the gross tax capacity of the unique taxing jurisdiction; or

(2) 20 percent of the difference between (i) the 1988 gross tax of

the city or township, and (ii) 23 percent of the city's or township's gross tax capacity.

In no case can the aid be less than \$0. For taxes payable in 1990, the amount of disparity aid originally certified for each unique taxing jurisdiction for taxes payable in 1989 shall be multiplied by (1) 1.03, and (2) the ratio of the jurisdiction's net tax capacity to its gross tax capacity, based upon market values for taxes payable in 1989.

(b) The disparity reduction aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's payable gross taxes bears to the total payable gross taxes levied within the unique taxing jurisdiction.

(c) In 1990 1991 and subsequent years, a local government shall receive disparity reduction aid equal to that it received in 1989 1990.

Sec. 26. Minnesota Statutes 1988, section 275.08, subdivision 1c, is amended to read:

Subd. 1c. After the tax capacity rate of a local government has been determined pursuant to subdivision 1b, the auditor shall adjust the local government's tax capacity rate within each unique taxing jurisdiction as defined in section 273.1398, subdivision 1, in which the local government exercises taxing authority. The adjustment shall equal the unique taxing jurisdiction's disparity reduction aids allocated to the local government pursuant to section 273.1398, subdivision 3, and tax base equalization aid under section 477A.013, subdivision 4, divided by the total tax capacity of all taxable property within the unique taxing jurisdiction. The adjustment shall reduce the tax capacity rate of the local government within the unique taxing jurisdiction for which the adjustment was calculated.

Sec. 27. Minnesota Statutes 1988, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall, whether or not directed by the county board, cause to be printed on all tax statements, or on an attachment, The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain 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 must be separately stated. 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 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) For taxes payable in 1990 and thereafter, real and personal property tax statements must contain (1) the property's market value, as defined in section 272.03, subdivision 8, (2) the net tax capacity rate applicable to the property's classification under section 273.13, and the product of (1) and (2), the property's initial tax. The statement must show the difference between a property's gross tax capacity and net tax capacity multiplied by the tax capacity rate as "state paid homestead and agricultural credit." 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) education aids payable under chapters 124 and 124A, (ii) local government aid for cities, towns, and counties under chapter 477A, (iii) disparity reduction aid paid under section 273.1398, and (iv) income maintenance aids as defined in section 273.1398, subdivision 1, paragraph (i). The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.

(d) For taxes payable in 1989 only, the statement must show the property's market value, as defined in section 272.03, subdivision 8, and the amount attributable to section 273.13, subdivisions 22 and 23, as "state paid homestead credit" and the amount attributable to section 273.132 as "state paid agricultural credit." 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) education aids under chapters 124 and 124A, (ii) local government aid for cities, towns, and counties under chapter 477A, and (iii) disparity reduction aid under section 273.1398. The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.

Sec. 28. [365B.01] [TOWNS; SUBORDINATE SERVICE DISTRICTS; PURPOSE.]

It is the purpose of this chapter to provide a means by which a town as a unit of general local government can effectively provide and finance various governmental services for its residents.

Sec. 29. [365B.02] [DEFINITION.]

"Subordinate service district" means a defined area within the town in which one or more governmental services or additions to townwide services are provided by the town specially for the area and financed from revenues from the area. The boundaries of a single subordinate service district may not embrace an entire town.

Sec. 30. [365B.03] [ESTABLISHMENT OF SERVICE DISTRICT.]

Notwithstanding any provision of law requiring uniform property tax rates on real or personal property within the town, a town may establish subordinate service districts to provide and finance a governmental service or function that it is otherwise authorized to undertake. A function or service to be provided may include a function or service that the town ordinarily provides throughout the town only to the extent that there is an increase in the level of the function or service provided in the service district over that provided throughout the town.

Sec. 31. [365B.04] [CREATION BY PETITION.]

Subdivision 1. [PETITION.] A petition signed by 50 percent of the property owners in the part of the town proposed for the subordinate service district may be submitted to the town board requesting the establishment of a subordinate service district to provide a service that the town is otherwise authorized by law to provide. The petition must include the territorial boundaries of the proposed district and specify the kinds of services to be provided within the district.

Subd. 2. [PUBLIC HEARING.] Upon receipt of the petition, and the verification of the signatures by the town clerk, the town board shall, within 30 days following verification, hold a public hearing on the question of whether or not the requested district shall be established.

Subd. 3. [APPROVAL; DISAPPROVAL.] Within 30 days after the public hearing, the town board by resolution shall approve or disapprove the establishment of the requested district. A resolution approving the establishment of the district may contain amendments or modifications of the district's boundaries or functions as set forth in the petition.

Sec. 32. [365B.05] [PUBLICATION AND EFFECTIVE DATE.]

Within 20 days after passage of a resolution authorizing the establishment of a subordinate service district, the town board shall have the resolution published once in a qualified newspaper of general circulation within the town. The resolution must include a general description of the territory to be included within the district, the kind of service to be provided, and a statement of how the service will be financed. A notice must also be mailed to the owner of each

parcel within the area proposed to be included in the district. The notice shall be sent to the same address as on the property tax statement. The district shall begin 60 days after publication or at a later date specified in the resolution.

Sec. 33. [365B.06] [REVERSE REFERENDUM.]

Subdivision 1. [PETITION.] Upon receipt of a petition signed by 25 percent of the property owners within the territory of the proposed district, before the effective date of its establishment as specified in section 32, the establishment shall be in abeyance pending referendum vote within the boundaries of the proposed district.

Subd. 2. [ELECTION.] The town board shall hold a special election within the boundaries of the proposed district not less than 30 nor more than 90 days after receipt of the petition. The question submitted and voted upon by the property owners within the territory of the proposed district must be phrased substantially as follows:

"Shall a subordinate service district be established to provide (service or services to be provided) financed by (revenue sources)?"

If a majority of those voting on the question favor creation of the district, the district shall begin upon certification of the vote by the town clerk. The town clerk shall administer the election.

Sec. 34. [365B.07] [EXPANSION OF BOUNDARIES OF A DISTRICT.]

The town board, upon petition, may enlarge any existing subordinate service district under the procedures specified in sections 31 to 34. Only property owners residing in territory to be added to the district shall be eligible to participate in an election, unless 25 percent of the property owners residing in the existing district petition to participate, in which case all property owners residing in the proposed enlarged district shall be eligible.

Sec. 35. [365B.08] [FINANCING.]

Upon adoption of the next annual budget following the creation of a subordinate service district the town board shall include in the budget appropriate provisions for the operation of the district including either a property tax levied only on property of the users of the service within the boundaries of the district or a levy of a service charge against the users of the service within the district, or a combination of a property tax and a service charge on the users of the service.

A tax or service charge or a combination of them may be imposed to finance a function or service in the district that the town ordinarily provides throughout the town only to the extent that there is an increase in the level of the function or service provided in the service district over that provided throughout the town. In that case, in addition to the townwide tax levy, an amount necessary to pay for the increase in the level of the function or service may be imposed in the district.

Sec. 36. [365B.09] [WITHDRAWAL; ELECTION.]

Upon receipt of a petition signed by 50 percent of the property owners in the territory of the subordinate service district requesting the removal of the district, the town board shall hold a special election within the service district not less than 30 nor more than 90 days after the resolution or receipt of the petition. The question to be submitted and voted upon by the property owners in the district shall be phrased substantially as follows:

"Shall the subordinate service district presently established be removed and the service or services of the town as provided for the service district be discontinued?"

If a majority of those voting on the question favor the removal and discontinuance of the services, the service district shall be removed and the services shall be discontinued upon certification of the vote by the town clerk. The town clerk shall administer the election.

Sec. 37. [365B.10] [COORDINATION OF DISTRICTS.]

If a county establishes a subordinate service district in part of a town under enabling law for counties, a town may not establish a subordinate service district to provide the same service in the part of the town served by the county. If a town establishes a subordinate service district in part of the town under this chapter or other law, a county may not establish a subordinate service district to provide the same service in the part of the town served by the town.

Sec. 38. Minnesota Statutes 1988, section 459.14, is amended by adding a subdivision to read:

Subd. 8. [PROPERTY EXEMPT FROM TAXATION.] Any property, real or personal, owned, leased, maintained, or operated as a municipal parking facility under this section is owned, leased, maintained, or operated for essential public and governmental purposes, and is exempt from all ad valorem taxes levied by the state or a political subdivision of the state.

Sec. 39. Minnesota Statutes 1988, section 469.012, is amended by adding a subdivision to read:

Subd. 12. [PARKING FACILITIES.] An authority may operate and maintain public parking facilities in connection with any of its projects.

Sec. 40. Minnesota Statutes 1988, section 469.040, subdivision 2, is amended to read:

Subd. 2. [LEASED PROPERTY, EXCEPTION.] Notwithstanding the provisions of subdivision 1, any property other than property to be operated as a parking or other public facility that the authority leases to private individuals or corporations for development in connection with a redevelopment project shall have the same tax status as if the leased property were owned by the private individuals or corporations.

Sec. 41. Minnesota Statutes 1988, section 473F.08, subdivision 3, is amended to read:

Subd. 3. On or before October 15 of 1976 and each subsequent year, the county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) Determine the areawide portion of the levy for each governmental unit by multiplying the tax capacity rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) Determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy. For taxes payable in 1990 only, the amount determined under paragraph (a) shall be increased by three percent for all taxing jurisdictions.

Sec. 42. [SPECIAL SERVICES DEFINED.]

For purposes of sections 42 and 43, "special services" means all services rendered or contracted for by the city of Mankato, including but not limited to:

(1) the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) parking services rendered or contracted for by the city; and

(3) any other service provided to the public by the city that is authorized by law or charter.

Sec. 43. [ESTABLISHMENT OF SPECIAL SERVICES DISTRICT; ORDINANCE.]

The governing body of the city of Mankato may adopt an ordinance establishing a special service district. The provisions of Minnesota Statutes, chapter 428A govern the establishment and operation of special service districts in the city.

Sec. 44. [LOCAL APPROVAL.]

Sections 42 and 43 are effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Mankato.

Sec. 45. [SPECIAL SERVICES DEFINED.]

For purposes of sections 45 to 47, "special services" means all services rendered or contracted for by the city of Hopkins, including, but not limited to:

(1) the repair, maintenance, operation, and construction of any improvement authorized by Minnesota Statutes, section 429.021;

(2) parking services rendered or contracted for by the city; and

(3) any other service provided to the public by the city that is authorized by law or charter.

Sec. 46. [ESTABLISHMENT OF SPECIAL SERVICE DISTRICT.]

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a special service district. The provisions of Minnesota Statutes, chapter 428A, govern the establishment and operation of special service districts in the city.

Sec. 47. [LOCAL APPROVAL.]

Sections 45 and 46 are effective the day following compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Hopkins.

Sec. 48. Laws 1988, chapter 719, article 7, section 9, is amended to read:

Sec. 9. [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~~ two years. A county assessor appointed for a ~~one-year~~ two-year term must reapply to the commissioner by January 1, ~~1990~~ 1991, to obtain the approval of the commissioner for the remainder of the four-year term.

Sec. 49. [INSTRUCTION TO THE REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall delete the phrase "transition aid" wherever it appears in Minnesota Statutes, sections 124.155, 124.2139, 273.1398, 275.07, and 477A.011, and insert "homestead and agricultural credit aid."

Sec. 50. [EFFECTIVE DATE.]

Section 2 is effective the day following final enactment and is intended to confirm and clarify the original intent of the legislature in the taxation and equalization of state-assessed public utility property.

Sections 5, 14 to 27, and 38 to 40 are effective for taxes levied in 1989, payable in 1990, and thereafter.

Section 8 is effective for the 1989 assessment, taxes payable in 1990, and thereafter.

Notwithstanding the May 1 application date in section 273.111, subdivision 8, section 9 is effective for the 1989 assessment payable in 1990, and thereafter.

Section 10 is effective for taxes levied in 1989, payable in 1990, and thereafter. Notwithstanding Minnesota Statutes, section 273.112, subdivision 6, in order to qualify for valuation under Minnesota Statutes, section 273.112, for the 1989 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 July 1, 1989, showing that the bylaws in rules and regulations of the private club meet the eligibility requirements of section 10 by July 1, 1989.

Section 11 is effective the day following final enactment.

Section 13 is effective for taxes levied in 1990, payable in 1991, and thereafter.

ARTICLE 6

LEVY LIMITS AND INCOME MAINTENANCE

Section 1. Minnesota Statutes 1988, section 273.1398, is amended by adding a subdivision to read:

Subd. 2a. [INCOME MAINTENANCE AIDS REDUCTION.] The income maintenance aids payable to a county in 1990 and thereafter

under Laws 1988, chapter 719, article 8 must be reduced by the lesser of the amount the county levied in 1988 payable in 1989 for programs included in income maintenance aids or the amount of homestead and agricultural credit aid, but not below zero. The reduction must be prorated among the payments so that each payment is reduced proportionally. The amount payable by a county for programs included in income maintenance aids for calendar year 1989 must be estimated by the county and certified to the department of revenue by July 15, 1989. If the amount paid by a county for programs included in income maintenance aids is less than or greater than the amount certified to the department of revenue, the amount of difference shall be adjusted accordingly. The commissioner of revenue shall certify the amount of the reduction for each county to the department of human services.

Sec. 2. Minnesota Statutes 1988, section 275.50, subdivision 2, is amended to read:

Subd. 2. [GOVERNMENTAL SUBDIVISION.] (a) "Governmental subdivision" means a county, a home rule charter city, or a statutory city, except a home rule charter or statutory city that has a population of less than 2,500 according to the most recent federal census.

(b) "Governmental subdivision" also includes any home rule charter or statutory city or town that receives a distribution from the taconite municipal aid account in the levy year.

(c) "Governmental subdivision" also includes a regional rail authority.

Sec. 3. Minnesota Statutes 1988, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in 1988 1989 payable in 1989 1990 and subsequent years, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to pay the costs enumerated in subdivision 5a and to:

(a) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services. Except for the costs of general assistance as defined in section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the costs of hospital care pursuant to section 261.21, the aggregate amounts levied pursuant to this clause are subject to a maximum increase of 18 percent over the amount levied for these purposes in the previous year. Effective with taxes levied in 1989, the portion of this special

levy for income maintenance programs identified in section 273.1398, subdivision 1, paragraph (i), is eliminated;

(b) pay the costs of principal and interest on bonded indebtedness except on bonded indebtedness issued under section 471.981, subdivisions 4 to 4c or to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(c) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

(d) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(e) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(f) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(g) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(h) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the

governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(i) ~~to~~ compensate the state for the cost of a reassessment ordered by the commissioner of revenue pursuant to section 270.16; and

(j) pay the debt service on tax increment financing revenue bonds to the extent that revenue to pay the bonds or to maintain reserves for the bonds is insufficient as a result of the provisions of Laws 1988, chapter 719, article 5-;

(k) pay the unreimbursed costs incurred in the previous year to satisfy judgments rendered against the governmental subdivision by a court of competent jurisdiction in any tort action, or to pay the costs of settlements out of court against the governmental subdivision in a tort action when substantiated by a stipulation for the dismissal of the action filed with the court of competent jurisdiction and signed by both the plaintiff and the legal representative of the governmental subdivision, provided that an appeal for the unreimbursed costs under this clause was approved by the commissioner of revenue under section 7;

(l) pay the expenses reasonably and necessarily incurred in preventing, preparing for, or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes such as earthquake, fire, flood, wind storm, wave action, oil spill, water contamination, air contamination, or drought in accordance with standards formulated by the emergency services division of the state department of public safety, provided that an appeal for the expenses incurred under this clause were approved by the commissioner of revenue under section 7;

(m) pay a portion of the losses in tax receipts to a city due to tax abatements or court actions in the year preceding the current levy year, provided that an appeal for the tax losses was approved by the commissioner of revenue under section 7. This special levy is limited to the amount of the losses times the ratio of the nonspecial levies to total levies for taxes payable in the year the abatements were granted. County governments are not authorized to claim this special levy;

(n) pay the operating cost of regional library services authorized under section 134.34. If a county or city also operates its own county or city library, and if the levy for that purpose was included under the payable 1989 levy limit base it shall remain under the levy limit base for subsequent years and is not a special levy under this clause;

(o) pay the amount of the county building fund levy permitted under section 373.40, subdivision 6; and

(p) pay the county's share of the costs levied in 1989, 1990, and 1991 for the Minnesota cooperative soil survey under Minnesota Statutes 1988, section 40.07, subdivision 15.

Sec. 4. Minnesota Statutes 1988, section 275.50, is amended by adding a subdivision to read:

Subd. 5a. [LOCAL SPECIAL LEVIES.] (a) "Special levies" includes ad valorem taxes levied by the following governmental subdivision for the following purpose:

The amount levied by Goodhue county for the county historical society if enacted under sections 5 and 6.

(b) If either the payable 1988 or the payable 1989 levy limit base for a governmental subdivision included an amount for a purpose specified in paragraph (a) and that amount had been claimed as a special levy in the year previous to 1988 or 1989, the department of revenue shall reduce the governmental subdivision's levy limit base for the current year by the lesser of the amount of the special levy included in the 1988 or 1989 base, or the amount levied under paragraph (a).

Sec. 5. [GOODHUE COUNTY; HISTORICAL SOCIETY LEVY.]

Goodhue county may levy a tax of up to \$360,000 per year on property in the county and use the proceeds of the levy for the county historical society. The levy shall be a special levy as provided in section 275.50, subdivision 5a.

Sec. 6. [REVERSE REFERENDUM.]

If the Goodhue county board intends to exercise the authority provided by section 5 in subsequent years, it shall pass a resolution stating the fact before January 1, 1990. The resolution must be published for two successive weeks in the official newspaper of the county or, if there is no official newspaper, in a newspaper of general circulation in the county, together with a notice fixing a date for a public hearing on the matter. The hearing must be held at least two weeks but not more than four weeks after the first publication of the resolution. Following the public hearing, the county may determine to take no further action or adopt a resolution confirming its intention to exercise the authority. That resolution must also be published in the official newspaper of the county or, if there is no official newspaper, in a newspaper of general circulation in the county. If within 30 days after publication of the resolution a petition signed by voters equal in number to five percent of the votes cast in the county in the last general election requesting a vote on the proposed resolution is filed with the county auditor, the resolution is not effective until it has been submitted to the voters at a

general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. The referendum must be held at a special or general election before December 1, 1990.

Sec. 7. Minnesota Statutes 1988, section 275.51, subdivision 3f, is amended to read:

Subd. 3f. [LEVY LIMIT BASE.] (a) The property tax levy limit base for governmental subdivisions for taxes levied in 1988 shall be equal to the total actual levy for taxes payable in 1988 plus with additions and subtractions as specified in paragraphs (b) and (c).

(b) The amounts to be added to the actual levy are (1) the amount of any payments local government aid the governmental subdivision was certified to receive in 1988 under sections 477A.011 to 477A.014 and minus, (2) its 1988 taconite aids under sections 298.28 and 298.282, and (3) its 1988 wetlands and native prairie reimbursements under Minnesota Statutes 1986, sections 273.115, subdivision 3, and 273.116, subdivision 3.

(c) The amounts to be subtracted from the actual 1988 levy are:

(1) any special levies claimed for taxes payable in 1988 pursuant to Laws 1987, chapter 268, article 5, section 12, subdivision 4, clauses (1), (2), (3), and (4); and

(2) for a governmental subdivision participating in a regional library system receiving grants from the department of education under section 134.34, the amount levied for taxes payable in 1988 for the operating costs of a public library service. A county's levy limit base will be increased by the amount of any increase in its levy under section 134.07 over that levied under section 134.07 for taxes payable in 1988 which is required under section 134.341; and

(3) for a governmental subdivision which begins participation on January 1, 1990, in a regional library system receiving grants from the department of education under section 134.34, the amount levied for taxes payable in 1989 for the operating costs of public library service.

(d) For governmental subdivisions located in the seven-county metropolitan area, the total actual levy for taxes payable in 1988 shall include the fiscal disparities distribution levy pursuant to Minnesota Statutes 1986, section 473F.08, subdivision 7a.

(b) (e) For taxes levied in 1989 and subsequent years, a governmental subdivision's levy limit base is equal to its adjusted levy limit base for the preceding year not including the adjustment made

under subdivision 3h, paragraph (e), plus for taxes levied in 1989 the administrative reimbursement aid received in 1988.

If a governmental subdivision received an adjustment to its levy limit base for taxes levied in 1988 under section 275.51, subdivision 3j, its levy limit base for taxes levied in 1989 must be reduced by the lesser of (1) the adjustment under section 275.51, subdivision 3j, or (2) the difference between its (i) levy limit for taxes levied in 1988 and its (ii) total actual levy for taxes levied in 1988 minus any special levies claimed for taxes levied in 1988 under section 275.50, subdivision 5.

In the case of a county, its levy limit base for taxes levied in 1989 must be reduced by the amount by which its income maintenance aid reduction under section 273.1398, subdivision 2a, exceeds the portion of its special levy for taxes levied in 1988 under section 275.50, subdivision 5, paragraph (a), that was levied for income maintenance programs identified in section 273.1398, subdivision 1. If the income maintenance aid reduction under section 273.1398, subdivision 2a, exceeds the total amount that a county levied for income maintenance programs identified in section 273.1398, subdivision 1, the county can apply to the commissioner of revenue to have the amount of reduction adjusted. Applications shall be in the form and accompanied by the data required by the commissioner.

Sec. 8. Minnesota Statutes 1988, section 275.51, subdivision 3g, is amended to read:

Subd. 3g. [ALTERNATIVE LEVY LIMIT BASE ADJUSTMENTS.] Any governmental subdivision which reduced any of its unreserved, undesignated fund balances because of spending for nonspecial levy purposes in calendar year 1981 may apply to the commissioner of revenue to have its levy limit base increased for the taxes payable year 1984 by no more than the amount of the reduction in the fund balances.

Applications shall be in the form and accompanied by the data required by the commissioner. If approved by the commissioner, the subdivision may then pass a resolution stating the amount by which the levy limit base is proposed to be increased. Thereafter, the resolution shall be published for two successive weeks in the official newspaper of the governmental subdivision or if there is no official newspaper, in a newspaper of general circulation in the governmental subdivision, together with a notice fixing a date for a public hearing on the proposed increase. The hearing shall be held not less than two weeks nor more than four weeks after the first publication of the resolution. Following the public hearing, the governing body may determine to take no further action or, in the alternative, adopt a resolution authorizing the increase as originally proposed or approving an increase in the lesser amount it determines. The resolution authorizing an increase shall be published in the official

newspaper of the governmental subdivision or if there is no official newspaper, in a newspaper of general circulation in the governmental subdivision. If within 30 days thereafter a petition signed by voters equal in number to five percent of the votes cast in the governmental subdivision in the last general election or 2,000 voters, whichever is less, requesting a referendum on the proposed resolution is filed with the clerk or recorder of the governmental subdivision if the governmental subdivision is a city or town, or with the county auditor if the governmental subdivision is a county, the resolution shall not be effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the referendum. The referendum must be held at a special or general election prior to October 1, 1983. For taxes levied in 1989, compute an alternative levy limit base for each governmental subdivision which was granted an appeal for the use of reserve funds under section 275.51, subdivision 3j, for taxes levied in 1988 or was granted on appeal for the use of reserve funds pursuant to Laws 1987, chapter 268, article 5, section 12, subdivision 5. The "alternative levy limit base" is equal to the governmental subdivisions adjusted levy limit base for taxes levied in 1986 increased by any base adjustments claimed for taxes levied in 1987 under Minnesota Statutes 1987 Supplement, section 275.51, subdivision 3h, plus any adjustments made to the 1987 levy limit base under Laws 1987, chapter 268, article 5, section 12, subdivision 5, for all purposes except for the expenditure of reserve funds. For taxes levied in 1989 the adjusted alternative levy limit base is equal to the alternative levy limit base increased by the adjustment factors under section 275.51, subdivision 3h, in effect for taxes levied in 1988 and in 1989. For taxes levied in 1990 and subsequent years, the adjusted alternative levy limit base is equal to the adjusted alternative levy limit base from the previous year increased by the adjustment factors in section 275.51, subdivision 3h.

Sec. 9. Minnesota Statutes 1988, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1988 1989 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to subdivision 3f, increased by:

(a) a percentage equal to four percent for taxes levied in 1988 and three percent for taxes levied in 1989 and subsequent years; and

(b) a percentage equal to the greater of the percentage increases increase 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; and

(c) the amount of a 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 under section 275.58, subdivisions 1 and 2.

For taxes levied in 1989 and subsequent years, to the resulting product must be added the estimated reduction in a county's income maintenance aids as defined in section 273.1398, subdivision 1, pursuant to section 273.1398, subdivision 2, paragraph (d). The department of human services shall annually estimate the increase in income maintenance aids referred to in section 273.1398, subdivision 2, paragraph (d), and certify it by county to the department of revenue by July 15 of the levy year preceding that in which the aids are payable. If the actual increase in a county's income maintenance aid referred to in section 273.1398, subdivision 2, paragraph (d), is less than or greater than the amount added to a county's adjusted levy limit base in the prior year, its adjusted levy limit base for the subsequent year will be increased or decreased by the appropriate amount.

The adjusted levy limit base for governmental subdivisions that received an appeal for expenditures from reserve funds for taxes levied in 1987 or in 1988 is equal to the levy limit base computed under subdivision 3f increased by the amount in paragraph (c).

Sec. 10. Minnesota Statutes 1988, section 275.51, subdivision 3i, is amended to read:

Subd. 3i. [LEVY LIMITATION.] The levy limitation for a governmental subdivision shall be equal to the greater of the adjusted alternative levy limit base determined under subdivision 3g or the adjusted levy limit base determined pursuant to under subdivision 3h, reduced by

(1) the local government aid that the governmental subdivision has been certified to receive pursuant to under sections 477A.011 to 477A.014, except for tax base equalization aid under section 477A.013, subdivision 4; and (2) taconite aids under sections 298.28 and 298.282 including any aid received in the levy year that was required to be placed in a special fund for expenditure in the next succeeding year; and

in the case of a county, increased by the amount of the income maintenance aid reduction under section 273.1398, subdivision 2a.

As provided in section 298.28, one cent per taxable ton of the amount distributed under section 298.28, subdivision 5, paragraph (d), must not be deducted from the levy limit base of a county that receives the aid.

This amount is the amount of property taxes which a government-

tal subdivision may levy for all purposes other than those for which special levies and special assessments are made.

For taxes levied in 1989 and later years, the levy limit for a county calculated under clause (2) must be decreased by an additional amount equal to the difference between what would have been a county's production year 1986 payable 1987 distribution under Minnesota Statutes 1984, section 298.28, based on 1986 production and its actual distribution for production year 1986, payable 1987.

Sec. 11. Minnesota Statutes 1988, section 275.51, subdivision 3j, is amended to read:

Subd. 3j. [APPEALS.] A governmental subdivision subject to the limitations in this section may appeal to the commissioner of revenue for an adjustment in its levy limit base under this section authorization to levy for the special levies as contained in section 275.50, subdivision 5, clauses (k), (l), and (m). If the governmental subdivision can provide evidence satisfactory to the commissioner that its levy for taxes payable in 1988 had been reduced because it had made expenditures from reserve funds it incurred costs for the specified purposes of those levies, the commissioner may permit allow the governmental subdivision to increase its levy limit base under this section under section 275.50, subdivision 5, clauses (k), (l), or (m) by the amount determined by the commissioner. The commissioner's decision is final.

Sec. 12. Minnesota Statutes 1988, section 275.51, subdivision 4, is amended to read:

Subd. 4. If the levy made by a governmental subdivision exceeds the limitation provided in sections 275.50 to 275.56, except when such excess levy is due to the rounding of the tax capacity rates of the governmental subdivision in accordance with section 275.28, subsequent distributions required to be made by the commissioner of finance from any formula aids pursuant to sections 477A.011 to 477A.014 or homestead and agricultural credit aid under section 273.1398, shall be reduced 33 cents for each full dollar the levy exceeds the limitation.

Sec. 13. Minnesota Statutes 1988, section 275.51, subdivision 6, is amended to read:

Subd. 6. [POPULATION AND HOUSEHOLD ESTIMATES.] For the purpose of determining the amount of tax that a governmental subdivision may levy in accordance with limitation established by this chapter, the population or the number of households of the governmental subdivision shall be that established by the last federal census, by a census taken pursuant to section 275.14, or by an estimate made by the metropolitan council, or by the state

demographer made pursuant to section 116K.04, subdivision 4, whichever is the most recent as to the stated date of count or estimate, up to and including July 1 of for the calendar year preceding the current levy year.

Sec. 14. Minnesota Statutes 1988, section 275.58, subdivision 1, is amended to read:

Subdivision 1. ~~Notwithstanding Subject to the provisions of sections 275.50 to 275.56, but subject and to other law or charter provisions establishing per capita, mill or other limitations on the amount of taxes that may be levied, the levy of a governmental subdivision, as defined by section 275.50, subdivision 1, may be increased above the limitation imposed by sections 275.50 to 275.56 in any per capita or dollar amount which is approved by the majority of voters of the governmental subdivision voting on the question at a general or special election. When the governing body of the governmental subdivision resolves to increase the levy of the governmental subdivision pursuant to this section, it shall provide for submission of the proposition of an increase in the levy limit base per capita or the proposition of an additional levy, as the case may be, at a general or special election. Notice of such election shall be given in the manner required by law. If the proposition is for an adjustment to the governmental subdivision's levy limit base per capita, increasing the levy limit base per capita over the per capita amount established pursuant to section 275.51, subdivision 3, such notice shall state the purpose of such per capita adjustment and the per capita amount of such adjustment. If the proposition is for an additional levy, such notice shall state the purpose and maximum yearly amount of such additional levy.~~

Sec. 15. Minnesota Statutes 1988, 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. 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 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 473.249, subdivision 3, 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, an amount not to exceed \$2,300,000; and

(d) for taxes payable in 1990 1991 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 taxes payable in 1988 determined pursuant to this subdivision under clause (a) 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 1987 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. 16. Minnesota Statutes 1988, section 473.167, subdivision 5, is amended 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. 17. Minnesota Statutes 1988, 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. 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) the lesser of

(i) 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; or

(ii) an index equal to the implicit price deflator for state and local government purchases of goods and services for the most recent month for which data is available divided by the implicit price deflator for state and local government purchases of goods and services for the same month of the previous 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. 18. [ITASCA COUNTY; LEVY LIMIT PENALTY EXEMPTION.]

The amount of any tax levied by Itasca county under Laws 1988, chapter 517, is not subject to a penalty imposed under Minnesota Statutes, section 275.51, subdivision 4, for exceeding levy limits under Minnesota Statutes, sections 275.50 to 275.56.

Sec. 19. [APPLICATION.]

Sections 15 to 17 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 20. [REPEALER.]

Minnesota Statutes 1988, section 473.249, subdivision 3, is repealed.

Sec. 21. [EFFECTIVE DATE.]

Sections 1 to 3, 7 to 17, 19, and 20 are effective for taxes levied in 1989, payable in 1990 and subsequent years except as otherwise provided. Sections 4 to 6 are effective the day following final enactment. Section 18 is effective upon approval by the Itasca county board for taxes levied in 1988, payable in 1989 only.

ARTICLE 7

LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 1988, section 477A.011, subdivision 1a, is amended to read:

Subd. 1a. [CITY.] City means a statutory or home rule charter city. City also means a town having a population of 5,000 or more.

Sec. 2. Minnesota Statutes 1988, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. [TOWNS.] In calendar year 1988, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03; or (b) the amount certified in 1987 pursuant to sections 477A.011 to 477A.03. In calendar year 1989; each town that had levied for taxes payable in 1988 at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 106 percent of the distribution received under Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, in 1988. In calendar year 1990 and subsequent years, each town that had levied for taxes payable in the prior year a tax capacity rate of at least .0125 shall receive a distribution equal to 106 percent of the amount received in 1989 under this subdivision.

Sec. 3. Minnesota Statutes 1988, section 477A.013, subdivision 3, is amended to read:

Subd. 3. [CITY AID DISTRIBUTION.] In 1989, a city whose initial aid is greater than \$0 will receive the following aid increases in addition to an amount equal to the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.013:

(1) for a city whose expenditure/unlimited aid ratio is at least 1.5, two percent of city revenue;

(2) for a city whose expenditure/unlimited aid ratio is at least 1.4 but less than 1.5, 2.5 percent of city revenue;

(3) for a city whose expenditure/unlimited aid ratio is at least 1.3 but less than 1.4, three percent of city revenue;

(4) for a city whose expenditure/unlimited aid ratio is at least 1.2 but less than 1.3, four percent of city revenue;

(5) for a city whose expenditure/unlimited aid ratio is at least 1.1 but less than 1.2, five percent of city revenue;

(6) for a city whose expenditure/unlimited aid ratio is at least 1.05 but less than 1.1, six percent of city revenue;

(7) for a city whose expenditure/unlimited aid ratio is at least 1.0 but less than 1.05, seven percent of city revenue;

(8) for a city whose expenditure/unlimited aid ratio is at least .95 but less than 1.0, 7.5 percent of city revenue;

(9) for a city whose expenditure/unlimited aid ratio is at least .75 but less than .95, 8.5 percent of city revenue; and

(10) for a city whose expenditure/unlimited aid ratio is less than .75, nine percent of city revenue.

In 1990 and subsequent years, a city whose initial aid is greater than \$0 will receive an amount equal to the aid it received under this subdivision and subdivision 4 in the year prior to that for which aids are being calculated plus an aid increase equal to 50 percent of the rates listed in clauses (1) to (10) multiplied by city revenue.

A city's aid increase under this subdivision is limited to the lesser of (1) 20 percent of its levy for taxes payable in the year prior to that for which aids are being calculated after the adjustments provided in section 273.1398, subdivision 2, or (2) its initial aid amount, or (3) 15 percent of its total local government aid for aids payable in the previous year, provided that no city will receive an increase that is less than two percent of its 1988 local government aid for aids payable in 1989.

A city whose initial aid is \$0 will receive in 1989 an amount equal to 102 percent of the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.013. A city whose initial aid is \$0 will receive in 1990 and subsequent years an amount equal to the aid it received in the previous year under this subdivision and subdivision 4.

Sec. 4. Minnesota Statutes 1988, section 477A.013, subdivision 4, is amended to read:

Subd. 4. [ADDITIONAL DISTRIBUTION TAX BASE EQUALIZATION AID IN 1990.] A city with a population over 2500 is eligible for additional aid in 1989 only. The amount of additional aid is equal to (1) the product of (i) the lesser of 50 percent of a city's "city revenue guarantee" or 50 percent of a city's "city revenue" and (ii) one minus the ratio of the city's tax capacity per household to 435; less (2) the sum of (i) the disparity reduction aid payable to all unique taxing jurisdictions within a city and (ii) the local government aid increase for the city. The additional aid under this section cannot be less than zero. A city is eligible for tax base equalization aid in 1990 if it is not a city of the first class and is not a city eligible for aid under sections 298.28 and 298.282. The amount of the tax base equalization aid is equal to (1) the product of (i) 30 percent of its average levy for the three immediately preceding years and (ii) one minus the ratio of the city's tax capacity per capita to 230; less (2) the local government aid increase for the city under subdivision 3. The aid under this section is limited to 15 percent of the total local government aid the city received in 1989. The aid under this section cannot be less than zero. For the purposes of this subdivision "levy"

includes a city's levy on fiscal disparities distribution under section 473F.08, subdivision 3, paragraph (a).

Sec. 5. [LOCAL GOVERNMENTAL EXPENDITURES FOR LOBBYISTS.]

On or before July 1, 1989, all counties, school districts, metropolitan agencies, and cities shall report to the state auditor, on forms prescribed by the auditor, their estimated expenditures paid for the previous calendar year to a lobbyist as defined in section 10A.01, subdivision 11, and to any staff person not registered as a lobbyist but who spends over 25 percent of his or her time during the legislative session on legislative matters.

Sec. 6. [EFFECTIVE DATE.]

This article is effective for local government aid paid in 1990.

ARTICLE 8

TRUTH-IN-TAXATION

Section 1. Minnesota Statutes 1988, section 124A.03, subdivision 2, is amended to read:

Subd. 2. [REFERENDUM LEVY.] (1) The levy authorized by section 124A.23, subdivision 2, may be increased in any amount that is approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the school board or shall be called by the school board upon written petition of qualified voters of the district. The referendum shall be held on a date set by the school board. Only two elections may be held to approve a levy increase that will commence in a specific school year. The ballot shall state the maximum amount of the increased levy in mills, the amount that will be raised by that tax capacity rate in the first year it is to be levied, and that the tax capacity rate shall be used to finance school operations. The ballot ~~may~~ shall designate a specific number of years for which the referendum authorization shall apply. No referendum authorized under this subdivision after June 1, shall be in effect for more than three years. The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the levy proposed by (petition to) the board of, School District No. . . , be approved?"

If approved, the amount provided by the approved tax capacity rate applied to each year's gross tax capacity shall be authorized for certification for the number of years approved, if applicable, or until

revoked or reduced by the voters of the district at a subsequent referendum.

(2) The school board shall prepare and deliver by first class mail at least 30 days but no more than 60 days prior to the day of the election to each taxpayer at the address listed on the school district's current year's assessment roll, a notice of the referendum and the proposed levy increase. The notice must project the anticipated amount of increase in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments and commercial-industrial property within the school district.

(3) A referendum on the question of revoking or reducing the increased levy amount authorized pursuant to clause (1) may be called by the school board and shall be called by the school board upon the written petition of qualified voters of the district. A levy approved by the voters of the district pursuant to clause (1) must be made at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one such revocation or reduction election may be held to revoke or reduce a levy for any specific year and for years thereafter.

(3) (4) A petition authorized by clause (1) shall be effective if signed by a number of qualified voters in excess of 15 percent, or ten percent if the school board election is held in conjunction with a general election, of the average number of voters at the two most recent district wide school elections. A referendum invoked by petition shall be held within three months of submission of the petition to the school board.

(4) (5) A petition authorized by clause (2) shall be effective if signed by a number of qualified voters in excess of five percent of the residents of the school district as determined by the most recent census. A revocation or reduction referendum invoked by petition shall be held within three months of submission of the petition to the school board.

(5) (6) Notwithstanding any law to the contrary, the approval of 50 percent plus one of those voting on the question is required to pass a referendum.

(6) (7) Within 30 days after the district holds a referendum pursuant to this clause, the district shall notify the commissioner of education of the results of the referendum.

Sec. 2. Minnesota Statutes 1988, section 273.119, subdivision 2, is amended to read:

Subd. 2. [REIMBURSEMENT FOR LOST REVENUE.] The

county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue on or before June 1 of each year the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. On or before July 15 of each year, The commissioner shall reimburse the county each taxing district, other than school districts, from the Minnesota conservation fund under section 40A.151 for the taxes lost in excess of the county account. The payments must be made at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions in the same proportion that the ad valorem tax is distributed.

Sec. 3. Minnesota Statutes 1988, 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 gross tax capacity and the tax actually payable based on the reassessed gross tax capacity 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, other than school districts, containing the property at the time distributions are made pursuant to section 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter under section 477A.015, in the same proportion that the ad valorem tax is distributed.

Sec. 4. Minnesota Statutes 1988, 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 gross tax capacity determined under subdivision 2. Payment shall be made pursuant to section 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter. 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 gross tax capacity determined under subdivision 2.

Sec. 5. Minnesota Statutes 1988, section 273.1392, is amended to read:

273.1392 [PAYMENT; AIDS TO SCHOOL DISTRICTS.]

The amounts of conservation tax credits under section 273.119; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead credit under section 273.13; agricultural credit under section 273.132; aids and credits under section 273.1398; enterprise zone property credit payments under section 469.171; state commercial-industrial effective tax rate reduction under article 5, section 12, of this act; 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. 6. [275.063] [PURPOSE AND GOALS FOR TRUTH IN TAXATION.]

The legislature finds that Minnesota's property tax system is very complex and hard for taxpayers to comprehend. In an effort to increase taxpayer understanding while encouraging them to participate in the process and increase local accountability, the following goals are desirable.

(a) Simplify property tax statements by having separate statements for each taxing authority.

(b) Increase accountability by requiring that taxpayers pay each separate taxing authority for the property taxes it levies.

(c) Provide "Truth in Taxation" by requiring any taxing authority which proposes to increase its tax levy beyond a "normal growth" factor must notify taxpayers of the proposed tax increase and conduct a public hearing.

Sec. 7. [275.064] [PROPOSED PROPERTY TAXES; REQUIRED NOTICE FOR CERTAIN TAXING AUTHORITIES.]

Subdivision 1. [PROPOSED LEVY.] On or before September 15, each taxing authority shall adopt a proposed budget and certify to the county auditor the proposed property tax levy for taxes payable in the following year. For purposes of this section, "taxing authority" includes home rule and statutory cities with a population of over 2,500 and counties. If the taxing authority's proposed levy and estimated local government aid under chapter 477A payable in the following year have a total increase of more than "normal growth" over the taxing authority's current year's levy plus local government aid, the taxing authority shall be required to comply with the provisions contained in this section. The county auditor shall notify those taxing authorities which exceed the limit of "normal growth." For purposes of this section, "normal growth" is defined as the sum

of 5.0 percent and the taxing authority's annual percent increase, if any, in population, based on the most recent available estimates.

Subd. 2. [NOTICE OF PROPOSED PROPERTY TAXES.] (a) All taxing authorities for which a notice is required under subdivision 1, shall, on or before October 1, prepare and deliver by first class mail to each taxpayer within the boundaries of the taxing authority at the address listed on its current year's assessment roll, a notice of its proposed property tax levy.

(b) The commissioner of revenue shall prescribe the form of the notice. The notice must be easy to read and understand.

(c) The notice must inform taxpayers that it contains the amount of property taxes the taxing authority proposes to collect for the following year. It must clearly state that the taxing authority will hold a public meeting to receive public testimony on the proposed budget. It must clearly state the time and place of the taxing authority's meeting and an address where comments will be received by mail.

The notice must show for the taxing authority the following proposed amounts for taxes payable in the current year compared to actual amounts for taxes payable in the previous year, and expressed as a percentage increase or decrease:

(1) the amount of property taxes before reduction for state aid described in clause (2);

(2) the amount of aid paid by the state to reduce property taxes;

(3) the amount of property tax to be collected; and

(4) the amount of property tax per person.

Subd. 3. [PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.] Between October 1 and November 1, the governing body of the taxing authority shall hold a public hearing to adopt its final budget and property tax levy for taxes payable in the following year.

At the hearing the taxing authority may amend the proposed budget and property tax levy and must adopt a final budget and property tax levy. The adopted property tax levy must not exceed the proposed levy stated in the notice under subdivision 2, paragraph (c), clause (3).

At the hearing the percentage increase in property taxes proposed by the taxing authority, 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 the 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 city council shall not schedule public meetings on the day scheduled for the hearing by the county board.

If the hearing is recessed, the taxing authority 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. 4. [CERTIFICATION OF COMPLIANCE.] At the time the taxing authority 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 resolution adopting the final property tax levy under subdivision 3 and any other information required by the commissioner of revenue. If the commissioner determines that the taxing authority has failed to substantially comply with the requirements of this section, the commissioner of revenue shall notify the taxing authority and the county auditor. When fixing rates under section 275.08 for a taxing authority that has not complied with this section, the county auditor must use the taxing authority's previous year's tax capacity rate.

Sec. 8. Minnesota Statutes 1988, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities, towns, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before October 25 in each year five working days after the hearing under section 275.064, subdivision 3. The taxes certified shall not be adjusted by the aid received under section 273.1398, subdivisions 2 and 3. 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 before October 25 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.

Sec. 9. Minnesota Statutes 1988, section 275.28, subdivision 1, is amended to read:

Subdivision 1. [AUDITOR TO MAKE.] The county auditor shall make out the tax lists according to the prescribed form, and to correspond with the assessment districts. The rate percent necessary to raise the required amount of the various taxes shall be calculated on the gross tax capacity of property as determined by the state board of equalization, but, in calculating such rates, no rate shall be used resulting in a fraction other than a decimal fraction, or less than one-tenth of a mill; and, in extending any tax, whenever it amounts to the fractional part of a cent, it shall be made one cent. The tax lists shall also be made out to correspond with the assessment books in reference to ownership and description of property, with columns for the valuation and for the various items of tax included in the total amount of all taxes set down opposite each description; and opposite each description which has been sold for taxes, and which is subject to redemption, but not redeemed, shall be placed the words "sold for taxes." The amount of all special taxes shall be entered in the proper columns, but the general taxes may be shown by entering the rate percent of each tax at the head of the proper columns, without extending the same, in which case a schedule of the rates percent of such taxes shall be made on the first page of each tax list. If the auditor shall fail to enter on any such list before its delivery to the treasurer any tax levied, such tax may be subsequently entered. The tax lists shall be deemed completed, and all taxes extended thereon, as of ~~October 16~~ November 15 annually.

Sec. 10. Minnesota Statutes 1988, section 276.04, is amended to read:

276.04 [NOTICE OF RATES; PROPERTY TAX STATEMENTS NOTICES.]

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. [CONTENTS OF TAX STATEMENTS NOTICES TO HOMESTEAD PROPERTIES.] (a) This notice shall be provided to taxpayers of homestead property. It shall constitute the statement required in filing for the property tax refund under chapter 290A. The treasurer shall, whether or not directed by the county board, cause to be printed on all tax statements, or on an attachment, commissioner of revenue shall prescribe the form of the property tax notice and its contents. The notice must contain a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement notice is prepared mailed under this subdivision. The dollar amounts due the county, township or municipality and school district must be separately stated. 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 notice shall 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 notices for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements notices for real property.

(c) For taxes payable in 1990 and thereafter, real and personal property tax statements notices must contain (1) the property's market value, as defined in section 272.03, subdivision 8, (2) the net tax capacity rate applicable to the property's classification under section 273.13, and the product of (1) and (2), the property's initial tax. The statement notice must show the difference between a property's gross tax capacity and net tax capacity multiplied by the tax capacity rate as "state paid homestead and agricultural credit." The statement notice 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) education aids payable under chapters 124 and 124A, (ii) local government aid for cities, towns, and counties under chapter 477A, (iii) disparity reduction aid paid under section 273.1398, and (iv) income maintenance aids as defined in section 273.1398, subdivision 1, paragraph (i). The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.

(d) For taxes payable in 1989 only, the statement must show the property's market value, as defined in section 272.03, subdivision 8, and the amount attributable to section 273.13, subdivisions 22 and 23, as "state paid homestead credit" and the amount attributable to section 273.132 as "state paid agricultural credit." 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) education aids under chapters 124 and 124A, (ii) local government aid for cities, towns, and counties under chapter 477A, and (iii) disparity reduction aid under section 273.1398. The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.

Subd. 3. [MAILING OF TAX STATEMENTS.] (a) The county treasurer shall mail to taxpayers statements of their personal property taxes due 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 as provided in paragraph (b). The validity of the tax shall not be affected by failure of the treasurer to mail the statement. The taxpayer is defined as the owner who is responsible for the payment of the tax.

(b) On or before January 31, 1991, and each year thereafter, and on or before July 15, 1991, and each year thereafter, the treasurer shall mail to the owner of each parcel of real property located in the county, three separate statements of the real property taxes due, each for one-half of the current year amount due. One statement shall contain the taxes due to the county, a second statement shall contain the taxes due to the city or township, and a third statement shall contain the taxes due to the school district. For purposes of this paragraph, the amount of tax levied by a special taxing district shall be included, but aggregated as one separate amount, on the county statement. For 1991 only, the statement for the county taxes which are due shall be mailed five days prior to the statements for the city, township, and school district. An insert shall be included in the county tax envelope stating:

"This is the first of three separate tax bills you will be receiving. Your property taxes will be paid directly to each taxing jurisdiction which levies taxes.

Your county tax will be mailed to your county.

Your city/township taxes will be mailed to your city/township.

Your school taxes will be mailed to your school district."

Each statement shall be mailed in a separate envelope and the statement, along with a return address envelope, shall be color coded so that the taxpayer can easily identify the three separate taxing jurisdiction statements from each other. The contents of the statement shall be in substantially the following form. If any special assessments are due on the property, the dollar amount of the special assessments shall be itemized clearly and separately on the statement to which the assessments are due.

City/Township of

Taxpayer's Name
Social Security No.
Address
City, State, ZIP

Property Description

The property taxes you owe this year on the property described above go directly to the taxing authority listed at the top of this bill. You will be receiving a separate property tax bill on this parcel from the county, city/township, and school district.

The state does not receive any property tax revenues. The state of Minnesota does, however, pay "property tax relief" to the above taxing jurisdiction. The relief is paid by the state in various forms, such as education aid for schools, local government aid to counties and cities, homestead credit, etc. The state uses money collected primarily from individual income, corporate, and sales taxes to provide you with relief to reduce your property tax.

The gross amount of dollars required by the city/township on this parcel last year was \$
The state of Minnesota reduced that amount on your parcel last year by \$
Therefore, the net property taxes you actually paid last year was \$

The gross amount of dollars required by the city/township on this parcel this year was \$
The state of Minnesota reduced that amount on your parcel this year by \$
Therefore, the net property taxes due this year are \$

The total tax amount due to the city/township for this year is \$ It is due in two equal installments, shown on the right.

Pay this amount by May 15, 19.., \$
Pay this amount by 15, 19.., \$

The name on each of the return envelopes shall be the name of the taxing jurisdiction to which the tax is due. Unless an agreement has been made under subdivision 5, the address on each return envelope shall be to a uniform post office box within the county.

Subd. 4. [COLLECTION SITE.] Except as provided in subdivision 5, 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.

Subd. 5. [DIRECT PAYMENTS.] A school district or city which decides to require that the real property tax payments be mailed directly to it shall notify the county treasurer, in writing, by January 15 of the year in which the taxes are due. In those instances, the address on the return envelope, which will be mailed with the tax statement, shall be the school district or city's address,

as provided by the school or city official making the request. The county treasurer shall furnish the taxing authority with a list containing the owner of each parcel of real property located within the district, its property identification number, and the amount of real property taxes due for each installment. On or before January 1 of the year following the year the tax is due, the finance officer of the school district or city shall provide the county auditor with a list identifying the unpaid tax amounts. The unpaid amounts shall be treated in the same manner as provided in section 279.02.

Sec. 11. Minnesota Statutes 1988, section 469.171, is amended by adding a subdivision to read:

Subd. 7a. [PROPERTY TAX CREDIT; APPROPRIATION.] There is annually appropriated from the general fund to the commissioner of revenue the amounts required to reimburse taxing jurisdictions for the revenue lost due to the property tax credit provided in subdivision 1, clause (4). Payment shall be made to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Payment shall be made to taxing jurisdictions, other than school districts, at the times provided in section 477A.015.

Sec. 12. Minnesota Statutes 1988, section 473H.10, subdivision 3, is amended to read:

Subd. 3. [COMPUTATION OF TAX; STATE REIMBURSEMENT.]

(a) After having determined the market value of all land valued according to subdivision 2, the assessor shall compute the gross tax capacity of those properties by applying the appropriate classification percentages. When computing the rate of tax pursuant to section 275.08, the county auditor shall include the gross tax capacity of land as provided in this clause.

(b) The county auditor shall compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the gross tax capacity times the total rate of tax for all purposes as provided in clause (a).

(c) The county auditor shall then compute the maximum ad valorem property tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the gross tax capacity times 105 percent of the previous year's statewide average tax capacity rate levied on property located within townships for all purposes.

(d) The tax due and payable by the owner of preserve land valued according to subdivision 2 and nonresidential buildings will be the amount determined in clause (b) or (c), whichever is less. If the gross tax in clause (c) is less than the gross tax in clause (b), the state shall reimburse the taxing jurisdictions for the amount of difference. Residential buildings shall continue to be valued and classified according to the provisions of sections 273.11 and 273.13, as they

would be in the absence of this section, and the tax on those buildings shall not be subject to the limitation contained in this clause.

The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the tax lost as a result of this subdivision or to pay taxing jurisdictions within the county for the tax lost. The county auditor shall certify to the commissioner of revenue on or before June 1 the total amount of tax lost to the county and taxing jurisdictions located within the county as a result of this subdivision and the extent that the tax lost exceeds funds available in the county conservation account. Payments shall be made by the state as provided in section 273.13, subdivision 15a, at the times provided in section 477A.015 to each of the affected taxing jurisdictions, other than school districts, in the same proportion that the ad valorem tax is distributed if the county conservation account is insufficient to make the reimbursement. There is annually appropriated from the Minnesota conservation fund under section 40A.151 to the commissioner of revenue an amount sufficient to make the reimbursement provided in this subdivision. If the amount available in the Minnesota conservation fund is insufficient, the balance that is needed is appropriated from the general fund.

Sec. 13. [REPEALER.]

Minnesota Statutes 1988, section 275.065, is repealed.

Sec. 14. [EFFECTIVE DATE.]

Sections 1 to 12 are effective for taxes levied in 1990 payable in 1991 and subsequent years, except where otherwise provided.

Section 13 is effective for taxes levied in 1989, payable in 1990, and thereafter.

ARTICLE 9

PROPERTY TAX TECHNICAL

Section 1. Minnesota Statutes 1988, section 38.27, subdivision 1, is amended to read:

Subdivision 1. [TAX LEVY; POWERS.] ~~In All counties, in addition to all other powers now or hereafter by law conferred upon county boards, authority hereby is given may annually to levy a tax upon all property subject to taxation and, from time to time, to appropriate and pay over the proceeds of this tax, when collected, to any county agricultural society of its county which is a member of the state agricultural society, to assist the society in paying its financial~~

obligations ~~now or hereafter incurred~~, and for the construction, reconstruction, alteration, repairs and improvements of necessary buildings.

Sec. 2. Minnesota Statutes 1988, section 93.55, subdivision 4, is amended to read:

Subd. 4. After the mineral interest has forfeited to the state pursuant to this section, a person claiming an ownership interest before the forfeiture may recover the fair market value of the interest, either: (1) as an alternative claim raised in the hearing on the order to show cause why the mineral interest should not forfeit absolutely, with fair market value to be determined and paid as provided in this subdivision, or (2) in a separate action brought as follows. An action may be commenced within six years after the forfeiture entry of judgment under this section to determine the ownership and the fair market value of the mineral interests in the property both at the time of forfeiture and at the time of bringing the action. The action shall be brought in the manner provided in chapter 559, for an action to determine adverse claims, to the extent applicable. The person bringing the action shall serve notice of the action on the commissioner of natural resources in the same manner as is provided for service of notice of the action on a defendant. The commissioner may appear and contest the allegations of ownership and value in the same manner as a defendant in such actions. Persons determined by the court to be owners of the interests at the time of forfeiture to the state under this section may present to the commissioner of finance a verified claim for refund of the fair market value of the interest. A copy of the court's decree shall be attached to the claim. Thereupon the commissioner of finance shall refund to the claimant the fair market value at the time of forfeiture, which is the expiration of the period within which tax forfeiture would not have been possible had the mineral interest been properly and timely filed for record under section 93.52, or at the time of bringing the action, whichever is lesser, less any taxes, penalties, costs, and interest which could have been collected during the period following the forfeiture under this section, had the interest in minerals been valued and assessed for tax purposes at the time of forfeiture under this section. There is appropriated from the general fund to the persons entitled to a refund an amount sufficient to pay the refund.

Sec. 3. Minnesota Statutes 1988, section 256.018, is amended to read:

256.018 [COUNTY PUBLIC ASSISTANCE INCENTIVE FUND.]

Beginning in ~~1990~~ fiscal year 1991, \$1,000,000 is appropriated from the general fund to the department in each fiscal year for awards to counties: (1) that have not been assessed an administrative penalty under section 256.017 in the corresponding fiscal year;

and (2) that perform satisfactorily according to indicators established by the commissioner.

After consultation with local agencies, the commissioner shall inform local agencies in writing of the performance indicators that govern the awarding of the incentive fund for each fiscal year by April of the preceding fiscal year.

The commissioner may set performance indicators to govern the awarding of the total fund, may allocate portions of the fund to be awarded by unique indicators, or may set a sole indicator to govern the awarding of funds.

The funds shall be awarded to qualifying local agencies according to their share of benefits for the programs related to the performance indicators governing the distribution of the fund or part of it as compared to the total benefits of all qualifying local agencies for the programs related to the performance indicators governing the distribution of the fund or part of it.

Sec. 4. Minnesota Statutes 1988, section 256.82, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY PAYMENTS.] For the period from January 1 to June 30, based upon estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency payment shall be made monthly in advance by the state to the counties of all federal funds available for that purpose for such succeeding month, together with an amount of state funds equal to 85 percent of the difference between the total estimated cost and the federal funds so available for payments made except as provided for in section 256.017. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.017. For the period from July 1 to December 31 based upon the estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency, payment shall be made monthly in advance by the state to the counties of all state and federal funds available for that purpose for the succeeding month except as provided for in section 256.017. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Effective January 1, ~~1989~~ 1990, the state rate of participation shall be determined as a percentage that equals the difference between

100 percent and the percentage rate of federal financial participation.

Sec. 5. Minnesota Statutes 1988, section 256.871, subdivision 6, is amended to read:

Subd. 6. [ESTIMATED EXPENDITURES; PAYMENTS.] The county agency shall submit to the state agency an estimate of expenditures for each succeeding month in such form as required by the state agency. For the period from January 1 to June 30, payment shall be made monthly in advance by the state agency to the counties, of federal funds available for that purpose for each succeeding month, together with an amount of state funds equal to ten percent of the difference between the total estimated cost and the federal funds so available, except as provided for in section 256.017. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.017. For the period from July 1 to December 31, payment shall be made monthly in advance by the state agency to the counties, of all state and federal funds available for that purpose for the succeeding month, except as provided for in section 256.017. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Effective January 1, 1989 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month.

Sec. 6. Minnesota Statutes 1988, section 256B.041, subdivision 5, is amended to read:

Subd. 5. [PAYMENT BY COUNTY TO STATE TREASURER.] If required by federal law or rules promulgated thereunder, or by authorized rule of the state agency, each county shall pay to the state treasurer the portion of medical assistance paid by the state for which it is responsible. Effective January 1, 1989 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

For the period from January 1 to June 30, the county shall advance ten percent of that portion of medical assistance costs not met by federal funds, based upon estimates submitted by the state agency to the county agency, stating the estimated expenditures for the succeeding month. Upon the direction of the county agency, payment shall be made monthly by the county to the state for the estimated expenditures for each month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding

month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.017. For the period from July 1 to December 31, payments will be made by the state agency, except as provided for in section 256.017, and the county agency will be advised of the amounts paid monthly.

Sec. 7. Minnesota Statutes 1988, section 270.071, subdivision 6, is amended to read:

Subd. 6. (a) "Air commerce" means the transportation by aircraft of persons or property for hire in interstate, intrastate, or international transportation on regularly scheduled flights or on intermittent or irregularly timed flights by airline companies operating under authorization from the United States Civil Aeronautics Board Department of Transportation.

(b) "Air commerce" also includes but is not limited to an intermittent or irregularly timed flight, a flight arranged at the convenience of an airline and the person contracting for the transportation, or a charter flight. It includes an airline company making three or more flights in or out of Minnesota during a calendar year.

(c) "Air commerce" does not include casual transportation for hire by aircraft commonly owned and used for private airflight purposes if the person furnishing the transportation does not hold out to be engaged regularly in transportation for hire.

Sec. 8. Minnesota Statutes 1988, section 270.072, subdivision 2, is amended to read:

Subd. 2. [ASSESSMENT OF FLIGHT PROPERTY.] The flight property of all air carriers operating in Minnesota under a certificate of public convenience and necessity or under authorization from the United States Civil Aeronautics Board Department of Transportation shall be assessed annually by the commissioner in the manner prescribed by sections 270.071 to 270.079. Aircraft with a gross weight of less than 30,000 pounds and used on intermittent or irregularly timed flights shall be excluded from the provisions of sections 270.071 to 270.079.

Sec. 9. Minnesota Statutes 1988, section 270.072, subdivision 3, is amended to read:

Subd. 3. [REPORT BY AIRLINE COMPANY.] Every airline company engaged in air commerce in this state shall file with the commissioner on or before the time fixed by the commissioner a report under oath setting forth specifically the information prescribed by the commissioner to enable the commissioner to make the

assessment required in sections 270.071 to 270.079, unless the commissioner determines that the airline company or person should be excluded from filing because its activities do not constitute air commerce as defined herein. A penalty of five percent of the tax being assessed is imposed on a late filing of the annual report. If the report is not filed within 30 days, an additional penalty of five percent of the assessed tax is imposed for each additional 30 days or fraction of 30 days until the return is filed. The penalty imposed under this section must not exceed 25 percent of the assessed tax.

Sec. 10. Minnesota Statutes 1988, section 270.075, subdivision 2, is amended to read:

Subd. 2. As soon as practicable and not later than December 1 next following the levy of the tax, the commissioner shall give actual notice to the airline company of the gross tax capacity 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~~ five percent of the unpaid tax shall be assessed. If the tax remains unpaid for more than 30 days, an additional penalty of five percent of the unpaid tax is imposed for each additional 30 days or fraction of 30 days that the tax remains unpaid. The penalty imposed under this section must not exceed 25 percent of the unpaid tax. 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. 11. Minnesota Statutes 1988, section 270.12, subdivision 2, is amended to read:

Subd. 2. The board shall meet annually between July 15 and October 1 at the office of the commissioner of revenue and examine and compare the returns of the assessment of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

(1) The board shall add to the aggregate valuation of the real property of every county, which the board believes to be valued below its market value in money, such percent as will bring the same to its market value in money;

(2) The board shall deduct from the aggregate valuation of the real property of every county, which the board believes to be valued above its market value in money, such percent as will reduce the same to its market value in money;

(3) If the board believes the valuation for a class or classes of the

real property of any town or district in any county, or the valuation for a class or classes of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board may add to, or take from, the valuation of a class or classes in any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value in money;

(4) The board shall add to the aggregate valuation of any class of personal property of any county, town, or city, which the board believes to be valued below the market value thereof, such percent as will raise the same to its market value in money;

(5) The board shall take from the aggregate valuation of any class of personal property in any county, town or city, which the board believes to be valued above the market value thereof, such percent as will reduce the same to its market value in money;

(6) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof;

(7) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization; and

(8) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the department of revenue containing only sales that occurred between October 1 of the year immediately preceding the previous year to September 30 of the previous year. The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property.

Sec. 12. Minnesota Statutes 1988, section 272.01, subdivision 2, is amended to read:

Subd. 2. (a) When any real or personal property which for any reason is exempt from ad valorem taxes, and taxes in lieu thereof, is leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business

conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to (1) property leased or used by way of a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 458C, municipal auditorium, airport owned by a city, town, county, or group thereof but not the airports owned or operated by the metropolitan airports commission or a city of over 50,000 population or an airport authority therein, municipal museum or municipal stadium or (2) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport or (3) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the metropolitan airports commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes shall not be exempt.

(c) Taxes imposed by this subdivision shall be due and payable as in the case of personal property taxes and such taxes shall be assessed to such lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) Real property of the state or any of its political subdivisions that is leased by a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

Sec. 13. Minnesota Statutes 1988, 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~~ clauses (1) ~~or~~ (2), and (3), 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, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, or the part of the post-consumer recycling operation that does not resell its products at retail to consumers, or is part of an electric generation system and is used primarily for the abatement and control of air, water, or land pollution. For purposes~~

of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law would be considered real property. Real property used primarily as a solid waste disposal site is taxable.

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 hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8, and 9.

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

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; 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) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements: (i) It provides temporary housing to parents and children who are receiving AFDC or parents of children who are temporarily in foster care. (ii) It has the purpose of reuniting families and enabling parents to advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least six months but no longer than one year, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is sponsored by an organization that has received a grant under section 256.7365 for the biennium ending June 30, 1989, for the purposes of providing the services in items (i) to (iv). (vi) It is sponsored by an organization that 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 to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

Sec. 14. Minnesota Statutes 1988, section 272.02, is amended by adding a subdivision to read:

Subd. 7. Property, including real property, qualifies as exempt pollution abatement property under subdivision 1, clause (9), if the following conditions are satisfied.

(a) The property consists of

(1) boiler modifications necessary to efficient handling and burning of refuse derived fuel and transfer of the heat produced by combustion of the fuel;

(2) ash handling and storage systems, such as vacuum-pneumatic equipment, conveyors, crushers, and storage buildings to remove, convey, process, and temporarily store bottom and fly ash from the burning of refuse derived fuel;

(3) control systems, such as computers, to control the operation of equipment described in clauses (1) to (3) and other pollution abatement equipment;

(4) equipment to monitor emissions into the air and combustion efficiency; and

(5) solid waste resource recovery mass burn facility.

(b) The property was placed into service on or before January 1, 1990.

(c) The facility was constructed and will be operated under a contractual arrangement providing for payment, in whole or part, of the property tax on the property by a political subdivision of the state.

Sec. 15. Minnesota Statutes 1988, section 273.01, is amended to read:

273.01 [LISTING AND ASSESSMENT, TIME.]

All real property subject to taxation shall be listed and at least one-fourth of the parcels listed shall be appraised each year with reference to their value on January 2 preceding the assessment so that each parcel shall be reappraised at maximum intervals of four years. All real property becoming taxable in any year shall be listed with reference to its value on January 2 of that year. Except as provided in section 274.01, subdivision 1, all real property assessments shall be completed two weeks prior to the date scheduled for the local board of review or equalization ~~and no valuations entered thereafter shall be of any force and effect. Any changes made by the assessor after this time but before October 31 of that year must be fully documented and maintained in a file in the assessor's office and shall be available for review by any person. A copy of any~~

changes made during this period shall be sent to the county board. In the event a valuation and classification is not placed on any real property by the dates scheduled for the local board of review or equalization the valuation and classification determined in the preceding assessment shall be continued in effect and the provisions of section 273.13 shall, in such case, not be applicable, except with respect to real estate which has been constructed since the previous assessment. Real property containing iron ore, the fee to which is owned by the state of Minnesota, shall, if leased by the state after January 2 in any year, be subject to assessment for that year on the value of any iron ore removed under said lease prior to January 2 of the following year. Personal property subject to taxation shall be listed and assessed annually with reference to its value on January 2; and, if acquired on that day, shall be listed by or for the person acquiring it.

Sec. 16. Minnesota Statutes 1988, 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 and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1988, 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 and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(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) the cooperative must meet one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than 80 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members must have incomes at or less than 50 percent of area median income. For purposes of this clause, "member income" means the income of a member when the member acquires cooperative membership, and "median income" means the Saint Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development;

(e) 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- and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1988, and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership. A nonprofit organization shall be treated as qualifying under section 501(c)(3) or 501(c)(4), if it has applied to the Internal Revenue Service for a determination letter under section 501(c)(3) or 501(c)(4), a certified copy of the application is filed with the assessor, and the Internal Revenue Service has not rejected the application or refused to issue a determination letter;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request; and

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit become leasehold cooperative property described in this subdivision, then (1) the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property, and (2) prior to the

mailing of the notice, copies of the documents identified in the notice must have been filed with the secretary of state.

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. The county assessor shall refer questions regarding qualification for assessment under this subdivision to the county attorney for advice and opinion under section 388.051, subdivision 1. Upon request of the county attorney, the taxpayer must furnish information that the county attorney considers necessary to determine eligibility under this subdivision.

Sec. 17. Minnesota Statutes 1988, section 273.124, subdivision 13, is amended to read:

Subd. 13. [SOCIAL SECURITY NUMBER REQUIRED FOR HOMESTEAD APPLICATION.] 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 list 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 classification as a homestead under section 273.13, the homestead credit under section 273.13 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter, the taconite homestead credit, and the supplemental homestead credit, and the tax reduction resulting from the agricultural credit under section 273.132 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter. 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. 18. Minnesota Statutes 1988, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$68,000 of market value of class 1a property has a net tax capacity of one percent of its market value and a gross tax capacity of 2.17 percent of its market value. The market value of class 1a property that exceeds \$68,000 but does not exceed \$100,000 has a tax capacity of 2.5 percent of its market value. The market value of class 1a property that exceeds \$100,000 has a tax capacity of 3.3 percent of its market value.

(b) Class 1b property includes real estate or manufactured homes used for the purposes of a homestead by

(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

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(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

(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

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(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

(E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(iii) whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed pursuant to clause (1) only if the commissioner of jobs and training certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. ~~The commissioner of jobs and training shall provide a copy of the certification to the commissioner of revenue.~~

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net tax capacity of .4 percent of its market value and a gross tax capacity of .87 percent of its market value. The remaining market value of class 1b property has a gross or net tax capacity using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is 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. Class 1c property has a tax capacity of .9 percent of market value with the following limitation: the area of the property 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.

(d) For taxes levied in 1988, payable in 1989 only, the tax to be paid on class 1a or class 1b property shall be reduced by 54 percent of the tax imposed on the first \$68,000 of market value. The amount of the reduction shall not exceed \$725.

Sec. 19. Minnesota Statutes 1988, section 273.135, subdivision 2, is amended to read:

Subd. 2. For taxes payable in 1989 only, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is

outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the net tax up to the taconite breakpoint is \$225.40 on property described in clause (a) and \$200.10 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by \$15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22, "effective tax rate" means tax divided by the market value of the property, and the "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 20. Minnesota Statutes 1988, section 273.135, subdivision 2a, is amended to read:

Subd. 2a. For taxes payable in 1990 and thereafter, 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 tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) and shall not

exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(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 tax, provided that the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit payable under this section and "effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 21. Minnesota Statutes 1988, section 273.1391, subdivision 2, is amended to read:

Subd. 2. For taxes payable in 1989 only, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in

clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the maximums specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the net tax up to the taconite breakpoint is \$200.10 for taxes payable in 1985. This maximum amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar, "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22, and "effective tax rate" means tax divided by the market value of the property, and the "base year effective tax rate" means the tax on the property after application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 22. Minnesota Statutes 1988, section 273.1391, subdivision 2a, is amended to read:

Subd. 2a. For taxes payable in 1990 and thereafter, 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 tax, provided that the amount of the reduction shall not exceed the maximum amounts specified in clause (c) and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10. 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 tax, but not to exceed the maximums specified in clause (c) and not to exceed an amount sufficient to reduce the effective tax rate on each parcel of property to 95 percent of the base year effective tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c) The total maximum reduction of the tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "tax" means the tax on the property before application of the credit under this section, "effective tax rate" means tax divided by the market value of the property, and "base year effective tax rate" means the tax on the property after the application of the credits payable under section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 23. Minnesota Statutes 1988, section 273.1393, is amended to read:

273.1393 [COMPUTATION OF NET PROPERTY TAXES.]

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

- (1) disaster credit as provided in section 273.123;
- (2) powerline credit as provided in section 273.42;
- (3) agricultural preserves credit as provided in section 473H.10;
- (4) enterprise zone credit as provided in section 469.171;
- (5) ~~state agricultural credit as provided in section 273.132~~ disparity reduction credit as provided in section 273.1398;
- (6) conservation tax credit as provided in section 273.119;
- (7) state paid homestead credit as provided in section 273.13;
- ~~(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. 24. Minnesota Statutes 1988, section 273.1398, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of tax capacity rates.

(c) "Gross tax capacity" means the product of the appropriate percentages of market value listed as gross tax capacities in section 273.13 and equalized market values. "Total gross tax capacity" means the gross tax capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located ~~and~~, (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the gross tax capacity of transmission lines deducted from a local government's total gross tax capacity under

section 273.425. For purposes of determining the gross tax capacity of property referred to in clauses (1) and (2) for disparity reduction aid payable in 1989, the gross tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Gross tax capacity cannot be less than zero.

(d) "Net tax capacity" means the product of the appropriate percentages of market value listed as net tax capacities in section 273.13 and equalized market values. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located and (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent. Net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. For computation of aids payable in 1989 only, if the aggregate assessment sales ratio is less than or equal to 92 percent, the assessment sales ratios by class shall be adjusted proportionally so that the aggregate ratio of the unequalized market values to the equalized market values equals 92 percent; otherwise the equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Homestead effective rate" means the product of (i) 46 percent; (ii) 2.17 percent; and (iii) the total tax capacity rate for taxes payable in 1989 within a unique taxing jurisdiction multiplied by the 1988 aggregate assessment sales ratio. A sales ratio of .92 is used if the actual sales ratio is less than .92.

(g) For purposes of calculating the transition homestead and agricultural credit aid authorized pursuant to subdivision 2, the "subtraction factor" is the product of (i) a unique taxing jurisdiction's homestead effective rate; (ii) its net tax capacity; and (iii) 103.

(h) For purposes of calculating and allocating transition home-

stead and agricultural credit aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties" or "gross taxes" means the total gross taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction before reduction by any credits for taxes payable in the year prior to that in which the aids are payable. For purposes of disparity reduction aid only, total gross taxes shall be reduced by the taxes levied for any school district referendum levies authorized pursuant to section 124A.03, subdivision 2, and any school district debt levies authorized pursuant to section 475.61. Gross taxes levied cannot be less than zero.

(i) "Income maintenance aids" means:

(1) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(2) preadmission screening and alternative care grants under section 256B.091, subdivision 8;

(3) general assistance, and work readiness under section 256D.03, subdivision 2;

(4) general assistance medical care under section 256D.03, subdivision 6;

(5) aid to families with dependent children under section 256.82, subdivision 1, including emergency assistance under section 256.871, subdivision 6; and funeral expense payments under section 256.935, subdivision 1; and

(6) supplemental aid under section 256D.36, subdivision 1.

Sec. 25. Minnesota Statutes 1988, section 273.1398, subdivision 4, is amended to read:

Subd. 4. [DISPARITY REDUCTION CREDIT.] (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4; (2) the property is located in cities a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census ~~which are~~; (3) the city is adjacent to ~~cities~~ a city in another state or immediately adjacent to a city adjacent to a city in another state qualify for disparity

reduction credits, if; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to three percent of the property's market value and (ii) the tax on class 3a and class 3b property to 3.3 percent of market value.

(b) (c) The county auditor shall annually certify the costs of the credits to the department of revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

Sec. 26. [276.131] [DISTRIBUTION OF PENALTIES, INTEREST, AND COSTS.]

The penalties, interest, and costs collected on special assessments and real and personal property taxes must be distributed as follows:

(1) all penalties and interest collected on special assessments against real or personal property must be distributed to the taxing jurisdiction that levied the assessment;

(2) 50 percent of all penalties and interest collected on real and personal property taxes must be distributed to the county in which the property is located, and the other 50 percent must be distributed to the school district in which the property is located. The distribution to the school district must be in accordance with the provisions of section 124.10; and

(3) all costs collected by the county on special assessments and on delinquent real and personal property taxes must be distributed to the county in which the property is located.

Sec. 27. Minnesota Statutes 1988, section 278.03, is amended to read:

278.03 [PAYMENT OF TAX.]

If the proceedings instituted by the filing of the petition have not been completed before the 16th day of May next following the filing, the petitioner shall pay to the county treasurer 50 percent of the tax levied for such year against the property involved, unless permission to continue prosecution of the petition without such payment is obtained as herein provided. If the proceedings instituted by the filing of the petition have not been completed by the next October 16, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, November 16, the petitioner shall pay to the county treasurer 50 percent of the unpaid balance of the taxes levied for the

year against the property involved if the unpaid balance is \$2,000 or less and 80 percent of the unpaid balance if the unpaid balance is over \$2,000, unless permission to continue prosecution of the petition without payment is obtained as herein provided. The petitioner, upon ten days notice to the county attorney and to the county auditor, given at least ten days prior to the 16th day of May or the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, the 16th day of November, may apply to the court for permission to continue prosecution of the petition without payment; and, if it is made to appear

- (1) That the proposed review is to be taken in good faith;
- (2) That there is probable cause to believe that the property may be held exempt from the tax levied or that the tax may be determined to be less than 50 percent of the amount levied; and
- (3) That it would work a hardship upon petitioner to pay the taxes due,

the court may permit the petitioner to continue prosecution of the petition without payment, or may fix a lesser amount to be paid as a condition of continuing the prosecution of the petition.

Failure to make payment of the amount required when due shall operate automatically to dismiss the petition and all proceedings thereunder unless the payment is waived by an order of the court permitting the petitioner to continue prosecution of the petition without payment. The county treasurer shall, upon request of the petitioner, issue duplicate receipts for the tax payment, one of which shall be filed by the petitioner in the proceeding.

Sec. 28. Minnesota Statutes 1988, section 278.05, subdivision 4, is amended to read:

Subd. 4. [SALES RATIO STUDIES AS EVIDENCE.] The sales ratio studies published by the department of revenue, or any part of the studies, or any copy of the studies or records accumulated to prepare the studies which is prepared by the commissioner of revenue for use in determining school aids shall be admissible in evidence as a public record without the laying of a foundation if the sales prices used in the study are adjusted for the terms of the sale to reflect market value and are adjusted to reflect the difference in the date of sale compared to the assessment date. The department of revenue sales ratio study shall be prima facie evidence of the level of assessment. Additional evidence relevant to the sales ratio study is also admissible. No sales ratio study received into evidence shall be conclusive or binding on the court and evidence of its reliability or unreliability may be introduced by any party including, but not limited to, evidence of inadequate adjustment of sale prices for terms

of financing, inadequate adjustment of sales prices to reflect the difference in the date of sale compared to the assessment date, and inadequate sample size.

No reduction in value on the grounds of discrimination shall be granted on the basis of a sales ratio study published by the department of revenue unless

(a) the sales prices are adjusted for the terms of the sale to reflect market value,

(b) the sales prices are adjusted to reflect the difference in the date of sale compared to the assessment date, and

(c) there is an adequate sample size, and

(d) the median ratio of the same classification of property in the same county, city, or town as the subject property is lower than 90 percent.

If a reduction in value on the grounds of discrimination is granted based on clauses (a) to (d), the reduction shall equal the difference between 90 percent and the court determined median ratio.

Sec. 29. Minnesota Statutes 1988, section 278.05, subdivision 5, is amended to read:

Subd. 5. Any time after the filing of the petition and before the trial of the issues raised thereby, when the defense or claim presented is that the property has been partially, unfairly, or unequally assessed, or that the parcel has been assessed at a valuation greater than its real or actual value, or that a parcel which is classified as homestead under the provisions of section 273.13, subdivision 22 or 23, has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class in that portion of the county in which the parcel is located, for which the commissioner is able to establish and publish a sales ratio study, the attorney representing the state, county, city or town in the proceedings may serve on the petitioner, or the petitioner's attorney, and file with the court administrator of the district court, an offer to reduce the valuation of any tract or tracts to a valuation set forth in the offer. If, within ten days thereafter, the petitioner, or the attorney, gives notice in writing to the county attorney, or the attorney for the city or town, that the offer is accepted, the official notified may file the offer with proof of notice, and the court administrator shall enter judgment accordingly. Otherwise, the offer shall be deemed withdrawn and evidence thereof shall not be given; and, unless a lower valuation than specified in the offer is found by the court, no costs or disbursements

shall be allowed to the petitioner, but the costs and disbursements of the state, county, city or town, including interest at six percent on the tax based on the amount of the offer from and after the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, the 16th day of November, of the year the taxes are payable, shall be taxed in its favor and included in the judgment and when collected shall be credited to the county revenue fund, unless the taxes were paid in full before the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2e 2b(2) agricultural nonhomestead property, the 16th day of November, of the year in which the taxes were payable, in which event interest shall not be taxable.

Sec. 30. Minnesota Statutes 1988, 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 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. 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 first day of each month, up to and including October 1 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 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 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. 31. Minnesota Statutes 1988, 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 2e 2b(2) agricultural nonhomestead property, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for class 1b agricultural homestead and class 2a homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class 2e 2b(2) agricultural nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 1b agricultural homestead, class 2a, or class 2e 2b(2) 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 2e 2b(2) 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 2e 2b(2) agricultural.

Sec. 32. Minnesota Statutes 1988, section 279.37, subdivision 7, is amended to read:

Subd. 7. The county auditor's statement and county treasurer's receipt issued for payment of a deferred installment, as herein provided for, shall not read for any specific year's taxes, but shall

read for partial or full release of judgment, as the case may be, and shall show the year that such judgment was entered. In distributing the taxes collected in this manner, the county auditor shall apply the same in the inverse order to that in which such taxes were levied. All penalties and interest collected under the provisions of this section shall be apportioned by the county auditor in accordance with Minnesota Statutes 1941, sections 276.13 and 276.14 section 276.131. A duplicate treasurer's receipt for payment of a deferred installment, as hereinafter provided, shall be delivered to the court administrator of the district court, and the court administrator of the district court shall credit the amount so paid upon the judgment entered.

Sec. 33. Minnesota Statutes 1988, section 290A.03, subdivision 12, is amended to read:

Subd. 12. [GROSS RENT.] "Gross rent" means rental paid for the right of occupancy, at arms-length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. If the landlord and tenant have not dealt with each other at arms-length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this chapter.

Any amount paid by a claimant residing in property assessed pursuant to section ~~273.13~~ 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section ~~273.13~~ 273.124, subdivision 3, 4, 5, or 6 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

Sec. 34. Minnesota Statutes 1988, section 375.192, subdivision 2, is amended to read:

Subd. 2. Notwithstanding section 270.07, upon written application by the owner of the property, if the application seeks a reduction in estimated market value not in excess of ~~\$2,000~~ \$10,000, the county board may grant the reduction or abatement of estimated market valuation or taxes and of any costs, penalties or interest on them as the board deems just and equitable and order the refund in whole or part of any taxes, costs, penalties or interest which have been erroneously or unjustly paid. The application must be approved by the county assessor, or, if the property is located in a city of the first or second class having a city assessor, by the city assessor, and by the county auditor before consideration by the county board. The methods of obtaining a reduction or abatement of ad valorem values

contained in subdivisions 1 and 2 are in addition to the method provided in section 270.07.

Sec. 35. Minnesota Statutes 1988, section 469.176, subdivision 4c, is amended to read:

Subd. 4c. [ECONOMIC DEVELOPMENT DISTRICTS.] Revenue derived from tax increment from an economic development district may not be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if at least 25 percent of the buildings and facilities (determined on the basis of square footage) are used for the purposes listed in section 144(a)(8) of the Internal Revenue Code of 1986 (determined without regard to the 25 percent restriction in subparagraph (A)). The restrictions under this paragraph apply only to districts located in development regions, as defined in section 462.384, with populations in excess of 1,000,000. Population must be determined under the provisions of section 477A.011.

Sec. 36. Minnesota Statutes 1988, section 477A.011, subdivision 15, is amended to read:

Subd. 15. [CITY REVENUE.] "City revenue" equals the sum of (i) the city's aid payable under section 477A.013, in the year prior to that for which aids are being calculated, and (ii) its levy for taxes payable in the year prior to that for which aids are being calculated; ~~and (iii) for aids payable in 1991 and subsequent years, the city's transition aid payable under section 273.1398, subdivision 2, in the year prior to that for which aids are being calculated.~~

Sec. 37. Minnesota Statutes 1988, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. [TOWNS.] In calendar year 1988, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03; or (b) the amount certified in 1987 pursuant to sections 477A.011 to 477A.03. In calendar year 1989, each town that had levied for taxes payable in 1988 at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 106 percent of the distribution received under Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, in 1988. In calendar year 1990 and subsequent years, each town that had levied for taxes payable in the prior year a tax capacity rate of at least .0125 .008 shall receive a distribution equal to the amount received in 1989 under this subdivision.

Sec. 38. Laws 1988, chapter 719, article 8, section 37, is amended to read:

Sec. 37. [EFFECTIVE DATE.]

The part of section 31 that strikes a part of paragraph (c) is effective June 1, 1990. Section 32 is, and the part of section 36 that provides approval of 25 additional positions in the department of human services for food stamp quality control, are effective June 1, 1989. Except as provided in section 34, the rest of this article is effective January 1, 1990.

Sec. 39. [REPEALER.]

(a) Minnesota Statutes 1988, sections 38.17; 38.27, subdivision 3; and 38.28 are repealed.

(b) Minnesota Statutes 1988, sections 276.13 and 276.14, are repealed.

(c) Laws 1988, chapter 719, article 8, section 35, is repealed.

(d) Minnesota Statutes 1988, sections 275.57 and 275.58, subdivision 4, are repealed.

Sec. 40. [EFFECTIVE DATE.]

Sections 1, 24, 25, 27, 29 to 31, and 38, paragraphs (a) and (d), are effective for taxes levied in 1988, payable in 1989, and thereafter, except as provided in those sections. Section 3 is effective January 1, 1990. Sections 4 to 6 are effective January 1, 1989. Sections 7 to 10 are effective January 1, 1989, for property assessed in 1989, payable in 1990, and thereafter. Sections 11, 18, 26, 32, and 38, paragraph (b), are effective the day following final enactment. Section 38, paragraph (c), is effective for fiscal year 1989. Sections 12, 17, 20, and 22 are effective for taxes levied in 1989, payable in 1990, and thereafter. Section 14 is effective for taxes levied in 1990, payable in 1991, and thereafter. Section 16 is effective for taxes levied in 1989, payable in 1990, and thereafter, provided that cooperatives that qualified under Minnesota Statutes, section 273.124, subdivision 6, on January 1, 1989, shall meet the board membership requirements of paragraph (a) by September 1, 1989, and shall meet the requirements of 501(c)(3) or 501(c)(4) status by January 1, 1990, and that the notice and filing requirements of paragraphs (f) and (g) shall apply only to leasehold cooperatives created later than 60 days after the date of enactment of this act. Sections 19 and 21 are effective for taxes payable in 1989 only. Section 34 is effective July 1, 1989. Section 13 is effective the day following final enactment except the pollution exemption modifications in clause (9) are effective for taxes levied in 1989, payable in 1990, and thereafter. Section 35 is

effective as provided in Laws 1988, chapter 719, article 12, section 30. Section 37 is effective for distributions in calendar year 1990 and thereafter. Section 38 is effective June 1, 1989.

ARTICLE 10

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1988, 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) parcels consisting of 70 percent of the parcels in area of 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) parcels consisting of 70 percent of the parcels in area of 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) the property consists of underutilized air rights existing over a public street, highway, or right-of-way; or

(4) 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

(5) 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.

(c) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or other improvements unless 15 percent of the area of the parcel contains improvements.

(d) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a), clauses (1) to (3), to be included in the district, and the entire area of the district must satisfy paragraph (a).

Sec. 2. Minnesota Statutes 1988, section 469.174, is amended by adding a subdivision to read:

Subd. 20. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1988.

Sec. 3. Minnesota Statutes 1988, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original gross tax capacity 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 The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The 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, a soils condition 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, paragraph (a), clauses (1) to (5), must be retained and made available to the public by the authority until the district has been terminated.

(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. 4. Minnesota Statutes 1988, section 469.175, is amended by adding a subdivision to read:

Subd. 6a. [REPORTING REQUIREMENTS.] (a) The municipality must annually report to the commissioner of revenue the following amounts for the entire municipality:

(1) the total principal amount of nondefeased tax increment financing bonds that are outstanding at the end of the previous calendar year; and

(2) the total annual amount of principal and interest payments that are due for the current calendar year on (i) general obligation tax increment financing bonds, and (ii) other tax increment financing bonds.

(b) The municipality must annually report to the commissioner of revenue the following amounts for each tax increment financing district located in the municipality:

(1) the type of district, whether economic development, redevelopment, housing, soils condition, mined underground space, or hazardous substance site;

(2) the date on which the district is required to be decertified;

(3) the captured tax capacity of the district, by property class as specified by the commissioner of revenue, for taxes payable in the current calendar year;

(4) the tax increment revenues for taxes payable in the current calendar year; and

(5) whether the tax increment financing plan or other governing document permits increment revenues to be expended (i) to pay bonds, the proceeds of which were or may be expended on activities located outside of the district, (ii) for deposit into a common fund from which money may be expended on activities located outside of the district, or (iii) to otherwise finance activities located outside of the tax increment financing district.

(c) The report required by this subdivision must be filed with the commissioner of revenue on or before March 1 of each year.

(d) This section applies to districts certified before and after August 1, 1979.

Sec. 5. Minnesota Statutes 1988, section 469.175, subdivision 7, is amended to read:

Subd. 7. [CREATION OF HAZARDOUS SUBSTANCE SUBDISTRICT; RESPONSE ACTIONS.] (a) A municipality or authority which is creating or has created a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing, and findings required for approval of the original plan. The geographic area of the subdistrict is made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous to the hazardous substances sites except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan, the municipality must make the findings under paragraphs (b) to (d), and set forth in writing the reasons and supporting facts for each.

(b) Development or redevelopment of the site, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.

(c) Other parcels that are not designated hazardous substance sites are expected to be developed together with a designated hazardous substance site.

(d) The subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the municipality to provide for the additional costs due to the designated hazardous substance site.

(e) Upon request by a municipality or authority that has incurred expenses for removal or remedial actions to implement a development response action plan, the attorney general may:

(1) bring a civil action on behalf of the municipality or authority to recover the expenses, including administrative costs and litigation expenses, under section 115B.04 or other law; or

(2) assist the municipality or agency in bringing an action as described in clause (1), by providing legal and technical advice, intervening in the action, or other appropriate assistance.

The decision to participate in any action to recover expenses is at the discretion of the attorney general.

(f) If the attorney general brings an action as provided in paragraph (e), clause (1), the municipality or authority shall certify its reasonable and necessary expenses incurred to implement the development response action plan and shall cooperate with the attorney general as required to effectively pursue the action. The certification by the municipality or authority is prima facie evidence that the expenses are reasonable and necessary. The attorney general may deduct litigation expenses incurred by the attorney general from any amounts recovered in an action brought under paragraph (e), clause (1). The municipality or authority shall reimburse the attorney general for litigation expenses not recovered in an action under paragraph (e), clause (1), and for litigation expenses incurred to assist in bringing an action under paragraph (e), clause ~~(1)~~ (2). All money recovered or paid to the attorney general for litigation expenses under this paragraph shall be paid to the general fund of the state for deposit to the account of the attorney general. For the purposes of this section, "litigation expenses" means attorney fees and costs of discovery and other preparation for litigation.

(g) The municipality or authority shall reimburse the pollution control agency for its administrative expenses incurred to review and approve a development action response plan and associated activities, and for expenses incurred for any services rendered to the attorney general to support the attorney general in actions brought or assistance provided under paragraph (e). All money paid to the pollution control agency under this paragraph shall be deposited in the environmental response, compensation and compliance fund.

(h) Actions taken by a municipality or authority consistent with a development response action plan are deemed to be authorized response actions for the purpose of section 115B.17, subdivision 12. A municipality or agency that takes actions consistent with a development response action plan qualifies for the defenses available under sections 115B.04, subdivision 11, and 115B.05, subdivision 9.

(i) All money recovered by a municipality or authority in an action brought under paragraph (e) in excess of the amounts paid to the attorney general and the pollution control agency must be treated as excess increments and be distributed as provided in section 469.176, subdivision 2, clause (4), to the extent the removal and remedial actions were initially financed with increment revenues.

Sec. 6. Minnesota Statutes 1988, 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. The municipality may, at the time of approval of the initial tax increment financing plan, provide for a shorter maximum duration limit than specified in paragraphs (b) to (f). The specified limit applies in place of the otherwise applicable limit.

(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 gross tax capacity 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 20 years from date of receipt by the authority of the first tax increment, after 25 20 years from the date of the receipt for a housing district, after 25 20 years from the date of the receipt for a mined underground space development district, after 12 years from approval of the tax increment financing plan for a soils condition 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 April 1, 2001, or the term of a nondefeased bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district. If a district's termination date is extended beyond April 1, 2001, because bonds were outstanding on April 1, 1990, with maturities extending beyond April 1, 2001, the following restrictions apply. No increment collected from the district may be expended after April 1, 2001, except to pay or defease (i) bonds issued before April 1, 1990, or (ii) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded.

(f) Modification of a tax increment financing plan pursuant to section 469.175, subdivision 4, shall not extend the durational limitations of this subdivision.

(g) If a parcel of a district is part of a designated hazardous substance site or a hazardous substance subdistrict, tax increment may be paid to the authority from the parcel for longer than the period otherwise provided by this subdivision. The extended period for collection of tax increment begins on the date of receipt of the first tax increment from the parcel that is more than any tax increment received from the parcel before the date of the certifica-

tion under section 469.175, subdivision 7, paragraph (b), and received after the date of certification to the county auditor described in section 469.175, subdivision 7, paragraph (b). The extended period for collection of tax increment is the lesser of: (1) ~~25~~ 20 years from the date of commencement of the extended period; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

Sec. 7. Minnesota Statutes 1988, section 469.176, is amended by adding a subdivision to read:

Subd. 4j. [REDEVELOPMENT DISTRICTS.] At least 95 percent of the revenue derived from a redevelopment district must be used to finance the cost of correcting conditions that allow designation of redevelopment districts under section 469.174, subdivision 10. These costs include acquiring properties containing structurally substandard buildings or improvements, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition of structures, clearing of the land, and installation of utilities, roads, and parking facilities for the site. The allocated administrative expenses of the authority may be included in the qualifying costs.

Sec. 8. [469.1765] [DEVELOPER PAYMENTS.]

If the development agreement or other agreement or arrangement provides for the developer to repay all or a portion of the assistance provided that was financed directly or indirectly from revenues derived from tax increments, the developer payments are excess increments and must be distributed as provided under section 469.176, subdivision 2, clause (4). A developer includes a beneficiary of assistance financed with revenues derived from tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service or connections, roads, or other similar subsidies.

Sec. 9. Minnesota Statutes 1988, section 469.176, subdivision 6, is amended to read:

Subd. 6. [ACTION REQUIRED.] If, after four years from the date of certification of the original gross tax capacity of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including 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 gross tax capacity of that parcel shall be excluded from the

original gross tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including 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 gross tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original gross tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district.

Sec. 10. [469.1761] [INCOME REQUIREMENTS; HOUSING PROJECTS.]

Subdivision 1. [REQUIREMENT IMPOSED.] In order for a tax increment financing district to qualify as a housing district, the income limitations provided in this section must be satisfied. The requirements imposed by this section apply to residential property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, or other subsidies. The provisions of this section do not apply to interest reduction programs, provided that the duration of the district is limited to 12 years from the collection of the first increment.

Subd. 2. [OWNER OCCUPIED HOUSING.] For owner occupied residential property, 95 percent of the housing units must be occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code.

Subd. 3. [RENTAL PROPERTY.] For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code.

Subd. 4. [TIME OF APPLICATION.] The requirements of this section apply for the duration of the tax increment financing district.

Subd. 5. [NONCOMPLIANCE; ENFORCEMENT.] Failure to comply with the requirements of this section results in application of the duration limits for economic development districts to the district. If at the time of the noncompliance it is determined the district has exceeded the duration limits for an economic development district, the district must be decertified effective for taxes assessed in the

next calendar year. The commissioner of revenue shall enforce the provisions of this section. The commissioner may waive insubstantial violations. Appeal of the commissioner's orders of noncompliance must be made to the tax court in the manner provided in section 271.06.

Sec. 11. Minnesota Statutes 1988, section 469.177, subdivision 10, is amended 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 May 1, 1988, that are located in a school district in which the voters have approved new tax capacity rates or an increase in tax capacity rates after the tax increment financing district was certified (1) if there are no outstanding bonds on May 1, 1988, to which increment from the district is pledged, or (2) if the referendum is approved after May 1, 1988, and there are no bonds outstanding at the time the referendum is approved, that were issued before May 1, 1988, or (3) if the referendum increasing the tax capacity 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 tax capacity 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 tax capacity 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. The provisions of this subdivision apply to projects for which certification was requested before August 1, 1979.

Sec. 12. Laws 1988, chapter 719, article 12, section 29, is amended to read:

Sec. 29. [TRANSITION RULES.]

(a) The provisions of sections 3, 6, 10, and 14 16 do not apply to proposed tax increment financing districts for which the authority called for a public hearing in a resolution dated March 23, 1987, and for which a public hearing was held on April 28, 1987. The provisions of Minnesota Statutes 1987 Supplement, section 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(b) The provisions of sections 3, 6, 10, and 14 16 do not apply to candidate sites in the old highway 8 corridor tax increment project area, identified in the old highway 8 corridor plan as approved by an authority on October 14, 1986, if the requests for certification of the

districts are filed with the county before January 1, 1998. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(c) The provisions of section 44 16, subdivision 4c, do not apply to an economic development district located in a development district approved on November 9, 1987, provided the request for certification of the tax increment district is submitted to the county by September 30, 1988.

Sec. 13. Laws 1988, chapter 719, article 12, section 30, as amended by Laws 1989, chapter 1, section 11, is amended to read:

Sec. 30. [EFFECTIVE DATES.]

Sections 2, 5, 6, 7, 14, 16, subdivision 4e, 17, and the provisions of section 15 relating to the duration of hazardous substance sites and subdistricts are effective for hazardous substance sites and subdistricts designated and created after the day following final enactment. Except as otherwise specifically provided, sections 1, 3, 4, 8 to 12, 16, and 20 to 23, and the provisions of section 15 applying to soils condition districts are effective for districts and amendments adding geographic area to an existing district for which the request for certification was filed with the county auditor after May 1, 1988. Sections 13, 15, 16, subdivision 4g, 18, 24, and 25, and the provisions of section 21 allowing a change in the fiscal disparities election are effective May 1, 1988, except as otherwise specifically provided. Section 16, subdivision 4h, is effective beginning with administrative costs incurred on January 1, 1989. Section 16, subdivision 4i, is effective for districts for which the request for certification is filed with the county after May 1, 1988, and to all increment collected after January 1, 1990. Sections 26 to 28 are effective upon approval by the city council of the city of Virginia and compliance with Minnesota Statutes, section 645.021. Section 29 is effective the day following final enactment.

Sec. 14. [HOMESTEAD AND AGRICULTURAL CREDIT AID; TIF DISTRICTS; FALCON HEIGHTS AND LAUDERDALE.]

Subdivision 1. [PAYMENT OF AID.] The commissioner of revenue shall pay the cities of Falcon Heights and Lauderdale homestead and agricultural credit aid as provided by this section. The payments must be made at the times provided by Minnesota Statutes, section 273.1398.

Subd. 2. [DEFINITIONS.] For purposes of this section, (1) the definitions contained in Minnesota Statutes, section 273.1398 apply, and (2) qualified tax increment financing district means a tax increment financing district comprised exclusively of class 1 and

class 4 property with 75 percent of the market value of the district consisting of class 1 property.

Subd. 3. [CALCULATION OF AID AMOUNT.] (a) Homestead and agricultural credit aid for a qualified tax increment financing district for taxes payable in 1990 equals the lesser of the following:

(1) total tax increment revenues for the district for taxes payable in 1989, minus the product of (i) the qualified tax increment financing district's gross tax capacity rate; (ii) its net tax capacity based on payable 1989 market values and net tax capacity percentages in effect for taxes payable in 1990, and (iii) 1.03; or

(2) 105 percent of the principal and interest, due during the calendar year, on bonds that were issued before January 1, 1989, and to which the qualified district's increment revenues are pledged, less the total tax capacity rate year multiplied by the captured tax capacity of the tax increment financing district.

(b) For 1991 and later years, the district must receive aid equal to the amount it received in 1990 or the amount under paragraph (a), clause (2), for the year, whichever is less.

Subd. 4. [APPROPRIATION.] The amount necessary to make the payments required by this section is annually appropriated to the commissioner of revenue.

Subd. 5. [CITY INFORMATION.] The cities of Falcon Heights and Lauderdale must provide the commissioner of revenue with the information necessary to make the calculations required under subdivision 3, clause (2).

Sec. 15. [MOORHEAD TAX INCREMENT FINANCING.]

In the case of a tax increment financing district in the city of Moorhead created prior to August 1, 1979, and used to finance a hotel, parking facility, and conference project, the date "April 1, 1992" must be substituted for "April 1, 1990" in Minnesota Statutes, section 469.176, subdivision 1, paragraph (e), each place it occurs.

Sec. 16. [EFFECTIVE DATE.]

Sections 1, 3, 6, 7, 9, and 10 are effective for districts certified after June 30, 1989. Sections 2, 5, and 11 to 13 are effective the day following final enactment. Section 8 is effective for developer payments received after June 30, 1989. Section 15 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Moorhead.

ARTICLE 11
LAWFUL GAMBLING

Section 1. Minnesota Statutes 1988, section 349.12, subdivision 11, is amended to read:

Subd. 11. [LAWFUL PURPOSE.] "Lawful purpose" means one or more of the following: (a) benefiting persons by enhancing their opportunity for religious or educational advancement, by relieving or protecting them from disease, suffering or distress, by contributing to their physical well-being, by assisting them in establishing themselves in life as worthy and useful citizens, or by increasing their comprehension of and devotion to the principles upon which this nation was founded; (b) initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures; (c) lessening the burdens borne by government or voluntarily supporting, augmenting or supplementing services which government would normally render to the people; ~~or~~ (d) construction, improvement, expansion, maintenance, and repair of athletic fields and ice rinks and their appurtenances, owned by the organization or a public agency; or (e) payment of taxes imposed under this chapter, and other taxes section 349.212, subdivisions 1, 4, and 5, or imposed by the state or the United States on receipts from lawful gambling.

"Lawful purpose" does not include the erection, acquisition, improvement, expansion, repair, or maintenance of any real property owned or leased by the organization, unless the board specifically authorizes the expenditures after finding that the property will be used exclusively for one or more of the purposes specified in clauses (a) to (c). The board may by rule adopt procedures and standards to administer this subdivision.

Sec. 2. Minnesota Statutes 1988, section 349.12, subdivision 13, is amended to read:

Subd. 13. "Gross profit" means the gross receipts collected from lawful gambling, less reasonable sums necessarily and actually expended for prizes, less the taxes imposed under section 349.212 except local gambling taxes.

Sec. 3. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

Subd. 25. [GROSS RECEIPTS.] "Gross receipts" means all receipts derived from lawful gambling activity including, but not limited to, the following items:

(1) gross sales of bingo cards and sheets before reduction for prizes, expenses, or any other charges or offsets;

(2) gross sales of pull-tab and tipboard tickets or cards before reduction for prizes, expenses, or any other charges or offsets;

(3) gross sales of raffle tickets before reduction for prizes, expenses, or any other charges or offsets;

(4) admission, commission, cover, or other charges imposed on participants in lawful gambling activity as a condition for or cost of participation; and

(5) interest, dividends, annuities, profit from transactions, or other income derived from the accumulation or use of gambling proceeds.

Gross receipts does not include proceeds from rental under section 349.164 or 349.18, subdivision 3, for duly licensed bingo hall lessors.

Sec. 4. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

Subd. 26. [PROPERTY EXPENSES.] "Property expenses" means expenditures by an organization for the replacement, expansion, improvement, maintenance, and repair of real property the organization owns or leases, except that "property expenses" does not include any expenditure for these purposes in any year in excess of the amount the organization pays in that year in taxes imposed under section 7.

Sec. 5. Minnesota Statutes 1988, section 349.15, is amended to read:

349.15 [USE OF PROFITS.]

Profits from lawful gambling may be expended only for lawful purposes ~~or~~ and allowable and property expenses as authorized at a regular meeting of the conducting organization. Provided that no more than 55 percent of ~~profits~~ the gross profits from bingo, and no more than 45 percent for other forms of lawful gambling, may be expended for ~~necessary~~ allowable expenses related to lawful gambling.

The board shall provide by rule for the administration of this section, including specifying allowable expenses. The rules must specify that no more than one-third of the annual premium on a policy of liability insurance procured by the organization may be taken as an allowable expense from the gross receipts from lawful gambling. This expense shall be allowed by the board only to the extent that it relates directly to the conduct of lawful gambling and is verified in the manner the board prescribes by rule. The rules may

provide a maximum percentage of gross receipts which may be expended for certain expenses.

Sec. 6. Minnesota Statutes 1988, section 349.16, is amended by adding a subdivision to read:

Subd. 1a. [RESTRICTIONS ON LICENSE ISSUANCE.] On and after July 1, 1989, the board shall not issue an initial license to any organization if the board determines that the organization is seeking licensing for the primary purpose of evading the tax imposed by section 7.

Sec. 7. Minnesota Statutes 1988, section 349.212, is amended by adding a subdivision to read:

Subd. 4a. [GROSS RECEIPTS TAX.] (a) A tax is imposed on the gross receipts from lawful gambling, except the gross receipts from bingo. This tax is in addition to other taxes imposed on lawful gambling. The tax equals the organization's gross receipts for the fiscal year multiplied by the applicable rate under the following schedule. The fiscal year is July 1 through the succeeding June 30. The rate applies to the total gross receipts for the calendar year:

<u>Gross Receipts</u>	<u>Tax Rate</u>
<u>less than or equal to \$500,000</u>	<u>0%</u>
<u>over \$500,000 but less than or equal to \$700,000</u>	<u>2%</u>
<u>over \$700,000 but less than or equal to \$900,000</u>	<u>4%</u>
<u>over \$900,000</u>	<u>6%</u>

(b) The taxes imposed by this subdivision are payable to the commissioner of revenue on or before the 20th day of the month following the month in which the taxable event occurred. The applicable tax rate for monthly payments must be based on the annualized gross receipts for the fiscal year.

(c) On or before January 20 of each year, the organization must file an annual reconciliation of the gross receipts and tax for the preceding calendar year. The reconciliation must include the total gross receipts for the calendar year, the total gross receipts tax paid for the calendar year, and additional tax due or overpayment. Any additional tax due must be paid with the reconciliation return.

(d) The tax must be computed and reported on a form and in the manner prescribed by the commissioner of revenue.

(e) If the organization fails to file a report or pay the tax as

required by paragraph (b), a penalty of ten percent of the underpayment is imposed.

(f) Unpaid tax and penalties bear interest at the rate prescribed in section 270.75 from the due date of the return. Refunds bear interest at the rate prescribed in section 270.76 from the later of 60 days after (1) the due date or (2) the date the reconciliation return is filed.

Sec. 8. [EFFECTIVE DATE.]

Sections 1 to 7 are effective July 1, 1989.

ARTICLE 12

INDIVIDUAL INCOME TAX

Section 1. Minnesota Statutes 1988, section 290.067, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The maximum total credit shall be reduced according to the amount of the income of the claimant and a spouse, if any, as follows:

income up to ~~\$12,200~~ \$13,350, \$720 maximum for one dependent, \$1,440 for all dependents;

income over ~~\$12,200~~ \$13,350, the maximum credit for one dependent shall be reduced by ~~\$12~~ \$18 for every ~~\$200~~ \$350 of additional income, ~~\$24~~ \$36 for all dependents;

~~for income of \$24,001 and over, no credit shall be received.~~

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

Sec. 2. Minnesota Statutes 1988, section 290.067, is amended by adding a subdivision to read:

Subd. 2b. [INFLATION ADJUSTMENT.] The dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 must be adjusted for inflation. The commissioner shall adjust the threshold amount by the percentage

determined under section 290.06, subdivision 2d, for the taxable year.

Sec. 3. Minnesota Statutes 1988, section 290.0802, subdivision 1, is amended to read:

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 plus the ordinary income portion of a lump sum distribution as defined in section 407(e) of the Internal Revenue Code.

(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, except that "age 62" must be substituted for "age 65".

Sec. 4. Minnesota Statutes 1988, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

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

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding the portion of the charitable contribution deduction that constitutes an item of tax preference under section 57(a)(6) of the Internal Revenue Code;

(3) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); less the sum of

(i) interest income as defined in section 290.01, subdivision 19b, clause (1);

(ii) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2); and

(iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income.

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1987.

(c) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(d) "Tentative minimum tax" equals six percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(e) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(f) "Net minimum tax" means the minimum tax imposed by this section.

Sec. 5. Minnesota Statutes 1988, section 290.091, is amended by adding a subdivision to read:

Subd. 6. [CREDIT FOR PRIOR YEARS' LIABILITY.] (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess, (if any), for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess, (if any), of

(1) the tentative minimum tax, over

(2) six percent of the sum of (i) adjusted gross income as defined in section 62 of the Internal Revenue Code, (ii) interest income as defined in section 290.01, subdivision 19a, clause (1), (iii) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii), (iv) depletion as defined in section 57(a)(1) of the Internal Revenue Code, less (v) the deductions provided in clauses (3)(i), (3)(ii), and (3)(iii) of subdivision 2, paragraph (a), and (vi) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

Sec. 6. Minnesota Statutes 1988, section 290.38, is amended to read:

290.38 [RETURNS OF MARRIED PERSONS.]

(a) 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.

(b) In the case of a husband and wife or individuals who were a husband and wife prior to the dissolution of their marriage, for tax liabilities reported on a joint return, the liability of each spouse is limited to the tax due on the spouse's income including 50 percent of the joint income. This paragraph is effective only if the commissioner receives written notice of the marriage dissolution from the taxpayer.

(c) 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.

(d) 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, 1987.

Sec. 7. Laws 1988, chapter 719, article 1, section 22, is amended to read:

Sec. 22. [EFFECTIVE DATES.]

Except as otherwise provided, sections 1 to 3 and 16 are effective for taxable years beginning after December 31, 1986. Sections 5, 7 to 12, 14, 15, 17, and 21 are effective for taxable years beginning after December 31, 1987. The deduction allowed under section 4, clause (4) and the ability of surviving spouses to use the married filing joint rates in section 7 are effective for taxable years beginning after December 31, 1986. The rest of sections 4 and 7 are effective for taxable years beginning after December 31, 1987. Section 13 is effective for taxable years beginning after December 31, 1984 1973. Section 18 is effective the day following final enactment.

Sec. 8. [EFFECTIVE DATE.]

Sections 1 and 3 are effective for taxable years beginning after December 31, 1988.

Section 2 is effective for taxable years beginning after December 31, 1990.

Sections 4 and 5 are effective for alternative minimum tax paid in taxable years beginning after December 31, 1988.

Section 6 is effective the day following final enactment for taxable years beginning after December 31, 1973.

Section 7 is effective the day following final enactment.

ARTICLE 13

MISCELLANEOUS

Section 1. Minnesota Statutes 1988, section 270.052, is amended to read:

270.052 [AGREEMENT WITH INTERNAL REVENUE SERVICE.]

Notwithstanding sections 290.61 and 290A.17, the commissioner may enter into an agreement with the Internal Revenue Service to identify taxpayers who have refunds due from the department of revenue and liabilities owing to the Internal Revenue Service, if the Internal Revenue Service agrees to identify taxpayers who have refunds due from the Internal Revenue Service and liabilities owing to the department of revenue. In accordance with the procedures established in the agreement, the Internal Revenue Service may levy against the refunds to be paid by the department of revenue, and the department of revenue may levy against refunds to be paid by the Internal Revenue Service.

Sec. 2. Minnesota Statutes 1988, section 270.067, subdivision 1, is amended to read:

Subdivision 1. [STATEMENT OF PURPOSE.] State governmental policy objectives are sought to be achieved both by direct expenditure of governmental funds and by the granting of special and selective tax relief or tax expenditures. Both direct expenditures of governmental funds and tax expenditures have an effect on the ability of the state and local governments to lower tax rates or to increase expenditures. As a result, tax expenditures should receive a regular and comprehensive review by the legislature as to (a) their total cost, (b) their effectiveness in achieving their objectives, (c) their effect on the fairness and equity of the distribution of the tax burden, and (d) the public and private cost of administering tax expenditure financed programs. This section is intended to facilitate a regular review of the state and local tax expenditure budget by the legislature by providing for the preparation of a regular biennial tax expenditure budget.

Sec. 3. Minnesota Statutes 1988, section 270.067, subdivision 2, is amended to read:

Subd. 2. [PREPARATION; SUBMISSION.] The commissioner of revenue shall prepare a tax expenditure budget for the state every four years. The tax expenditure budget report shall be submitted to the legislature as a supplement to the governor's budget and at the same time as provided for submission of the budget pursuant to section 16A.11, subdivision 1, except that the next such report shall be submitted in 1993, and every four years thereafter.

Sec. 4. Minnesota Statutes 1988, section 290.92, subdivision 4b, as added by Laws 1989, chapter 28, section 19, is amended to read:

Subd. 4b. [WITHHOLDING BY PARTNERSHIPS.] (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) when the partnership pays or credits amounts to any of its nonresident individual partners on account of their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined based on tables provided by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) A partnership required to deduct and withhold tax under this subdivision shall file a return with the commissioner. The tax required to be deducted and withheld during that year must be paid with the return. The return and payment is due on or before the due date specified for filing the partnership return under section 290.42.

(d) A partnership required to withhold and remit tax under this subdivision is liable for payment of the tax to the commissioner, and a person having control of or responsibility for the withholding of the tax or the filing of returns due under this subdivision is personally liable for the tax due. The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(e) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 290.39, subdivision 5;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; or

(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; or

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code of 1986, as amended through December 31, 1988; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction

pursuant to sections 108, 734, 743, 754, or 1017 of the Internal Revenue Code of 1986, as amended through December 31, 1988,

to the extent that the income does not include cash received or receivable or if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property.

(f) For purposes of subdivisions 6, paragraph (1)(c), 6a, 7, 11, and 15, a partnership is considered an employer.

(g) To the extent that income is exempt from withholding under paragraph (e)(4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (e)(4). The lien arises under section 270.69 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270.70, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

Sec. 5. Minnesota Statutes 1988, 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, four percent,

for calendar year 1989, three 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, one 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, seven 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, three 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, and on customer access charges. Customer access charges include the flat rate monthly charges received by a telephone company from its customers, that are authorized by the Federal Communications Commission and that compensate a telephone company for the cost of a local telephone plant to the extent attributable to interstate service.

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. 6. [STATEMENT OF PURPOSE.]

The purpose of section 5 is to confirm and clarify the original intent of the legislature in enacting the exemption for gross earnings from business originating or terminating outside of Minnesota in Minnesota Statutes, section 295.34. Section 5 does not create a new category of earnings subject to the gross earnings tax. It ratifies existing state interpretation of the telephone gross earnings tax and Minnesota Statutes, section 295.34.

Sec. 7. Minnesota Statutes 1988, section 373.40, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, and roads and bridges. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include light rail transit or any activity related to it or a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

(c) "Commissioner" means the commissioner of trade and economic development.

(d) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(e) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

(1) the federal decennial census,

(2) a special census conducted under contract by the United States Bureau of the Census, or

(3) a population estimate made either by the metropolitan council or by the state demographer under section 116K.04, subdivision 4, clause (10).

(f) "Taxable gross Tax capacity" means total taxable ~~gross~~ tax capacity, but does not include captured ~~gross~~ tax capacity.

Sec. 8. Minnesota Statutes 1988, section 373.40, subdivision 2, is amended to read:

Subd. 2. [APPLICATION OF ELECTION REQUIREMENT.] (a) Bonds issued by a county to finance capital improvements under an approved capital improvement plan are not subject to the election requirements of section 375.18 or 475.58. The bonds must be approved by vote of at least three-fifths of the members of the county board. In the case of a metropolitan county, the bonds must be approved by vote of at least two-thirds of the members of the county board.

(b) Before each issuance of bonds qualifying under this section, the county must publish a notice of its intention to issue the bonds and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the county or in a newspaper of general circulation in the county. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(c) A county may issue the bonds only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations; if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the county in the last general election and is filed with the county auditor within 30 days after the public hearing. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election.

Sec. 9. Minnesota Statutes 1988, section 373.40, subdivision 4, is amended to read:

Subd. 4. [LIMITATIONS ON AMOUNT.] (a) A county, other than Hennepin or Ramsey, may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed ~~one mill multiplied by 1.82 percent of the taxable gross tax capacity of property in the county or 2.27 percent of net tax capacity.~~ Ramsey county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed ~~1.2 mills multiplied by 2.19 percent of the taxable gross tax capacity of property in the county or 2.72 percent of net tax capacity.~~ Hennepin county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section together with the bonds proposed to

be issued, will equal or exceed ~~one-half mill multiplied by 0.81 percent of the taxable gross tax capacity of the property in the county or 1.13 percent of net tax capacity.~~

(b) Calculation of the limit must be made using the taxable gross tax capacity for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law. In applying the limits under this section, gross tax capacity must be used for bonds issued before January 1, 1990 and net tax capacity for bonds issued after December 31, 1989 and for building fund levies payable beginning with 1990.

Sec. 10. Minnesota Statutes 1988, section 373.40, subdivision 6, is amended to read:

Subd. 6. [BUILDING FUND LEVY.] (a) If a county other than Hennepin or Ramsey has an approved capital improvement plan, the county board may annually levy an amount equal to one mill 2.27 percent of net tax capacity, less the amount levied to pay principal and interest on bonds issued under this section. If the Hennepin county board has an approved capital improvement plan, the county board may annually levy an amount equal to one-half mill 1.13 percent of net tax capacity, less the amount levied to pay principal and interest on bonds issued under this section. If the Ramsey county board has approved a capital improvement plan, the county board may annually levy an amount equal to 2.72 percent of net tax capacity, less the amount levied to pay principal and interest on bonds issued under this section. The proceeds of this the building fund levy must be deposited in the county building fund under section 373.25 and may only be expended for capital improvements as provided in the approved capital improvement plan.

(b) The maximum amount of the levy, when added to the unexpended balance in the building fund, must not exceed the projected cost of the remaining improvements in the capital improvement plan. A levy made under this section is not subject to any other levy limitation, nor may the levy be included in the computation of any other levy limitation.

(c) This subdivision and the exercise of levy authority under it does not supersede or preempt the authority to levy under section 373.25 or any other law.

Sec. 11. Minnesota Statutes 1988, section 444.075, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the term "municipality" means a home rule charter or statutory city, wherever located, except a city of the first class, or a town located in a metropolitan county as defined in section 473.121, subdivision 4.

The term "governing body" means the town board of supervisors with respect to towns.

Sec. 12. Minnesota Statutes 1988, section 444.16, is amended to read:

444.16 [STORM SEWER IMPROVEMENT DISTRICTS; MUNICIPALITY DEFINED.]

Subdivision 1. [DEFINITIONS.] For the purposes of Laws 1974, chapter 206 "municipality" means any city, however organized sections 444.16 to 444.21 the terms in this section have the meanings given them.

Subd. 2. [MUNICIPALITY.] "Municipality" means a home rule charter or statutory city or town.

Subd. 3. [GOVERNING BODY.] "Governing body" means the city council for a city and the town board for a town.

Sec. 13. Minnesota Statutes 1988, section 444.17, is amended to read:

444.17 [ESTABLISHMENT OF DISTRICT.]

The ~~council~~ governing body of a municipality may by ordinance adopted by a two-thirds vote of all of its members, establish within its ~~corporate~~ territorial limits a storm sewer improvement tax district. The ordinance shall describe with particularity the territory or area within the municipality to be included within the district. No such ordinance shall be adopted until after a public hearing has been held on the question. A notice of the time, place and purpose of the hearing shall be published for two successive weeks in the official newspaper of the municipality or in a qualified newspaper of general circulation in the municipality and the last notice shall be at least seven days prior to the day of the hearing. The ordinance when adopted shall be filed with the county auditor and county recorder.

Sec. 14. Minnesota Statutes 1988, section 444.18, is amended to read:

444.18 [AUTHORITY OF COUNCIL GOVERNING BODY; RECOVERY OF COST; IMPROVEMENT PROCEDURES.]

Subdivision 1. Following the adoption of an ordinance pursuant to Laws 1974, chapter 206 under sections 444.16 to 444.21, the council governing body may acquire, construct, reconstruct, extend, maintain, and otherwise improve storm sewer systems and related facilities within the district. Storm water holding areas and ponds

within and without the ~~corporate limits~~ municipality may also be acquired, constructed, maintained, and improved for the benefit of any such district. The cost of the systems and facilities described in this subdivision may be recovered by the tax authorized in section 444.20.

Subd. 2. The procedures of sections 429.031 to 429.081 shall apply when the ~~council~~ council governing body of a municipality determines to make an improvement pursuant to this section.

Sec. 15. Minnesota Statutes 1988, section 444.19, is amended to read:

444.19 [BONDS.]

At any time after a contract for the construction of all or part of an improvement has been entered into or the work has been ordered done by day labor, the ~~council~~ council governing body may issue obligations in ~~such an~~ an amount as it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing thereof. The obligations shall be payable primarily out of the proceeds of the tax levied pursuant to section 444.20. The ~~council~~ council governing body may by resolution adopted prior to the sale of obligations pledge the full faith, credit and taxing power of the municipality to assure payment of the principal and interest in the event the proceeds of the tax levy in the district are insufficient to pay ~~such the~~ principal and interest. Obligations shall be issued in accordance with chapter 475, except that an election is not required, and the amount of ~~any such the~~ obligations is not included in determining the net indebtedness of the municipality under the provisions of any law or charter limiting such indebtedness.

Sec. 16. Minnesota Statutes 1988, section 444.20, is amended to read:

444.20 [TAXES.]

The ~~council~~ council governing body of a municipality may levy a tax on all taxable property within the district ~~such taxes as are in an amount~~ necessary to finance the cost of the improvement, including maintenance and to pay the principal and interest on obligations issued pursuant to section 444.19. ~~Such taxes~~ The tax shall be collected and paid over as other taxes, but shall be spread only upon the property described in the ordinance. ~~Such taxes~~ The tax shall be disbursed by the ~~council~~ council governing body only for the benefit of district as established by the ordinance.

Sec. 17. [KANDIYOHI COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY.]

Subdivision 1. [ESTABLISHMENT.] The Kandiyohi county board may, by adopting a written enabling resolution, establish a county rural development finance authority that, subject to subdivision 2, has the following powers: powers of an economic development authority under Minnesota Statutes, sections 469.090 to 469.107, except for the authority to issue general obligation bonds under Minnesota Statutes, section 469.102; and powers of a rural development financing authority under sections 469.142 to 469.151.

Subd. 2. [ECONOMIC DEVELOPMENT AUTHORITY POWERS.] If the county rural development finance authority exercises the powers of an economic development authority, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.108. The county rural development finance authority may create and define the boundaries of economic development districts at any place or places within the county. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to the county economic development districts.

Subd. 3. [LIMIT OF POWERS.] (a) The enabling resolution may impose the following limits on the actions of the authority:

(1) that the authority may not exercise any of the powers contained in subdivision 1 unless those powers are specifically authorized in the enabling resolution; and

(2) any other limitation or control established by the county board by the enabling resolution.

(b) The enabling resolution may be modified at any time, but may not be applied in a manner that impairs contracts executed before the modification is made. All modifications to the enabling resolution must be by written resolution.

(c) Before the commencement of a project by the authority, the governing body of the municipality in which the project is to be located or the Kandiyohi county board, if the project is outside municipal corporate limits, shall by majority vote approve the project as recommended by the authority.

Subd. 4. [BOARD OF DIRECTORS.] (a) The authority consists of a board of seven directors. The directors shall be appointed by the Kandiyohi county board. Each director shall be appointed to serve for three years or until a successor is appointed and qualified. No

director may serve more than two consecutive terms. The initial appointment of directors must be made so that no more than one-third of the directors' positions will require appointment in any one year due to fulfillment of their three-year appointment. The appointment of directors must be made to reflect representation of the entire county by population, appointing one director to represent each of the five county commissioner districts. The other two directors must be representatives of various county-based economic development organizations or be directors at-large. No more than two directors may reside in any one county commissioner district.

(b) Two of the directors initially appointed shall serve for terms of one year, two for two years, and three for three years. Each vacancy must be filled for the unexpired term in the manner in which the original appointment was made. A vacancy occurs if a director no longer resides in the county. No director shall be an officer, employee, director, shareholder, or member of any corporation, firm, or association with which the authority has entered into any operating lease, or other agreement. The directors may be removed by the county for the reasons and in the manner provided under Minnesota Statutes, section 469.010, and shall receive no compensation other than reimbursement for expenses incurred in the performance of their duties. Directors shall have no personal liability for obligations of the authority or the methods of enforcement and collection of the obligations.

Sec. 18. [TOWN OF OTSEGO; ECONOMIC DEVELOPMENT.]

Subdivision 1. [ECONOMIC DEVELOPMENT AUTHORITY.] The town of Otsego may establish an economic development authority. The town may establish the authority in the manner provided in Minnesota Statutes, sections 469.091 to 469.101, and may impose the limits on the authority enumerated in Minnesota Statutes, section 469.092. An authority established under this subdivision has all the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.106 and 469.174 to 469.178.

Subd. 2. [POWERS OF A CITY OR MUNICIPALITY.] The town of Otsego and its governing body have all the powers and duties granted to or imposed upon (1) a city and the governing body of a city under Minnesota Statutes, sections 469.090 to 469.107, including the power to levy a tax subject to referendum under Minnesota Statutes, section 469.107; and (2) a municipality and the governing body of a municipality under Minnesota Statutes, sections 469.174 to 469.178 with respect to a project undertaken by an economic development authority under subdivision 1.

Sec. 19. [REPEALER.]

Minnesota Statutes 1989, sections 60A.151 and 271.061, are repealed.

Sec. 20. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment. Section 4 is effective after December 31, 1989. Section 5 is effective retroactive to January 1, 1986. Sections 7 to 9 are effective July 1, 1989, and for bonds issued after June 30, 1989. Section 10 is effective beginning for taxes payable in 1990. Section 17 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the county board of Kandiyohi county. Section 18 is effective the day following compliance with Minnesota Statutes, section 645.021, subdivision 3, by the town board of the town of Otsego. Section 19 is effective for appeals filed after 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; creating tax exemptions; changing the computation, administration, and payment of aids, credits, and refunds; providing new aids and credits; making technical corrections and clarifications; changing proposed property tax notice provisions; changing levy limits and other local government powers and duties; providing for subordinate service districts; providing for accreditation of assessors; changing tax increment financing provisions; providing for payment of deferred taxes on sale of railroad operating property; extending valuation and deferment of agricultural property taxes in certain instances; authorizing the cities of Mankato and Hopkins to establish special service districts; authorizing establishment of an economic development authority in the city of Otsego and in Kandiyohi county; exempting Itasca county from a levy limit penalty; providing for payment of certain aid to the cities of Falcon Heights and Lauderdale; extending the duration of a tax increment financing district in the city of Moorhead; granting certain powers to towns; appropriating money; amending Minnesota Statutes 1988, sections 38.27, subdivision 1; 60A.15, subdivision 1; 93.55, subdivision 4; 124A.03, subdivision 2; 256.018; 256.82, subdivision 1; 256.871, subdivision 6; 256B.041, subdivision 5; 270.052; 270.067, subdivisions 1 and 2; 270.071, subdivision 6; 270.072, subdivisions 2 and 3; 270.075, subdivision 2; 270.12, subdivision 2, and by adding a subdivision; 270.485; 270.80, subdivision 1; 272.01, subdivision 2; 272.02, subdivision 1, and by adding a subdivision; 273.01; 273.061, subdivisions 1 and 2; 273.11, by adding a subdivision; 273.111, subdivision 3; 273.112, subdivision 3, and by adding a subdivision; 273.119, subdivision 2; 273.123, subdivisions 4 and 5; 273.124, subdivisions 6, 9, 12, 13, and by adding a subdivision; 273.13, subdivisions 22, 23, 24, 25, 31, and by adding a subdivision; 273.135,

subdivisions 2 and 2a; 273.1391, subdivisions 2 and 2a; 273.1392; 273.1393; 273.1398, subdivisions 1, 2, 3, 4, and by adding a subdivision; 275.07, subdivision 1; 275.08, subdivision 1c; 275.28, subdivision 1; 275.50, subdivisions 2, 5, and by adding a subdivision; 275.51, subdivisions 3f, 3g, 3h, 3i, 3j, 4, and 6; 275.58, subdivision 1; 276.04; 278.03; 278.05, subdivisions 4 and 5; 279.01, subdivisions 1 and 3; 279.37, subdivision 7; 290.015, subdivisions 3 and 4; 290.05, subdivision 3; 290.06, subdivisions 1 and 21; 290.067, subdivision 2, and by adding a subdivision; 290.0802, subdivision 1; 290.091, subdivision 2; and by adding a subdivision; 290.17, by adding a subdivision; 290.21, subdivision 4; 290.37, subdivision 1; 290.38; 290.92, subdivision 4b, as added; 290.934, subdivision 3a; 290A.03, subdivision 12; 290A.04, subdivisions 2, 2h, and by adding a subdivision; 295.34, subdivision 1; 297.01, subdivision 13, and by adding a subdivision; 297.03, subdivision 6; 297.04, subdivisions 4, 5, and 6; 297.041, subdivision 1; 297.08, subdivision 1; 297.31, by adding a subdivision; 297.33, subdivisions 4, 5, 6, 7, and 8; 297A.01, subdivision 3; 297A.15, by adding a subdivision; 297A.25, subdivision 3, and by adding subdivisions; 297A.257, by adding a subdivision; 297B.03; 297C.03, subdivision 1; 297C.09; 349.12, subdivisions 11, 13, and by adding subdivisions; 349.15; 349.16, by adding a subdivision; 349.212, by adding a subdivision; 373.40, subdivisions 1, 2, 4, and 6; 375.192, subdivision 2; 444.075, subdivision 1; 444.16; 444.17; 444.18; 444.19; 444.20; 459.14, by adding a subdivision; 469.012, by adding a subdivision; 469.040, subdivision 2; 469.171, by adding a subdivision; 469.174, subdivision 10, and by adding a subdivision; 469.175, subdivisions 3, 7, and by adding a subdivision; 469.176, subdivisions 1, 4c, 6, and by adding a subdivision; 469.177, subdivision 10; 473.167, subdivisions 3 and 5; 473.249, subdivision 1; 473F.08, subdivision 3; 473H.10, subdivision 3; 477A.011, subdivisions 1a and 15; and 477A.013, subdivisions 1, 3, and 4; Laws 1988, chapter 719, articles 1, section 22; 7, section 9; 8, section 37; and 12, sections 29 and 30, as amended; proposing coding for new law in Minnesota Statutes, chapters 273; 275; 276; 297A; 365B; and 469; proposing coding for new law as Minnesota Statutes, chapter 365B; repealing Minnesota Statutes 1988, sections 38.17; 38.27, subdivision 3; 38.28; 60A.151; 271.061; 275.065; 275.57; 275.58, subdivision 4; 276.13; 276.14; 297.01, subdivision 15; 297.03, subdivision 12; 297.04, subdivision 10; 297.33, subdivision 13; 297C.03, subdivisions 4 and 4a; and 473.249, subdivision 3; Laws 1988, chapter 719, article 8, section 35; and Laws 1989, chapter 27, article 2, sections 2 and 3."

With the recommendation that when so amended the bill pass.

The report was adopted.

Skoglund from the Committee on Insurance to which was referred:

S. F. No. 200, A bill for an act relating to insurance; regulating

continuing insurance education; amending Minnesota Statutes 1988, section 60A.1701, subdivisions 1, 5, 7, 8, and 9; repealing Minnesota Rules, part 2725.0240.

Reported the same back with the following amendments:

Page 1, line 13, after "fide" insert "insurance or financial planning"

Page 2, line 17, after "recognized" insert "insurance or financial planning"

Page 5, line 17, delete "a" and insert "an insurance or financial planning"

Page 5, line 18, delete "June" and insert "January"

With the recommendation that when so amended the bill pass.

The report was adopted.

Kelly from the Committee on Judiciary to which was referred:

S. F. No. 218, A bill for an act relating to health; amending the bill of rights for patients and residents of health facilities; requiring health facilities to notify family members of the admission of a patient or resident under certain circumstances; amending Minnesota Statutes 1988, section 144.651, subdivision 10.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1988, section 144.651, subdivision 10, is amended to read:

Subd. 10. [PARTICIPATION IN PLANNING TREATMENT; NOTIFICATION OF FAMILY MEMBERS.] (a) Patients and residents shall have the right to participate in the planning of their health care. This right includes the opportunity to discuss treatment and alternatives with individual caregivers, the opportunity to request and participate in formal care conferences, and the right to include a family member or other chosen representative. In the event that the patient or resident cannot be present, a family member or other representative chosen by the patient or resident may be included in such conferences.

(b) If a patient or resident who enters a facility is unconscious or comatose or is unable to communicate, the facility shall make

reasonable efforts as required under paragraph (c) to notify either a family member or a person designated in writing by the patient as the person to contact in an emergency that the patient or resident has been admitted to the facility. The facility shall allow the family member to participate in treatment planning, unless the facility knows or has reason to believe the patient or resident has an effective advance directive to the contrary or knows the patient or resident has specified in writing that they do not want a family member included in treatment planning. After notifying a family member but prior to allowing a family member to participate in treatment planning, the facility must make reasonable efforts, consistent with reasonable medical practice, to determine if the patient or resident has executed an advance directive relative to the patient or resident's health care decisions. For purposes of this paragraph, "reasonable efforts" include:

(1) examining the personal effects of the patient or resident;

(2) examining the medical records of the patient or resident in the possession of the facility;

(3) inquiring of any emergency contact or family member contacted under this section whether the patient or resident has executed an advance directive and whether the patient or resident has a physician to whom the patient or resident normally goes for care; and

(4) inquiring of the physician to whom the patient or resident normally goes for care, if known, whether the patient or resident has executed an advance directive. If a facility notifies a family member or designated emergency contact or allows a family member to participate in treatment planning in accordance with this paragraph, the facility is not liable to the patient or resident for damages on the grounds that the notification of the family member or emergency contact or the participation of the family member was improper or violated the patient's privacy rights.

(c) In making reasonable efforts to notify a family member or designated emergency contact, the facility shall attempt to identify family members or a designated emergency contact by examining the personal effects of the patient or resident and the medical records of the patient or resident in the possession of the facility. If the facility is unable to notify a family member or designated emergency contact within 24 hours after the admission, the facility shall notify the county social service agency or local law enforcement agency that the patient or resident has been admitted and the facility has been unable to notify a family member or designated emergency contact. The county social service agency and local law enforcement agency shall assist the facility in identifying and notifying a family member or designated emergency contact. A county social service agency or local law enforcement agency that

assists a facility in implementing this subdivision is not liable to the patient or resident for damages on the grounds that the notification of the family member or emergency contact or the participation of the family member was improper or violated the patient's privacy rights."

With the recommendation that when so amended the bill pass.

The report was adopted.

Kelly from the Committee on Judiciary to which was referred:

S. F. No. 391, A bill for an act relating to civil actions; excluding certain structures from the limitation period provided by the uniform commercial code; amending Minnesota Statutes 1988, section 336.2-725.

Reported the same back with the following amendments:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1988, section 336.2-725, is amended to read:

336.2-725 [STATUTE OF LIMITATIONS IN CONTRACTS FOR SALE.]

(1) An action for breach of any contract for sale must be commenced within four years after the cause of action has accrued. By the original agreement the parties may reduce the period of limitation to not less than one year but may not extend it.

(2) A cause of action accrues when the breach occurs, regardless of the aggrieved party's lack of knowledge of the breach. A breach of warranty occurs when tender of delivery is made, except that where a warranty explicitly extends to future performance of the goods and discovery of the breach must await the time of such performance the cause of action accrues when the breach is or should have been discovered.

(3) Where an action commenced within the time limited by subsection (1) is so terminated as to leave available a remedy by another action for the same breach such other action may be commenced after the expiration of the time limited and within six months after the termination of the first action unless the termination resulted from voluntary discontinuance or from dismissal for failure or neglect to prosecute.

(4) This section does not alter the law on tolling of the statute of

limitations, nor does it apply to causes of action which have accrued before this chapter becomes effective. Nor does this section apply to actions for the breach of any contract for sale of a grain storage structure that is an improvement to real property, which actions shall be subject only to the statute of limitations set forth in section 541.051.

Sec. 2. [EFFECTIVE DATE; APPLICATION.]

Section 1 is effective the day following final enactment and applies to matters pending on or commenced on or after the effective date.

Delete the title and insert:

"A bill for an act relating to civil actions; excluding certain structures from the limitation period provided by the uniform commercial code; amending Minnesota Statutes 1988, section 336.2-725."

With the recommendation that when so amended the bill pass.

The report was adopted.

Skoglund from the Committee on Insurance to which was referred:

S. F. No. 829, A bill for an act relating to insurance; prohibiting insurers from maintaining subrogation actions against insureds; proposing coding for new law in Minnesota Statutes, chapter 60A.

Reported the same back with the following amendments:

Page 1, line 9, after "reinsurance" insert "for that insurance company"

Page 1, line 15, after the second "insured" insert "for the loss being subrogated"

With the recommendation that when so amended the bill pass.

The report was adopted.

Long from the Committee on Taxes to which was referred:

S. F. No. 1488, A bill for an act relating to education; authorizing a school district to issue bonds when a calamity occurs and establishing certain procedures for repayment of the bonds.

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

The report was adopted.

SECOND READING OF HOUSE BILLS

H. F. Nos. 1747, 579, 604, 1407, 1548, 1668 and 1734 were read for the second time.

SECOND READING OF SENATE BILLS

S. F. Nos. 200, 218, 391, 829 and 1488 were read for the second time.

SUSPENSION OF RULES

Pursuant to Article IV, Section 19, of the Constitution of the state of Minnesota, Pugh moved that the rule therein be suspended and an urgency be declared so that S. F. No. 1488 be given its third reading and be placed upon its final passage. The motion prevailed.

Pugh moved that the Rules of the House be so far suspended that S. F. No. 1488 be given its third reading and be placed upon its final passage. The motion prevailed.

S. F. No. 1488, A bill for an act relating to education; authorizing a school district to issue bonds when a calamity occurs and establishing certain procedures for repayment of the bonds.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Brown	Dille	Haukoos	Johnson, R.
Anderson, G.	Burger	Dorn	Heap	Johnson, V.
Anderson, R.	Carlson, D.	Forsythe	Henry	Kahn
Battaglia	Carlson, L.	Frederick	Himle	Kalis
Bauerly	Carruthers	Frerichs	Hugoson	Kelly
Beard	Clark	Girard	Jacobs	Kelso
Begich	Conway	Greenfield	Janezich	Kinkel
Bennett	Cooper	Gruenes	Jaros	Knickerbocker
Bertram	Dauner	Gutknecht	Jefferson	Kostohryz
Blatz	Dawkins	Hartle	Jennings	Krueger
Boo	Dempsey	Hasskamp	Johnson, A.	Lasley

Lieder	Nelson, C.	Pellow	Schafer	Tunheim
Limmer	Nelson, K.	Pelowski	Scheid	Uphus
Long	Neuenschwander	Peterson	Schreiber	Valento
Lynch	O'Connor	Poppenhagen	Seaberg	Vellenga
Macklin	Ogren	Price	Segal	Wagenius
Marsh	Olson, E.	Pugh	Simoneau	Waltman
McDonald	Olson, K.	Quinn	Skoglund	Weaver
McEachern	Omann	Redalen	Solberg	Welle
McGuire	Onnen	Reding	Sparby	Wenzel
McLaughlin	Orenstein	Rest	Stanisus	Williams
McPherson	Osthoff	Rice	Steensma	Winter
Milbert	Ostrom	Richter	Sviggun	Wynia
Miller	Otis	Rodosovich	Swenson	Spk. Vanasek
Morrison	Ozment	Rukavina	Tjornhom	
Munger	Pappas	Runbeck	Tompkins	
Murphy	Pauly	Sarna	Trimble	

The bill was passed and its title agreed to.

INTRODUCTION AND FIRST READING OF HOUSE BILLS

The following House Files were introduced:

Carruthers introduced:

H. F. No. 1750, A bill for an act relating to individual income taxation; allowing a subtraction for mutual fund dividends paid out of United States obligation interest; amending Minnesota Statutes 1988, section 290.01, subdivision 19b, and by adding a subdivision.

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

Marsh and Gruenes introduced:

H. F. No. 1751, A bill for an act relating to appropriations; appropriating money for real estate chair at institutions of higher learning.

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

Dorn introduced:

H. F. No. 1752, A bill for an act relating to education; appropriating money for track improvements at Mankato State University.

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

Bishop, Vellenga, Greenfield and Blatz introduced:

H. F. No. 1753, A bill for an act relating to juvenile court; eliminating juvenile court jurisdiction over juveniles who are 16 years old or older and who have a past record of felony behavior; amending Minnesota Statutes 1988, sections 260.015, subdivision 5; 260.111, by adding a subdivision; and 260.125, subdivision 3, and by adding a subdivision.

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

Munger, Redalen, Vanasek, Kahn and Anderson, G., introduced:

H. F. No. 1754, A resolution memorializing the Congress of the United States to enact the American Heritage Trust Act authorizing the creation of a federal trust fund to provide funding for local, state, and federal land and water conservation and historic preservation purposes.

The bill was read for the first time and referred to the Committee on Environment and Natural Resources.

MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

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

H. F. No. 85, A bill for an act relating to public safety; regulating boiler operation and inspections; amending Minnesota Statutes 1988, sections 183.42; and 183.45.

H. F. No. 212, A bill for an act relating to the city of Hibbing; authorizing two additional on-sale liquor licenses.

H. F. No. 1172, A bill for an act relating to state lands; authorizing private sale of certain tax-forfeited land in Carlton county.

PATRICK E. FLAHAVEN, Secretary of the Senate

Mr. Speaker:

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

House Concurrent Resolution No. 2, A house concurrent resolution providing for a joint convention of the Senate and the House of Representatives to elect members of the Board of Regents of the University of Minnesota.

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. 46, A bill for an act relating to public administration; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature with certain conditions; providing for deficiencies in and supplementing appropriations for the expenses of state government; authorizing issuance of state bonds; providing for the maximum effort school loan program and the cooperative secondary facilities grant program; clarifying the definition of mental health service provider and providing for a fee for the providers; clarifying requirements of manufactured home parks in certain cases; reducing certain bond sales authorizations; distributing the proceeds of certain litigation; increasing authorizations for certain state transportation bonds; increasing the allocation for bridges to political subdivisions; providing for certain adjustment grants; approving a capital loan; appropriating money; amending Minnesota Statutes 1988, sections 116.18, subdivision 3d; 124.477; 124.493, subdivision 1; 124.494, subdivisions 1, 2, and 4; 124.495; 129B.72, subdivision 2, and by adding a subdivision; 129B.73, subdivision 4, and by adding a subdivision; 148B.40, subdivision 3; 148B.42, by adding a subdivision; 327.20, subdivision 1; and Laws 1979, chapter 280, sections 1 and 2, as amended; proposing coding for new law in Minnesota Statutes, chapter 129B; repealing Laws 1987, chapter 400, section 59, as amended; and Laws 1988, chapter 686, article 1, section 37, subdivision 10.

The Senate has appointed as such committee:

Messrs. Freeman, Samuelson, Waldorf, Morse 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 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. 595, A bill for an act relating to housing; exempting relocated residential buildings from certain provisions of the state building code; amending Minnesota Statutes 1988, sections 16B.61, subdivision 3; and 462.357, subdivision 1.

PATRICK E. FLAHAVEN, Secretary of the Senate

CONCURRENCE AND REPASSAGE

O'Connor moved that the House concur in the Senate amendments to H. F. No. 595 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 595, A bill for an act relating to housing; providing for relocating residential buildings; amending Minnesota Statutes 1988, sections 16B.61, subdivision 3; and 462.357, subdivision 1.

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

The question was taken on the repassage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Forsythe	Kelly	Nelson, K.	Rest
Anderson, G.	Frederick	Kelso	Neuenschwander	Rice
Anderson, R.	Frerichs	Kinkel	O'Connor	Richter
Battaglia	Girard	Knickerbocker	Ogren	Rodosovich
Bauerly	Greenfield	Kostohryz	Olson, E.	Rukavina
Beard	Gruenes	Krueger	Olson, K.	Runbeck
Begich	Gutknecht	Lasley	Omann	Sarna
Bennett	Hartle	Liéder	Onnen	Schafer
Bertram	Hasskamp	Limmer	Orenstein	Scheid
Blatz	Haukoos	Long	Osthoft	Schreiber
Boo	Heap	Lynch	Ostrom	Seaberg
Brown	Henry	Macklin	Otis	Segal
Burger	Himle	Marsh	Ozment	Simoneau
Carlson, D.	Hugoson	McDonald	Pappas	Skoglund
Carlson, L.	Jacobs	McEachern	Pauly	Solberg
Carruthers	Janezich	McGuire	Pellow	Sparby
Clark	Jaros	McLaughlin	Pelowski	Stanisus
Conway	Jefferson	McPherson	Peterson	Steensma
Cooper	Jennings	Milbert	Poppenhagen	Sviggum
Dauner	Johnson, A.	Miller	Price	Swenson
Dawkins	Johnson, R.	Morrison	Pugh	Tjornhom
Dempsey	Johnson, V.	Munger	Quinn	Tompkins
Dille	Kahn	Murphy	Redalen	Trimble
Dorn	Kalis	Nelson, C.	Reding	Tunheim

Uphus
Valento
Vellenga

Wagenius
Waltman
Weaver

Welle
Wenzel
Williams

Winter
Wynia
Spk. Vanasek

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. 701, A bill for an act relating to environment; eliminating the PCB exemption program; repealing Minnesota Statutes 1988, sections 116.36; and 116.37.

PATRICK E. FLAHAVEN, Secretary of the Senate

Munger moved that the House refuse to concur in the Senate amendments to H. F. No. 701, 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 that the Senate refuses to concur in the House amendments to Senate File No. 169:

S. F. No. 169, A bill for an act relating to motor vehicles; allowing custodial parent of handicapped minor to obtain special license plates for the handicapped; amending Minnesota Statutes 1988, section 168.021, subdivisions 1 and 3.

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

Mr. Frederick, Mrs. Lantry and Mr. Diessner.

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

Hartle 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. 169. 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 preceding Special Orders pending for today, Monday, May 1, 1989:

H. F. No. 13; S. F. Nos. 435 and 493; H. F. No. 1379; S. F. No. 618; H. F. Nos. 953, 1560, 1589, 513, 162 and 1221; S. F. Nos. 134, 321, 331, 1082 and 1106; and H. F. Nos. 30, 186, 759, 981, 872 and 1207.

CONSENT CALENDAR

H. F. No. 1110 was reported to the House.

Schafer moved that H. F. No. 1110 be continued on the Consent Calendar. The motion prevailed.

H. F. No. 1504 was reported to the House.

Hugoson moved that H. F. No. 1504 be continued on the Consent Calendar. The motion prevailed.

S. F. No. 628, A bill for an act relating to eminent domain; providing for relocation benefits for displaced persons; amending Minnesota Statutes 1988, section 117.52, subdivision 1.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Boo	Dempsey	Haukoos	Johnson, R.
Anderson, G.	Brown	Dorn	Heap	Johnson, V.
Anderson, R.	Burger	Forsythe	Henry	Kahn
Battaglia	Carlson, D.	Frederick	Himle	Kalis
Bauerly	Carlson, L.	Frerichs	Hugoson	Kelly
Beard	Carruthers	Girard	Jacobs	Kelso
Begich	Clark	Greenfield	Janezich	Kinkel
Bennett	Conway	Gruenes	Jaros	Knickerbocker
Bertram	Cooper	Gutknecht	Jefferson	Kostohryz
Bishop	Dauner	Hartle	Jennings	Krueger
Blatz	Dawkins	Hasskamp	Johnson, A.	Lasley

Lieder	Nelson, C.	Pellow	Schafer	Tunheim
Limmer	Nelson, K.	Pelowski	Scheid	Uphus
Long	Neuenschwander	Peterson	Schreiber	Valento
Lynch	O'Connor	Poppenhagen	Seaberg	Vellenga
Macklin	Ogren	Price	Segal	Wagenius
Marsh	Olson, E.	Pugh	Simoneau	Waltman
McDonald	Olson, K.	Quinn	Skoglund	Weaver
McEachern	Omann	Redalen	Solberg	Welle
McGuire	Onnen	Reding	Sparby	Wenzel
McLaughlin	Orenstein	Rest	Stanis	Williams
McPherson	Osthoff	Rice	Steensma	Winter
Milbert	Ostrom	Richter	Sviggum	Wynia
Miller	Otis	Rodosovich	Swenson	Spk. Vanasek
Morrison	Ozment	Rukavina	Tjornhom	
Munger	Pappas	Rumbeck	Tompkins	
Murphy	Pauly	Sarna	Trimble	

The bill was passed and its title agreed to.

SPECIAL ORDERS

H. F. No. 13 was reported to the House.

Kelly moved to amend H. F. No. 13, the second engrossment, as follows:

Pages 8 and 9, delete section 9 from the bill

Page 9, line 12, after "enactment." delete "Section 9 is effective June 1, 1989."

The motion prevailed and the amendment was adopted.

H. F. No. 13, A bill for an act relating to courts; raising the jurisdictional limit on claims heard in conciliation court; permitting bail in civil contempt cases to be used to satisfy the judgment; establishing a conciliation court study commission; requiring a report; amending Minnesota Statutes 1988, sections 487.30, subdivisions 1 and 5; 488A.12, subdivision 3; 488A.14, subdivision 6; 488A.16, subdivision 8; 488A.29, subdivision 3; 488A.31, subdivision 6; and 488A.33, subdivision 7.

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. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Krueger	Orenstein	Segal
Anderson, G.	Girard	Lasley	Osthoff	Simoneau
Anderson, R.	Greenfield	Lieder	Ostrom	Skoglund
Battaglia	Gruenes	Limmer	Otis	Solberg
Bauerly	Gutknecht	Long	Ozment	Sparby
Beard	Hartle	Lynch	Pappas	Stanias
Begich	Hasskamp	Macklin	Pauly	Steensma
Bennett	Haukoos	Marsh	Pellow	Svigguin
Bertram	Heap	McDonald	Pelowski	Swenson
Bishop	Henry	McEachern	Peterson	Tjornhom
Blatz	Himle	McGuire	Poppenhagen	Tompkins
Boo	Hugoson	McLaughlin	Price	Trimble
Brown	Jacobs	McPherson	Pugh	Tunheim
Burger	Janezich	Milbert	Quinn	Uphus
Carlson, D.	Jaros	Miller	Redalen	Valento
Carlson, L.	Jefferson	Morrison	Reding	Vellenga
Carruthers	Jennings	Munger	Rest	Wagenius
Clark	Johnson, A.	Murphy	Rice	Waltman
Conway	Johnson, R.	Nelson, C.	Richter	Weaver
Cooper	Johnson, V.	Nelson, K.	Rodosovich	Welle
Dauner	Kahn	Neuenschwander	Rukavina	Wenzel
Dawkins	Kalis	O'Connor	Runbeck	Williams
Dempsey	Kelly	Ogren	Sarna	Winter
Dille	Kelso	Olson, E.	Schafer	Wynia
Dorn	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Forsythe	Knickerbocker	Omann	Schreiber	
Frederick	Kostohryz	Onnen	Seaberg	

The bill was passed, as amended, and its title agreed to.

S. F. No. 435, A bill for an act relating to veterans; changing admissions, discharge, and utilization review procedures for veterans homes; granting rulemaking authority to the veterans homes board; changing certain rights and presumptions; amending Minnesota Statutes 1988, sections 198.003; 198.007; 198.022; 198.03; and 198.32; proposing coding for new law in Minnesota Statutes, chapter 198.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 130 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Bennett	Carlson, D.	Dawkins	Girard
Anderson, G.	Bertram	Carlson, L.	Dempsey	Greenfield
Anderson, R.	Bishop	Carruthers	Dille	Gruenes
Battaglia	Blatz	Clark	Dorn	Gutknecht
Bauerly	Boo	Conway	Forsythe	Hasskamp
Beard	Brown	Cooper	Frederick	Haukoos
Begich	Burger	Dauner	Frerichs	Heap

Henry	Lieder	O'Connor	Quinn	Steensma
Himle	Limmer	Ogren	Redalen	Sviggum
Hugoson	Long	Olson, E.	Reding	Swenson
Jacobs	Lynch	Olson, K.	Rest	Tjornhom
Janezich	Macklin	Omann	Rice	Tompkins
Jaros	Marsh	Onnen	Richter	Trimble
Jefferson	McDonald	Orenstein	Rukavina	Tunheim
Jennings	McEachern	Osthoff	Runbeck	Uphus
Johnson, A.	McGuire	Ostrom	Sarna	Valento
Johnson, R.	McLaughlin	Otis	Schafer	Vellenga
Johnson, V.	McPherson	Ozment	Scheid	Wagenius
Kalis	Milbert	Pappas	Schreiber	Waltman
Kelly	Miller	Pauly	Seaberg	Weaver
Kelso	Morrison	Pellow	Segal	Welle
Kinkel	Munger	Pelowski	Simoneau	Wenzel
Knickerbocker	Murphy	Peterson	Skoglund	Williams
Kostohryz	Nelson, C.	Poppenhagen	Solberg	Winter
Krueger	Nelson, K.	Price	Sparby	Wynia
Lasley	Neuenschwander	Pugh	Stanius	Spk. Vanasek

The bill was passed and its title agreed to.

S. F. No. 493, A bill for an act relating to juvenile court; expanding the definition of child in need of protection or services; expanding the child hearsay exception to include statements regarding the abuse or neglect of another child witnessed by the child making the statement; clarifying the authority of the court to order the temporary removal of a child due to immediate endangerment; amending Minnesota Statutes 1988, sections 260.015, subdivision 2a; 260.156; and 260.172, subdivision 1.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Dauner	Janezich	Macklin	Onnen
Anderson, G.	Dawkins	Jaros	Marsh	Orenstein
Anderson, R.	Dempsey	Jefferson	McDonald	Osthoff
Battaglia	Dille	Jennings	McEachern	Ostrom
Bauerly	Dorn	Johnson, A.	McGuire	Otis
Beard	Forsythe	Johnson, R.	McLaughlin	Ozment
Begich	Frederick	Johnson, V.	McPherson	Pauly
Bennett	Frerichs	Kahn	Milbert	Pellow
Bertram	Girard	Kalis	Miller	Pelowski
Bishop	Greenfield	Kelly	Morrison	Peterson
Blatz	Gruenes	Kelso	Munger	Poppenhagen
Boo	Gutknecht	Kinkel	Murphy	Price
Brown	Hartle	Knickerbocker	Nelson, C.	Pugh
Burger	Hasskamp	Kostohryz	Nelson, K.	Quinn
Carlson, D.	Haukoos	Krueger	Neuenschwander	Redalen
Carlson, L.	Heap	Lasley	O'Connor	Reding
Carruthers	Henry	Lieder	Ogren	Rest
Clark	Himle	Limmer	Olson, E.	Rice
Conway	Hugoson	Long	Olson, K.	Richter
Cooper	Jacobs	Lynch	Omann	Rodosovich

Rukavina
Runbeck
Sarna
Schafer
Scheid
Schreiber
Seaberg

Segal
Simoneau
Skoglund
Solberg
Sparby
Stanius
Steensma

Sviggun
Swenson
Tjornhom
Tompkins
Trimble
Tunheim
Uphus

Valento
Vellenga
Wagenius
Waltman
Weaver
Welle
Wenzel

Williams
Winter
Wynia
Spk. Vanasek

The bill was passed and its title agreed to.

H. F. No. 1379 was reported to the House.

Trimble moved that H. F. No. 1379 be continued on Special Orders. The motion prevailed.

S. F. No. 618, A bill for an act relating to education; exempting employment by a school district from certain requirements relating to employment of rehabilitated criminal offenders; amending Minnesota Statutes 1988, section 364.09.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 128 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams
Anderson, G.
Anderson, R.
Battaglia
Bauerly
Beard
Begich
Bennett
Bertram
Bishop
Blatz
Boo
Brown
Burger
Carlson, D.
Carlson, L.
Carruthers
Clark
Conway
Cooper
Dauner
Dawkins
Dempsey
Dille
Dorn
Forsythe

Frederick
Frerichs
Girard
Greenfield
Gruenes
Gutknecht
Hartle
Hasskamp
Haukoos
Heap
Henry
Himle
Hugoson
Jacobs
Janezich
Jaros
Jennings
Johnson, A.
Johnson, R.
Johnson, V.
Kalis
Kelly
Kelso
Kinkel
Knickerbocker
Kostohryz

Krueger
Lasley
Lieder
Limmer
Long
Lynch
Macklin
Marsh
McDonald
McEachern
McGuire
McLaughlin
McPherson
Milbert
Miller
Morrison
Munger
Murphy
Nelson, C.
Nelson, K.
Neuenschwander
O'Connor
Ogren
Olson, E.
Olson, K.
Omann

Onnen
Orenstein
Osthoff
Ostrom
Otis
Ozment
Pappas
Pauly
Pellow
Pelowski
Peterson
Poppenhagen
Price
Pugh
Quinn
Redalen
Reding
Rest
Rice
Richter
Rodosovich
Rukavina
Runbeck
Sarna
Schafer
Scheid

Schreiber
Seaberg
Segal
Simoneau
Skoglund
Solberg
Stanius
Steensma
Sviggun
Tjornhom
Tompkins
Trimble
Tunheim
Uphus
Valento
Vellenga
Wagenius
Waltman
Weaver
Welle
Wenzel
Winter
Wynia
Spk. Vanasek

The bill was passed and its title agreed to.

H. F. No. 953 was reported to the House.

Hasskamp moved that H. F. No. 953 be continued on Special Orders. The motion prevailed.

H. F. No. 1560, A bill for an act relating to natural resources; authorizing the Elephant Creek impoundment in St. Louis county.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Krueger	Orenstein	Simoneau
Anderson, G.	Girard	Lasley	Osthoff	Skoglund
Anderson, R.	Greenfield	Lieder	Ostrom	Solberg
Battaglia	Gruenes	Limmer	Otis	Sparby
Bauerly	Gutknecht	Long	Ozment	Stanis
Beard	Hartle	Lynch	Pauly	Steensma
Begich	Hasskamp	Macklin	Pellow	Sviggum
Bennett	Haukoos	Marsh	Pelowski	Swenson
Bertram	Heap	McDonald	Peterson	Tjornhom
Bishop	Henry	McEachern	Poppenhagen	Tompkins
Blatz	Himle	McGuire	Price	Trimble
Boo	Hugoson	McLaughlin	Pugh	Tunheim
Brown	Jacobs	McPherson	Quinn	Uphus
Burger	Janezich	Milbert	Redalen	Valento
Carlson, D.	Jaros	Miller	Reding	Vellenga
Carlson, L.	Jefferson	Morrison	Rest	Wagenius
Carruthers	Jennings	Munger	Rice	Waltman
Clark	Johnson, A.	Murphy	Richter	Weaver
Conway	Johnson, R.	Nelson, C.	Rodosovich	Welle
Cooper	Johnson, V.	Nelson, K.	Rukavina	Wenzel
Dauner	Kahn	Neuenschwander	Rumbeck	Williams
Dawkins	Kalis	O'Connor	Sarna	Winter
Dempsey	Kelly	Ogren	Schafer	Wynia
Dille	Kelso	Olson, E.	Scheid	Spk. Vanasek
Dorn	Kinkel	Olson, K.	Schreiber	
Forsythe	Knickerbocker	Omann	Seaberg	
Frederick	Kostohryz	Onnen	Segal	

The bill was passed and its title agreed to.

H. F. No. 1589, A bill for an act relating to the city of Minneapolis; giving the city certain powers pertaining to the delivery of energy and environmental services; providing for combined hearings on improvements and assessments; amending Minnesota Statutes 1988, section 430.07, subdivision 5.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Krueger	Orenstein	Segal
Anderson, G.	Girard	Lasley	Osthoff	Simoneau
Anderson, R.	Greenfield	Lieder	Ostrom	Skoglund
Battaglia	Gruenes	Limmer	Otis	Solberg
Bauerly	Gutknecht	Long	Ozment	Sparby
Beard	Hartle	Lynch	Pappas	Stanius
Begich	Hasskamp	Macklin	Pauly	Steensma
Bennett	Haukoos	Marsh	Pellow	Sviggum
Bertram	Heap	McDonald	Pelowski	Swenson
Bishop	Henry	McEachern	Peterson	Tjornhom
Blatz	Himle	McGuire	Poppenhagen	Tompkins
Boo	Hugoson	McLaughlin	Price	Trimble
Brown	Jacobs	McPherson	Pugh	Tunheim
Burger	Janezich	Milbert	Quinn	Uphus
Carlson, D.	Jaros	Miller	Redalen	Valento
Carlson, L.	Jefferson	Morrison	Reding	Vellenga
Carruthers	Jennings	Munger	Rest	Wagenius
Clark	Johnson, A.	Murphy	Rice	Waltman
Conway	Johnson, R.	Nelson, C.	Richter	Weaver
Cooper	Johnson, V.	Nelson, K.	Rodosovich	Welle
Dauner	Kahn	Neuenschwander	Rukavina	Wenzel
Dawkins	Kalis	O'Connor	Runbeck	Williams
Dempsey	Kelly	Ogren	Sarna	Winter
Dille	Kelso	Olson, E.	Schafer	Wynia
Dorn	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Forsythe	Knickerbocker	Omann	Schreiber	
Frederick	Kostohryz	Onnen	Seaberg	

The bill was passed and its title agreed to.

H. F. No. 513 was reported to the House.

Hugoson moved that H. F. No. 513 be continued on Special Orders. The motion prevailed.

H. F. No. 162, A bill for an act relating to insurance; regulating insurance information collection, use, disclosure, access, and correction practices; requiring reasons for adverse underwriting decisions; amending Minnesota Statutes 1988, section 72A.20, subdivision 11; proposing coding for new law in Minnesota Statutes, chapter 72A.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Anderson, R.	Bauerly	Begich	Bertram
Anderson, G.	Battaglia	Beard	Bennett	Bishop

Blatz	Heap	Macklin	Ozment	Skoglund
Boo	Henry	Marsh	Pappas	Solberg
Brown	Himle	McDonald	Pauly	Sparby
Burger	Hugoson	McEachern	Pellow	Stanius
Carlson, D.	Jacobs	McGuire	Pelowski	Steensma
Carlson, L.	Janezich	McLaughlin	Peterson	Sviggum
Carruthers	Jaros	McPherson	Poppenhagen	Swenson
Clark	Jefferson	Milbert	Price	Tjornhom
Conway	Jennings	Miller	Pugh	Tompkins
Cooper	Johnson, A.	Morrison	Quinn	Trimble
Dauner	Johnson, R.	Munger	Redalen	Tunheim
Dawkins	Johnson, V.	Murphy	Reding	Uphus
Dempsey	Kahn	Nelson, C.	Rest	Valento
Dille	Kalis	Nelson, K.	Rice	Vellenga
Dorn	Kelly	Neuenschwander	Richter	Wagenius
Forsythe	Kelso	O'Connor	Rodosovich	Waltman
Frederick	Kinkel	Ogren	Rukavina	Weaver
Frerichs	Knickerbocker	Olson, E.	Runbeck	Welle
Girard	Kostohryz	Olson, K.	Sarna	Wenzel
Greenfield	Krueger	Omann	Schafer	Williams
Gruenes	Lasley	Onnen	Scheid	Winter
Gutknecht	Lieder	Orenstein	Schreiber	Wynia
Hartle	Limmer	Osthoff	Seaberg	Spk. Vanasek
Hasskamp	Long	Ostrom	Segal	
Haukoos	Lynch	Otis	Simoneau	

The bill was passed and its title agreed to.

H. F. No. 1221 was reported to the House.

Olson, K., moved to amend H. F. No. 1221, the first engrossment, as follows:

Delete everything after the enacting clause and insert:

"Section 1. [124.90] [MEDICAL ASSISTANCE PAYMENTS TO SCHOOL DISTRICTS.]

Subdivision 1. [ELIGIBILITY.] A school district may enroll as a provider in the medical assistance program and receive medical assistance payments for covered special education services provided to persons eligible for medical assistance under chapter 256B. To receive medical assistance payments, the school district must comply with relevant provisions of state and federal statutes and regulations governing the medical assistance program.

Subd. 2. [FUNDING.] A school district that provides a covered service to an eligible person and complies with relevant requirements of the medical assistance program shall be entitled to receive payment for the service provided, including that portion of the payment that will subsequently be reimbursed by the federal government, in the same manner as other medical assistance providers. The school district is not required to provide matching funds or pay part of the costs of the service, as long as the rate

charged for the service does not exceed medical assistance limits that apply to all medical assistance providers.

Subd. 3. [CONTRACT FOR SERVICES.] A school district may contract for the provision of medical assistance-covered services, and may contract with a third party agency to assist in administering and billing for these services.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective July 1, 1989."

Delete the title and insert:

"A bill for an act relating to education; allowing school districts to be considered providers under the state medical assistance plan; proposing coding for new law in Minnesota Statutes, chapter 124."

The motion prevailed and the amendment was adopted.

H. F. No. 1221, A bill for an act relating to education; allowing school districts to be considered providers under the state medical assistance plan; proposing coding for new law in Minnesota Statutes, chapter 124.

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. There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Dawkins	Jennings	McGuire	Ozment
Anderson, G.	Dempsey	Johnson, A.	McLaughlin	Pappas
Anderson, R.	Dille	Johnson, R.	McPherson	Pauly
Battaglia	Dorn	Johnson, V.	Milbert	Pellow
Bauerly	Forsythe	Kahn	Miller	Pelowski
Beard	Frederick	Kalis	Morrison	Peterson
Begich	Frerichs	Kelly	Munger	Poppenhagen
Bennett	Girard	Kelso	Murphy	Pugh
Bertram	Gruenes	Kinkel	Nelson, C.	Quinn
Bishop	Gutknecht	Knickerbocker	Nelson, K.	Redalen
Blatz	Hartle	Kostohryz	Neuenschwander	Reding
Boo	Hasskamp	Krueger	O'Connor	Rest
Brown	Haukoos	Lasley	Ogren	Richter
Burger	Heap	Lieder	Olson, E.	Rodosovich
Carlson, D.	Henry	Limmer	Olson, K.	Rukavina
Carlson, L.	Himle	Long	Omann	Runbeck
Carruthers	Hugoson	Lynch	Onnen	Sarna
Clark	Jacobs	Macklin	Orenstein	Schafer
Conway	Janezich	Marsh	Osthoft	Scheid
Cooper	Jaros	McDonald	Ostrom	Schreiber
Dauner	Jefferson	McEachern	Otis	Seaberg

Segal	Stanius	Tompkins	Wagenius	Williams
Simoneau	Steensma	Trimble	Waltman	Winter
Skoglund	Sviggum	Tunheim	Weaver	Wynia
Solberg	Swenson	Uphus	Welle	Spk. Vanasek
Sparby	Tjornhom	Valento	Wenzel	

The bill was passed, as amended, and its title agreed to.

S. F. No. 134, A bill for an act relating to government data practices; authorizing release of certain data to state committee of blind vendors; amending Minnesota Statutes 1988, section 13.791, subdivision 1, and by adding a subdivision.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Krueger	Orenstein	Segal
Anderson, G.	Girard	Lasley	Osthoff	Simoneau
Anderson, R.	Greenfield	Lieder	Ostrom	Skoglund
Battaglia	Gruenes	Limmer	Otis	Solberg
Bauerly	Gutknecht	Long	Ozment	Sparby
Beard	Hartle	Lynch	Pappas	Stanius
Begich	Hasskamp	Macklin	Pauly	Steensma
Bennett	Haukoos	Marsh	Pellow	Sviggum
Bertram	Heap	McDonald	Pelowski	Swenson
Bishop	Henry	McEachern	Peterson	Tjornhom
Blatz	Himle	McGuire	Popenhagen	Tompkins
Boo	Hugoson	McLaughlin	Price	Trimble
Brown	Jacobs	McPherson	Pugh	Tunheim
Burger	Janezich	Milbert	Quinn	Uphus
Carlson, D.	Jaros	Miller	Redalen	Valento
Carlson, L.	Jefferson	Morrison	Reding	Vellenga
Carruthers	Jennings	Munger	Rest	Wagenius
Clark	Johnson, A.	Murphy	Rice	Waltman
Conway	Johnson, R.	Nelson, C.	Richter	Weaver
Cooper	Johnson, V.	Nelson, K.	Rodosovich	Welle
Dauner	Kahn	Neuenschwander	Rukavina	Wenzel
Dawkins	Kalis	O'Connor	Runbeck	Williams
Dempsey	Kelly	Ogren	Sarna	Winter
Dille	Kelso	Olson, E.	Schafer	Wynia
Dorn	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Forsythe	Knickerbocker	Omann	Schreiber	
Frederick	Kostohryz	Onnen	Seaberg	

The bill was passed and its title agreed to.

S. F. No. 321, A bill for an act relating to public nuisances; expanding the nuisance law to include prior convictions for certain drug and liquor offenses; amending Minnesota Statutes 1988, section 617.81, subdivision 2.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Lasley	Osthoff	Simoneau
Anderson, G.	Girard	Lieder	Ostrom	Skoglund
Anderson, R.	Greenfield	Limmer	Otis	Solberg
Battaglia	Gruenes	Long	Ozment	Sparby
Bauerly	Gutknecht	Lynch	Pappas	Stanius
Beard	Hartle	Macklin	Pauly	Steensma
Begich	Hasskamp	Marsh	Pellow	Sviggrum
Bennett	Haukoos	McDonald	Pelowski	Swenson
Bertram	Heap	McEachern	Peterson	Tjornhom
Bishop	Henry	McGuire	Poppenhagen	Tompkins
Blatz	Himle	McLaughlin	Price	Trimble
Boo	Hugoson	McPherson	Pugh	Tunheim
Brown	Jacobs	Milbert	Quinn	Uphus
Burger	Janezich	Miller	Redalen	Valento
Carlson, D.	Jaros	Morrison	Reding	Vellenga
Carlson, L.	Jefferson	Munger	Rest	Wagenius
Carruthers	Jennings	Murphy	Rice	Waltman
Clark	Johnson, A.	Nelson, C.	Richter	Weaver
Conway	Johnson, V.	Nelson, K.	Rodosovich	Welle
Cooper	Kahn	Neuenschwander	Rukavina	Wenzel
Dauner	Kalis	O'Connor	Runbeck	Williams
Dawkins	Kelly	Ogren	Sarna	Winter
Dempsey	Kelso	Olson, E.	Schafer	Wynia
Dille	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Dorn	Knickerbocker	Omann	Schreiber	
Forsythe	Kostohryz	Onnen	Seaberg	
Frederick	Krueger	Orenstein	Segal	

The bill was passed and its title agreed to.

The Speaker called Quinn to the Chair.

S. F. No. 331, A bill for an act relating to notaries public; eliminating the requirement that notaries be bonded; amending Minnesota Statutes 1988, sections 359.02 and 359.071.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 126 yeas and 2 nays as follows:

Those who voted in the affirmative were:

Abrams	Bertram	Carruthers	Dorn	Hasskamp
Anderson, G.	Bishop	Clark	Frederick	Haukoos
Anderson, R.	Blatz	Conway	Frerichs	Heap
Battaglia	Boo	Cooper	Girard	Henry
Bauerly	Brown	Dauner	Greenfield	Himle
Beard	Burger	Dawkins	Gruenes	Hugoson
Begich	Carlson, D.	Dempsey	Gutknecht	Jacobs
Bennett	Carlson, L.	Dille	Hartle	Janezich

Jaros	Lynch	Olson, E.	Reding	Steensma
Jefferson	Macklin	Olson, K.	Rest	Sviggum
Jennings	Marsh	Omann	Rice	Swenson
Johnson, A.	McDonald	Onnen	Richter	Tjornhom
Johnson, R.	McGuire	Orenstein	Rodosovich	Tompkins
Johnson, V.	McLaughlin	Ostrom	Rukavina	Trimble
Kahn	McPherson	Otis	Runbeck	Tunheim
Kalis	Milbert	Ozment	Schafer	Uphus
Kelly	Miller	Pappas	Scheid	Valento
Kelso	Morrison	Pauly	Schreiber	Vellenga
Kinkel	Munger	Pellow	Seaberg	Wagenius
Kostohryz	Murphy	Pelowski	Segal	Waltman
Krueger	Nelson, C.	Poppenhagen	Simoneau	Weaver
Lasley	Nelson, K.	Price	Skoglund	Welle
Lieder	Neuenschwander	Pugh	Solberg	Wenzel
Limmer	O'Connor	Quinn	Sparby	Williams
Long	Ogren	Redalen	Stanisus	Winter
				Spk. Vanasek

Those who voted in the negative were:

Forsythe Knickerbocker

The bill was passed and its title agreed to.

S. F. No. 1082, A bill for an act relating to administrative procedure; clarifying the applicability of the requirement that agencies consider the impact of proposed rules on small business; amending Minnesota Statutes 1988, section 14.115, subdivision 7.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 129 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Dawkins	Jefferson	McGuire	Pappas
Anderson, G.	Dempsey	Jennings	McPherson	Pauly
Anderson, R.	Dille	Johnson, A.	Milbert	Pellow
Battaglia	Dorn	Johnson, R.	Miller	Pelowski
Bauerly	Forsythe	Johnson, V.	Morrison	Peterson
Beard	Frederick	Kahn	Munger	Poppenhagen
Begich	Frerichs	Kalis	Murphy	Price
Bennett	Girard	Kelly	Nelson, C.	Pugh
Bertram	Greenfield	Kelso	Nelson, K.	Quinn
Bishop	Gruenes	Kinkel	Neuenschwander	Redalen
Blatz	Gutknecht	Knickerbocker	O'Connor	Reding
Boo	Hartle	Kostohryz	Ogren	Rest
Brown	Hasskamp	Krueger	Olson, E.	Rice
Burger	Haukoos	Lasley	Olson, K.	Richter
Carlson, D.	Heap	Lieder	Omann	Rodosovich
Carlson, L.	Henry	Limmer	Onnen	Rukavina
Carruthers	Himle	Long	Orenstein	Schafer
Clark	Hugoson	Lynch	Osthoft	Scheid
Conway	Jacobs	Macklin	Ostrom	Schreiber
Cooper	Janezich	Marsh	Otis	Seaberg
Dauner	Jaros	McDonald	Ozment	Segal

Simoneau	Steensma	Trimble	Wagenius	Williams
Skoglund	Svigum	Tunheim	Waltman	Winter
Solberg	Swenson	Uphus	Weaver	Wynia
Sparby	Tjornhom	Valento	Welle	Spk. Vanasek
Stanius	Tompkins	Vellenga	Wenzel	

The bill was passed and its title agreed to.

S. F. No. 1106 was reported to the House.

There being no objection, S. F. No. 1106 was temporarily laid over on Special Orders.

H. F. No. 30, A bill for an act relating to employment; requiring breaks during the work day; proposing coding for new law in Minnesota Statutes, chapter 177.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Lasley	Osthoff	Simoneau
Anderson, G.	Girard	Lieder	Ostrom	Skoglund
Anderson, R.	Greenfield	Limmer	Otis	Solberg
Battaglia	Gruenes	Long	Ozment	Sparby
Bauerly	Gutknecht	Lynch	Pappas	Stanius
Beard	Hartle	Macklin	Pauly	Steensma
Begich	Hasskamp	Marsh	Pellow	Svigum
Bennett	Haukoos	McDonald	Pelowski	Swenson
Bertram	Heap	McEachern	Peterson	Tjornhom
Bishop	Henry	McGuire	Poppenhagen	Tompkins
Blatz	Himle	McLaughlin	Price	Trimble
Boo	Hugoson	McPherson	Pugh	Tunheim
Brown	Jacobs	Milbert	Quinn	Uphus
Burger	Janezich	Miller	Redalen	Valento
Carlson, D.	Jaros	Morrison	Reding	Vellenga
Carlson, L.	Jefferson	Munger	Rest	Wagenius
Carruthers	Jennings	Murphy	Rice	Waltman
Clark	Johnson, A.	Nelson, C.	Richter	Weaver
Conway	Johnson, R.	Nelson, K.	Rodosovich	Welle
Cooper	Johnson, V.	Neuenschwander	Rukavina	Wenzel
Dauner	Kahn	O'Connor	Runbeck	Williams
Dawkins	Kalis	Ogren	Sarna	Winter
Dempsey	Kelly	Olson, E.	Schafer	Wynia
Dille	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Dorn	Knickerbocker	Omann	Schreiber	
Forsythe	Kostohryz	Onnen	Seaberg	
Frederick	Krueger	Orenstein	Segal	

The bill was passed and its title agreed to.

H. F. No. 186 was reported to the House.

Carruthers moved to amend H. F. No. 186, the first engrossment, as follows:

Page 4, after line 9, insert:

"Sec. 6. Minnesota Statutes 1988, section 326.3384, subdivision 1, is amended to read:

Subdivision 1. [PROHIBITION.] (a) No license holder or employee of a license holder shall, in a manner that implies that the person is an employee or agent of a governmental agency, display on a badge, identification card, emblem, vehicle, uniform, stationery, or in advertising for private detective or protective agent services:

(1) the words "police," "constable," "highway patrol," "sheriff," "trooper," or "law enforcement"; or

(2) the name of a municipality, county, state, or of the United States, or any governmental subdivision thereof.

(b) No license holder, in the course of providing protective agent services, shall provide armed protective personnel to labor disputes or strike locations. This section shall not apply to the use of armed security personnel services utilized in the usual course of business for the protection of persons, property and payroll."

Renumber remaining sections in sequence

Further amend the title as follows:

Page 1, line 10, after the semicolon, insert "326.3384, subdivision 1,"

The motion prevailed and the amendment was adopted.

H. F. No. 186, A bill for an act relating to employment; protective agents; prohibiting employers to hire as a protective agent a person convicted of certain crimes; disqualifying persons convicted of criminal sexual conduct from holding a license to operate a private detective or protective agent service; amending Minnesota Statutes 1988, sections 326.32, by adding subdivisions; 326.336, subdivision 1; 326.3381, subdivision 3, and by adding a subdivision; 326.3384, subdivision 1; and 364.09.

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. There were 111 yeas and 19 nays as follows:

Those who voted in the affirmative were:

Abrams	Forsythe	Kostohryz	Omann	Segal
Anderson, G.	Frederick	Krueger	Onnen	Simoneau
Anderson, R.	Greenfield	Lasley	Orenstein	Skoglund
Battaglia	Gruenes	Lieder	Osthoff	Solberg
Bauerly	Hartle	Long	Ostrom	Sparby
Beard	Hasskamp	Lynch	Otis	Stanius
Begich	Heap	Macklin	Ozment	Steensma
Bennett	Henry	Marsh	Pappas	Sviggum
Bertram	Himle	McGuire	Pauly	Swenson
Blatz	Jacobs	McLaughlin	Pelowski	Tjornhom
Boo	Janezich	McPherson	Peterson	Trimble
Brown	Jaros	Milbert	Price	Tunheim
Burger	Jefferson	Morrison	Pugh	Uphus
Carlson, D.	Jennings	Munger	Quinn	Valento
Carlson, L.	Johnson, A.	Murphy	Reding	Vellenga
Carruthers	Johnson, R.	Nelson, C.	Rest	Wagenius
Clark	Kahn	Nelson, K.	Rice	Waltman
Conway	Kalis	Neuenschwander	Rodosovich	Weaver
Cooper	Kelly	O'Connor	Rukavina	Wenzel
Dawkins	Kelso	Ogren	Runbeck	Williams
Dempsey	Kinkel	Olson, E.	Sarna	Winter
Dorn	Knickerbocker	Olson, K.	Scheid	Wynia
				Spk. Vanasek

Those who voted in the negative were:

Dauner	Gutknecht	Limmer	Poppenhagen	Schreiber
Dille	Haukoos	McDonald	Redalen	Seaberg
Frerichs	Hugoson	Miller	Richter	Tompkins
Girard	Johnson, V.	Pellow	Schafer	

The bill was passed, as amended, and its title agreed to.

H. F. No. 759 was reported to the House.

Welle moved that H. F. No. 759 be continued on Special Orders. The motion prevailed.

H. F. No. 981 was reported to the House.

Rest moved that H. F. No. 981 be continued on Special Orders. The motion prevailed.

H. F. No. 872 was reported to the House.

Jaros moved that H. F. No. 872 be continued on Special Orders. The motion prevailed.

H. F. No. 1207, A bill for an act relating to counties; providing conditions for the disposition of county property; amending Minnesota Statutes 1988, section 373.01, subdivision 1.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 133 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Krueger	Orenstein	Segal
Anderson, G.	Girard	Lasley	Osthoff	Simoneau
Anderson, R.	Greenfield	Lieder	Ostrom	Skoglund
Battaglia	Gruenes	Limmer	Otis	Solberg
Bauerly	Gutknecht	Long	Ozment	Sparby
Beard	Hartle	Lynch	Pappas	Stanisus
Begich	Hasskamp	Macklin	Pauly	Steensma
Bennett	Haukoos	Marsh	Pellow	Sviggum
Bertram	Heap	McDonald	Pelowski	Swenson
Bishop	Henry	McEachern	Peterson	Tjornhom
Blatz	Himle	McGuire	Poppenhagen	Tompkins
Boo	Hugoson	McLaughlin	Price	Trimble
Brown	Jacobs	McPherson	Pugh	Tunheim
Burger	Janezich	Milbert	Quinn	Uphus
Carlson, D.	Jaros	Miller	Redalen	Valento
Carlson, L.	Jefferson	Morrison	Reding	Vellenga
Carruthers	Jennings	Munger	Rest	Wagenius
Clark	Johnson, A.	Murphy	Rice	Waltman
Conway	Johnson, R.	Nelson, C.	Richter	Weaver
Cooper	Johnson, V.	Nelson, K.	Rodosovich	Welle
Dauner	Kahn	Neuenschwander	Rukavina	Wenzel
Dawkins	Kalis	O'Connor	Runbeck	Williams
Dempsey	Kelly	Ogren	Sarna	Winter
Dille	Kelso	Olson, E.	Schafer	Wynia
Dorn	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Forsythe	Knickerbocker	Omann	Schreiber	
Frederick	Kostohryz	Onnen	Seaberg	

The bill was passed and its title agreed to.

H. F. No. 1175 was reported to the House.

Bauerly moved that H. F. No. 1175 be continued on Special Orders. The motion prevailed.

H. F. No. 950 was reported to the House.

Orenstein moved that H. F. No. 950 be continued on Special Orders. The motion prevailed.

S. F. No. 1106 which was temporarily laid over earlier today was again reported to the House.

S. F. No. 1106, A bill for an act relating to adoption; changing the minimum age at which an adopted person may request original birth certificate information; changing time periods during which birth parents may consent to disclosure; authorizing disclosure of information on the consenting parent when only one birth parent consents; amending Minnesota Statutes 1988, section 259.49, subdivisions 1, 2, and 4.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Krueger	Orenstein	Simoneau
Anderson, G.	Girard	Lasley	Ostrom	Skoglund
Anderson, R.	Greenfield	Lieder	Otis	Solberg
Battaglia	Gruenes	Limmer	Ozment	Sparby
Bauerly	Gutknecht	Long	Pappas	Stanis
Beard	Hartle	Lynch	Pauly	Steensma
Begich	Hasskamp	Macklin	Pellow	Sviggum
Bennett	Haukoos	Marsh	Pelowski	Swenson
Bertram	Heap	McDonald	Peterson	Tjornhom
Bishop	Henry	McEachern	Poppenhagen	Tompkins
Blatz	Himle	McGuire	Price	Trimble
Boo	Hugoson	McLaughlin	Pugh	Tunheim
Brown	Jacobs	McPherson	Quinn	Uphus
Burger	Janezich	Milbert	Redalen	Valento
Carlson, D.	Jaros	Miller	Reding	Vellenga
Carlson, L.	Jefferson	Morrison	Rest	Wagenius
Carruthers	Jennings	Munger	Rice	Waltman
Clark	Johnson, A.	Murphy	Richter	Weaver
Conway	Johnson, R.	Nelson, C.	Rodosovich	Welle
Cooper	Johnson, V.	Nelson, K.	Rukavina	Wenzel
Dauner	Kahn	Neuenschwander	Runbeck	Williams
Dawkins	Kalis	O'Connor	Sarna	Winter
Dempsey	Kelly	Ogren	Schafer	Wynia
Dille	Kelso	Olson, E.	Scheid	Spk. Vanasek
Dorn	Kinkel	Olson, K.	Schreiber	
Forsythe	Knickerbocker	Omann	Seaberg	
Frederick	Kostohryz	Onnen	Segal	

The bill was passed and its title agreed to.

There being no objection, the House recessed subject to the call of the Chair. The motion prevailed.

RECESS

RECONVENED

The House reconvened and was called to order by Speaker pro tempore Quinn.

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 for immediate consideration Monday, May 1, 1989:

H. F. No. 1432; S. F. Nos. 787 and 388; and H. F. Nos. 1423, 1425, 260, 1121, 1387, 1697 and 1715.

H. F. No. 1432 was reported to the House.

Steensma moved that H. F. No. 1432 be temporarily laid over on Special Orders. The motion prevailed.

S. F. No. 787, A bill for an act relating to human services; establishing reporting requirements; defining the functions and responsibilities of the commissioner in supervising community social services administered by the counties; requiring the commissioner of human services to ensure compliance with applicable program laws and regulations; implementing corrective action plans; providing sanctions and establishing an incentive program; amending Minnesota Statutes 1988, sections 245.482; 245.716; 245.73, subdivision 4; 252.275, subdivision 7; 256.01, subdivision 2; 256.72; 256.736, subdivision 15; 256.871, subdivision 6; 256.935, subdivision 1; 256B.05, subdivision 1; 256B.20; 256D.04; 256D.39; 256E.05, subdivision 3, and by adding subdivisions; 256E.08, subdivisions 1 and 8; 256E.12, subdivision 3; 256F.06, subdivision 4; 256H.09, subdivision 1; and 257.3575, subdivision 2.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Carruthers	Gutknecht	Johnson, V.	Marsh
Anderson, G.	Clark	Hartle	Kahn	McDonald
Anderson, R.	Conway	Hasskamp	Kalis	McEachern
Battaglia	Cooper	Haukoos	Kelly	McGuire
Bauerly	Dauner	Heap	Kelso	McLaughlin
Beard	Dawkins	Henry	Kinkel	McPherson
Begich	Dempsey	Himle	Knickerbocker	Milbert
Bennett	Dille	Hugoson	Kostohryz	Miller
Bertram	Dorn	Jacobs	Krueger	Morrison
Blatz	Forsythe	Janezich	Lasley	Munger
Boo	Frederick	Jaros	Lieder	Murphy
Brown	Frerichs	Jefferson	Limmer	Nelson, C.
Burger	Girard	Jennings	Long	Nelson, K.
Carlson, D.	Greenfield	Johnson, A.	Lynch	Neuenschwander
Carlson, L.	Gruenes	Johnson, R.	Macklin	O'Connor

Ogren	Pellow	Rodosovich	Sparby	Wagenius
Olson, E.	Pelowski	Rukavina	Stanisus	Waltman
Olson, K.	Peterson	Runbeck	Steensma	Weaver
Omann	Poppenhagen	Sarna	Sviggum	Welle
Onnen	Price	Schafer	Swenson	Wenzel
Orenstein	Pugh	Scheid	Tjornhom	Williams
Osthoff	Quinn	Schreiber	Tompkins	Winter
Ostrom	Redalen	Seaberg	Trimble	Wynia
Otis	Reding	Segal	Tunheim	Spk. Vanasek
Ozment	Rest	Simoneau	Uphus	
Pappas	Rice	Skoglund	Valento	
Pauly	Richter	Solberg	Vellenga	

The bill was passed and its title agreed to.

S. F. No. 388, A resolution memorializing the President and Congress to enact legislation to allow the use of flexible highway design standards in the interstate highway 35W corridor, to make federal money available for a light rail transit system, and to make funds available for the completion and repair of federal aid highways.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 127 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frederick	Knickerbocker	Omann	Scheid
Anderson, G.	Frerichs	Kostohryz	Onnen	Schreiber
Anderson, R.	Girard	Krueger	Orenstein	Seaberg
Battaglia	Greenfield	Limmer	Osthoff	Segal
Bauerly	Gruenes	Long	Ostrom	Simoneau
Beard	Gutknecht	Lynch	Otis	Skoglund
Begich	Hartle	Macklin	Ozment	Solberg
Bennett	Hasskamp	Marsh	Pappas	Sparby
Bertram	Haukoos	McDonald	Pauly	Stanisus
Blatz	Heap	McEachern	Pellow	Steensma
Boo	Henry	McGuire	Pelowski	Sviggum
Brown	Himle	McLaughlin	Peterson	Swenson
Burger	Hugoson	McPherson	Poppenhagen	Tjornhom
Carlson, D.	Jacobs	Milbert	Price	Trimble
Carlson, L.	Janezich	Miller	Pugh	Tunheim
Carruthers	Jaros	Morrison	Quinn	Uphus
Clark	Jefferson	Munger	Redalen	Valento
Conway	Jennings	Murphy	Reding	Vellenga
Cooper	Johnson, A.	Nelson, C.	Rest	Wagenius
Dauner	Johnson, V.	Nelson, K.	Rice	Waltman
Dawkins	Kahn	Neuenschwander	Richter	Weaver
Dempsey	Kalis	O'Connor	Rukavina	Welle
Dille	Kelly	Ogren	Runbeck	Wenzel
Dorn	Kelso	Olson, E.	Sarna	Williams
Forsythe	Kinkel	Olson, K.	Schafer	Winter
				Wynia
				Spk. Vanasek

The bill was passed and its title agreed to.

H. F. No. 1423, A bill for an act relating to nursing home admission agreements; prohibiting use of blanket waivers of liability by continuing care facilities and nursing homes; requiring nursing home admission agreements to be available to the public and clarifying that such agreements are consumer contracts; prohibiting nursing homes from requiring third party guarantors; requiring nursing homes to identify their status as public benefits providers; prohibiting use of blanket consents for treatment; requiring written acknowledgment that residents have received a copy of the patients' bill of rights; providing penalties; requiring a facility fee payment to enrolled hospitals for certain emergency room or clinic visits; amending Minnesota Statutes 1988, section 80D.04, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 144; and 256B.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frerichs	Krueger	Osthoff	Simoneau
Anderson, G.	Girard	Lasley	Ostrom	Skoglund
Anderson, R.	Greenfield	Lieder	Otis	Solberg
Battaglia	Gruenes	Limmer	Ozment	Sparby
Bauerly	Gutknecht	Long	Pappas	Stanias
Beard	Hartle	Lynch	Pauly	Steensma
Begich	Hasskamp	Macklin	Pellow	Sviggum
Bennett	Haukoos	Marsh	Pelowski	Swenson
Bertram	Heap	McDonald	Peterson	Tjornhom
Bishop	Henry	McEachern	Poppenhagen	Tompkins
Blatz	Himle	McGuire	Price	Trimble
Boo	Hugoson	McLaughlin	Pugh	Tunheim
Brown	Jacobs	McPherson	Quinn	Uphus
Burger	Janezich	Milbert	Redalen	Valento
Carlson, D.	Jaros	Miller	Reding	Vellenga
Carlson, L.	Jefferson	Munger	Rest	Wagenius
Carruthers	Jennings	Murphy	Rice	Waltman
Clark	Johnson, A.	Nelson, C.	Richter	Weaver
Conway	Johnson, R.	Nelson, K.	Rodosovich	Welle
Cooper	Johnson, V.	Neuenschwander	Rukavina	Wenzel
Dauner	Kahn	O'Connor	Runbeck	Williams
Dawkins	Kalis	Ogren	Sarna	Winter
Dempsey	Kelly	Olson, E.	Schafer	Wynia
Dille	Kelso	Olson, K.	Scheid	Spk. Vanasek
Dorn	Kinkel	Omann	Schreiber	
Forsythe	Knickerbocker	Onnen	Seaberg	
Frederick	Kostohryz	Orenstein	Segal	

The bill was passed and its title agreed to.

H. F. No. 1425, A bill for an act relating to privacy of communications; modifying standards for disclosure of communications by electronic communications services; limiting use of contract person-

nél; modifying reporting requirements; modifying procedures for the use of pen registers and trap and trace devices; requiring orders for the use of mobile tracking devices; providing for a civil cause of action; removing the sunset on the privacy of communications act; authorizing the attorney general and county attorneys to issue administrative subpoenas; creating crimes that prohibit warning subjects of investigations, electronic surveillance, or search warrants; imposing penalties; amending Minnesota Statutes 1988, sections 626A.02, subdivision 3; 626A.04; 626A.06, subdivisions 1 and 4a; 626A.11, subdivisions 1 and 2; 626A.12, subdivision 1; 626A.17; 626A.35; 626A.36; 626A.37; 626A.38, subdivision 1; 626A.39, by adding a subdivision; and 626A.40; Laws 1988, chapter 577, section 63; proposing coding for new law in Minnesota Statutes, chapters 8, 388, 609, and 626A; repealing Minnesota Statutes 1988, sections 626A.12, subdivision 1a; 626A.22; 626A.23; 626A.24; and 626A.38, subdivision 5; Laws 1988, chapter 577, section 62.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Girard	Lasley	Osthoff	Simoneau
Anderson, G.	Greenfield	Lieder	Ostrom	Skoglund
Anderson, R.	Gruenes	Limmer	Otis	Solberg
Battaglia	Gutknecht	Long	Ozment	Sparby
Bauerly	Hartle	Lynch	Pappas	Stanius
Beard	Hasskamp	Macklin	Pauly	Steensma
Begich	Haukoos	Marsh	Pellow	Sviggum
Bennett	Heap	McDonald	Pelowski	Swenson
Bertram	Henry	McEachern	Peterson	Tjornhom
Bishop	Himle	McGuire	Poppenhagen	Tompkins
Blatz	Hugoson	McLaughlin	Price	Trimble
Boo	Jacobs	McPherson	Pugh	Tunheim
Brown	Janezich	Milbert	Quinn	Uphus
Burger	Jaros	Miller	Redalen	Valento
Carlson, D.	Jefferson	Morrison	Reding	Vellenga
Carlson, L.	Jennings	Munger	Rest	Wagenius
Carruthers	Johnson, A.	Murphy	Rice	Waltman
Clark	Johnson, R.	Nelson, C.	Richter	Weaver
Conway	Johnson, V.	Nelson, K.	Rodosovich	Welle
Cooper	Kahn	Neuenschwander	Rukavina	Wenzel
Dauner	Kalis	O'Connor	Runbeck	Williams
Dawkins	Kelly	Ogren	Sarna	Winter
Dempsey	Kelso	Olson, E.	Schafer	Wynia
Dille	Kinkel	Olson, K.	Scheid	Spk. Vanasek
Dorn	Knickerbocker	Omann	Schreiber	
Forsythe	Kostohryz	Ornen	Seaberg	
Frederick	Krueger	Orenstein	Segal	

The bill was passed and its title agreed to.

Knickerbocker was excused for the remainder of today's session.

H. F. No. 260 was reported to the House.

Trimble moved that H. F. No. 260 be temporarily laid over on Special Orders. The motion prevailed.

H. F. No. 1121, A bill for an act relating to animals; regulating using animals for certain purposes; providing a penalty; amending Minnesota Statutes 1988, section 343.33.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 115 yeas and 15 nays as follows:

Those who voted in the affirmative were:

Abrams	Dorn	Kelly	Ogren	Schreiber
Anderson, G.	Forsythe	Kelso	Olson, E.	Seaberg
Anderson, R.	Frederick	Kinkel	Olson, K.	Segal
Battaglia	Greenfield	Kostohryz	Omann	Simoneau
Bauerly	Gruenes	Krueger	Orenstein	Skoglund
Beard	Gutknecht	Lasley	Ostrom	Solberg
Begich	Hartle	Lieder	Otis	Steensma
Bennett	Hasskamp	Limmer	Ozment	Swigum
Bertram	Haukoos	Long	Pappas	Swenson
Bishop	Heap	Lynch	Pauly	Tjornhom
Blatz	Henry	Macklin	Pellow	Tompkins
Boo	Himle	McEachern	Pelowski	Trimble
Brown	Hugoson	McGuire	Peterson	Tunheim
Carlson, D.	Jacobs	McLaughlin	Price	Uphus
Carlson, L.	Janezich	McPherson	Pugh	Valento
Carruthers	Jaros	Milbert	Quinn	Vellenga
Clark	Jefferson	Morrison	Reding	Wagenius
Conway	Jennings	Munger	Rest	Waltman
Cooper	Johnson, A.	Murphy	Rice	Weaver
Dauner	Johnson, R.	Nelson, C.	Rodosovich	Williams
Dawkins	Johnson, V.	Nelson, K.	Rukavina	Winter
Dempsey	Kahn	Neuenschwander	Sarna	Wynia
Dille	Kalis	O'Connor	Scheid	Spk. Vanasek

Those who voted in the negative were:

Burger	Marsh	Onnen	Richter	Stanius
Frerichs	McDonald	Poppenhagen	Runbeck	Welle
Girard	Miller	Redalen	Schafer	Wenzel

The bill was passed and its title agreed to.

H. F. No. 1432 which was temporarily laid over earlier today was again reported to the House.

H. F. No. 1432, A bill for an act relating to transportation; requiring nonrailroad lessors to comply with certain procedures

before sale of property interests; amending Minnesota Statutes 1988, sections 222.631, by adding a subdivision; 222.632; and 222.633.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 131 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Frederick	Kostohryz	Omann	Scheid
Anderson, G.	Frerichs	Krueger	Onnen	Schreiber
Anderson, R.	Girard	Lasley	Orenstein	Seaberg
Battaglia	Greenfield	Lieder	Osthoff	Segal
Bauerly	Gruenes	Limmer	Ostrom	Simoneau
Beard	Gutknecht	Long	Otis	Skoglund
Begich	Hartle	Lynch	Ozment	Sparby
Bennett	Hasskamp	Macklin	Pappas	Stanisus
Bertram	Haukoos	Marsh	Pauly	Steensma
Bishop	Heap	McDonald	Pellow	Sviggum
Blatz	Henry	McEachern	Pelowski	Swenson
Boo	Himle	McGuire	Peterson	Tjornhom
Brown	Hugoson	McLaughlin	Poppenhagen	Tompkins
Burger	Jacobs	McPherson	Price	Trimble
Carlson, D.	Janezich	Milbert	Pugh	Tunheim
Carlson, L.	Jaros	Miller	Quinn	Uphus
Carruthers	Jefferson	Morrison	Redalen	Valento
Clark	Jennings	Munger	Reding	Vellenga
Conway	Johnson, A.	Murphy	Rest	Wagenius
Cooper	Johnson, R.	Nelson, C.	Rice	Waltman
Dauner	Johnson, V.	Nelson, K.	Richter	Weaver
Dawkins	Kahn	Neuenschwander	Rodosovich	Welle
Dempsey	Kalis	O'Connor	Rukavina	Wenzel
Dille	Kelly	Ogren	Runbeck	Williams
Dorn	Kelso	Olson, E.	Sarna	Winter
Forsythe	Kinkel	Olson, K.	Schafer	Wynia
				Spk. Vanasek

The bill was passed and its title agreed to.

H. F. No. 1387, A bill for an act relating to education; prohibiting certain punishment in schools; proposing coding for new law in Minnesota Statutes, chapter 127.

The bill was read for the third time and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 78 yeas and 49 nays as follows:

Those who voted in the affirmative were:

Abrams	Beard	Brown	Cooper	Girard
Anderson, G.	Bennett	Carlson, D.	Dauner	Greenfield
Battaglia	Bishop	Carlson, L.	Dawkins	Hartle
Bauerly	Blatz	Clark	Forsythe	Hasskamp

Jacobs	Lynch	Osthoff	Rice	Tunheim
Janezich	Macklin	Ostrom	Rodosovich	Uphus
Jefferson	McEachern	Otis	Runbeck	Vellenga
Jennings	McGuire	Ozment	Sarna	Wagenius
Johnson, A.	McLaughlin	Pappas	Scheid	Weaver
Kahn	Murphy	Pelowski	Segal	Welle
Kelso	Nelson, C.	Peterson	Simoneau	Williams
Kinkel	Nelson, K.	Price	Skoglund	Winter
Krueger	Neuenschwander	Pugh	Stanisus	Wynia
Lasley	Ogren	Quinn	Steensma	Spk. Vanasek
Lieder	Olson, K.	Reding	Swenson	
Long	Orenstein	Rest	Trimble	

Those who voted in the negative were:

Anderson, R.	Frederick	Johnson, V.	O'Connor	Schreiber
Begich	Frerichs	Kalis	Olson, E.	Seaberg
Bertram	Gruenes	Kostohryz	Omann	Solberg
Boo	Gutknecht	Limmer	Onnen	Sviggunn
Burger	Haukoos	Marsh	Pauly	Tjornhom
Carruthers	Heap	McDonald	Pellow	Tompkins
Conway	Henry	McPherson	Poppenhagen	Valento
Dempsey	Himle	Milbert	Redalen	Waltman
Dille	Hugoson	Miller	Richter	Wenzel
Dorn	Johnson, R.	Morrison	Schafer	

The bill was passed and its title agreed to.

H. F. No. 1697 was reported to the House.

Carruthers moved to amend H. F. No. 1697, the first engrossment, as follows:

Page 1, line 13, delete the colon

Page 1, line 14, delete "(1)"

Page 1, line 16, delete "; and" and insert a period

Page 1, delete lines 17 to 21

Page 1, line 26, delete "A towing"

Page 1, delete line 27

Page 2, delete lines 1 to 3

Page 3, line 12, after "tabs" insert "that have been expired for less than 90 days"

The motion prevailed and the amendment was adopted.

Carruthers moved to amend H. F. No. 1697, the first engrossment, as amended, as follows:

Page 2, line 9, delete everything after "area"

Page 2, line 10, delete everything before the semicolon

The motion prevailed and the amendment was adopted.

Bennett moved to amend H. F. No. 1697, the first engrossment, as amended, as follows:

Page 3, after line 32, insert:

"Sec. 3. [169.042] [TOWING REGULATION.]

A motor vehicle may not be towed unless a peace officer or parking enforcement officer has, in addition to issuing a parking citation, prepared a written towing report describing the motor vehicle and the reasons for towing. The report must be signed by the tow driver and officer."

The motion prevailed and the amendment was adopted.

Morrison moved to amend H. F. No. 1697, the first engrossment, as amended, as follows:

Page 1, line 15, delete "local authority" and insert "city of the first class"

The motion did not prevail and the amendment was not adopted.

H. F. No. 1697, A bill for an act relating to traffic regulations; prohibiting the towing of motor vehicles for traffic violations for a period of four hours except under certain circumstances; providing a mechanic's lien for those who tow a vehicle at the direction of a law enforcement officer; amending Minnesota Statutes, 1988, section 514.18, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 169.

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. There were 129 yeas and 3 nays as follows:

Those who voted in the affirmative were:

Abrams
Anderson, G.
Anderson, R.

Battaglia
Bauerly
Beard

Begich
Bennett
Bertram

Bishop
Blatz
Boo

Brown
Burger
Carlson, D.

Carlson, L.	Janezich	McLaughlin	Pauly	Skoglund
Carruthers	Jaros	McPherson	Pellow	Solberg
Clark	Jefferson	Milbert	Pelowski	Sparby
Conway	Jennings	Miller	Peterson	Stanis
Cooper	Johnson, A.	Morrison	Poppenhagen	Steensma
Dauner	Johnson, R.	Munger	Price	Swiggum
Dawkins	Johnson, V.	Murphy	Pugh	Swenson
Dempsey	Kahn	Nelson, C.	Quinn	Tjornhom
Dille	Kelly	Nelson, K.	Redalen	Trimble
Dorn	Kelso	Neuenschwander	Reding	Tunheim
Forsythe	Kinkel	O'Connor	Rest	Uphus
Girard	Kostohryz	Ogren	Rice	Valento
Greenfield	Krueger	Olsen, S.	Richter	Vellenga
Gruenes	Lasley	Olson, E.	Rodosovich	Wagenius
Gutknecht	Lieder	Olson, K.	Rukavina	Waltman
Hartle	Limmer	Omann	Runbeck	Weaver
Hasskamp	Long	Onnen	Sarna	Welle
Haukoos	Lynch	Orenstein	Schafer	Wenzel
Heap	Macklin	Osthoft	Scheid	Williams
Henry	Marsh	Ostrom	Schreiber	Winter
Himle	McDonald	Otis	Seaberg	Wynia
Hugoson	McEachern	Ozment	Segal	Spk. Vanasek
Jacobs	McGuire	Pappas	Simoneau	

Those who voted in the negative were:

Frederick Kalis Tompkins

The bill was passed, as amended, and its title agreed to.

H. F. No. 260 which was temporarily laid over earlier today was again reported to the House.

Seaberg moved to amend H. F. No. 260, the second engrossment, as follows:

Page 4, delete lines 1 and 2 and insert:

"Subd. 3. [DEFAMATION ACTION PROHIBITED.] No communication of information contained in an employee's personnel record that is disputed pursuant to subdivision 1 may be made the subject of any action for libel, slander, or defamation, unless an agreement is not reached between the employer and the employee to remove or revise the disputed information and the employer refuses or negligently fails to include the employee's position statement along with the disputed information or thereafter provide a copy of the statement to other persons as required under subdivision 1."

A roll call was requested and properly seconded.

The question was taken on the Seaberg amendment and the roll was called. There were 76 yeas and 45 nays as follows:

Those who voted in the affirmative were:

Abrams	Forsythe	Johnson, R.	Neuenschwander	Schafer
Anderson, G.	Frederick	Johnson, V.	Olsen, S.	Schreiber
Anderson, R.	Frerichs	Kalis	Olson, E.	Seaberg
Bennett	Girard	Kelso	Omann	Sparby
Bertram	Gruenes	Lieder	Onnen	Stanius
Blatz	Gutknecht	Limmer	Ostrom	Steensma
Boo	Hartle	Lynch	Ozment	Sviggum
Brown	Hasskamp	Macklin	Pauly	Swenson
Burger	Haukoos	Marsh	Pellow	Tjornhom
Carlson, D.	Heap	McDonald	Pelowski	Tompkins
Carruthers	Henry	McGuire	Poppenhagen	Uphus
Dauner	Himle	McPherson	Redalen	Valento
Dempsey	Hugoson	Miller	Richter	Waltman
Dille	Jennings	Morrison	Rodosovich	Wenzel
Dorn	Johnson, A.	Munger	Runbeck	Williams
				Winter

Those who voted in the negative were:

Battaglia	Jaros	McEachern	Osthoff	Sarna
Beard	Jefferson	Milbert	Otis	Skoglund
Begich	Kahn	Murphy	Peterson	Trimble
Clark	Kelly	Nelson, C.	Price	Tunheim
Cooper	Kinkel	Nelson, K.	Quinn	Vellenga
Dawkins	Kostohryz	O'Connor	Reding	Weaver
Greenfield	Krueger	Ogren	Rest	Welle
Jacobs	Lasley	Olson, K.	Rice	Wynia
Janezich	Long	Orenstein	Rukavina	Spk. Vanasek

The motion prevailed and the amendment was adopted.

Sviggum moved to amend H. F. No. 260, the second engrossment, as amended, as follows:

Page 2, line 26; delete "and"

Page 2, line 29, delete the period and insert "; and

(7) any portion of a written statement by a co-worker of the employee that concerns the job performance or job-related misconduct of the employee that discloses the identity of the co-worker by name, inference, or otherwise."

A roll call was requested and properly seconded.

The question was taken on the Sviggum amendment and the roll was called. There were 60 yeas and 65 nays as follows:

Those who voted in the affirmative were:

Abrams	Bertram	Boo	Cooper	Dorn
Anderson, R.	Bishop	Burger	Dempsey	Forsythe
Bennett	Blatz	Carruthers	Dille	Frederick

Frerichs	Himle	McPherson	Pellow	Sviggum
Girard	Hugoson	Morrison	Poppenhagen	Swenson
Gruenes	Johnson, V.	Neuenschwander	Redalen	Tjornhom
Gutknecht	Lieder	Olsen, S.	Richter	Tompkins
Hartle	Limmer	Olson, E.	Schafer	Uphus
Hasskamp	Lynch	Omann	Schreiber	Valento
Haukoos	Macklin	Onnen	Seaberg	Waltman
Heap	Marsh	Ostrom	Sparby	Weaver
Henry	McDonald	Pauly	Stanius	Wenzel

Those who voted in the negative were:

Anderson, G.	Jefferson	McLaughlin	Pappas	Simoneau
Battaglia	Jennings	Milbert	Pelowski	Skoglund
Beard	Johnson, A.	Munger	Peterson	Solberg
Begich	Johnson, R.	Murphy	Price	Steensma
Brown	Kahn	Nelson, C.	Quinn	Trimble
Carlson, D.	Kelly	Nelson, K.	Reding	Tunheim
Carlson, L.	Kelso	O'Connor	Rest	Vellenga
Clark	Kostohryz	Ogren	Rice	Wagenius
Conway	Krueger	Olson, K.	Rodosovich	Welle
Dawkins	Lasley	Orenstein	Rukavina	Williams
Greenfield	Long	Osthoff	Runbeck	Winter
Jacobs	McEachern	Otis	Sarna	Wynia
Jaros	McGuire	Ozment	Scheid	Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

Sviggum moved to amend H. F. No. 260, the second engrossment, as amended, as follows:

Page 2, line 26, delete "and"

Page 2, line 29, delete the period and insert "; and

(7) privileged information or information that is not discoverable in a workers' compensation, grievance arbitration, administrative, judicial, or quasi-judicial proceeding."

A roll call was requested and properly seconded.

The question was taken on the Sviggum amendment and the roll was called. There were 72 yeas and 61 nays as follows:

Those who voted in the affirmative were:

Abrams	Carruthers	Girard	Jennings	McDonald
Anderson, G.	Conway	Gruenes	Johnson, V.	McGuire
Bauerly	Cooper	Gutknecht	Kalis	McPherson
Bennett	Dauner	Hartle	Kelso	Miller
Bertram	Dempsey	Hasskamp	Krueger	Morrison
Bishop	Dille	Haukoos	Lieder	Neuenschwander
Blatz	Dorn	Heap	Limmer	Olsen, S.
Boo	Forsythe	Henry	Lynch	Olson, E.
Burger	Frederick	Himle	Macklin	Omann
Carlson, D.	Frerichs	Hugoson	Marsh	Onnen

Ostrom	Poppenhagen	Schreiber	Swenson	Waltman
Ozment	Redalen	Seaberg	Tjornhom	Weaver
Pauly	Richter	Stanius	Tompkins	
Pellow	Runbeck	Steensma	Uphus	
Pelowski	Schafer	Svigum	Valento	

Those who voted in the negative were:

Anderson, R.	Jefferson	Munger	Price	Skoglund
Battaglia	Johnson, A.	Murphy	Pugh	Solberg
Beard	Johnson, R.	Nelson, C.	Quinn	Sparby
Begich	Kahn	Nelson, K.	Reding	Trimble
Brown	Kelly	O'Connor	Rest	Tunheim
Carlson, L.	Kinkel	Ogren	Rice	Vellenga
Clark	Kostohryz	Olson, K.	Rodosovich	Wagenius
Dawkins	Lasley	Orenstein	Rukavina	Welle
Greenfield	Long	Osthoff	Sarna	Wenzel
Jacobs	McEachern	Otis	Scheid	Williams
Janezich	McLaughlin	Pappas	Segal	Winter
Jaros	Milbert	Peterson	Simoneau	Wynia
				Spk. Vanasek

The motion prevailed and the amendment was adopted.

Svigum moved to amend H. F. No. 260, the second engrossment, as amended, as follows:

Page 3, after line 17, insert:

"Subd. 3. [GOOD FAITH.] The employer may deny access to an employee record if the request is not made in good faith."

A roll call was requested and properly seconded.

The question was taken on the Svigum amendment and the roll was called. There were 28 yeas and 100 nays as follows:

Those who voted in the affirmative were:

Abrams	Girard	Hugoson	Miller	Svigum
Bertram	Gruenes	Kalis	Omann	Tompkins
Boo	Gutknecht	Kelso	Onnen	Uphus
Conway	Haukoos	Limmer	Redalen	Waltman
Frederick	Heap	Marsh	Richter	
Frerichs	Henry	McPherson	Schafer	

Those who voted in the negative were:

Anderson, G.	Brown	Dawkins	Jacobs	Kelly
Anderson, R.	Burger	Dempsey	Janezich	Kinkel
Battaglia	Carlson, D.	Dille	Jaros	Kostohryz
Bauerly	Carlson, L.	Dorn	Jefferson	Krueger
Beard	Carruthers	Forsythe	Johnson, A.	Lasley
Begich	Clark	Greenfield	Johnson, R.	Long
Bennett	Cooper	Hasskamp	Johnson, V.	Lynch
Blatz	Dauner	Himle	Kahn	Macklin

McDonald	Ogren	Pelowski	Sarna	Trimble
McEachern	Olsen, S.	Peterson	Scheid	Tunheim
McGuire	Olson, E.	Poppenhagen	Seaberg	Valento
McLaughlin	Olson, K.	Price	Segal	Vellenga
Milbert	Orenstein	Pugh	Simoneau	Wagenius
Morrison	Osthoff	Quinn	Skoglund	Weaver
Munger	Ostrom	Reding	Solberg	Welle
Murphy	Otis	Rest	Sparby	Wenzel
Nelson, C.	Ozment	Rice	Stanisus	Williams
Nelson, K.	Pappas	Rodosovich	Steensma	Winter
Neuenschwander	Pauly	Rukavina	Swenson	Wynia
O'Connor	Pellow	Runbeck	Tjornhom	Spk. Vanasek

The motion did not prevail and the amendment was not adopted.

Dawkins moved to amend H. F. No. 260, the second engrossment, as amended, as follows:

Page 3, line 32, after "submitted" delete the period and insert "and any person who received a copy of the disputed information from the employer before the position statement was submitted."

The motion prevailed and the amendment was adopted.

H. F. No. 260, A bill for an act relating to employment; providing for review of an employee's personnel record; providing for removal or revision of disputed information contained in an employee's personnel record; regulating use of omitted information; proposing coding for new law in Minnesota Statutes, chapter 181.

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. There were 132 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Abrams	Conway	Henry	Lasley	Nelson, K.
Anderson, G.	Cooper	Himle	Lieder	Neuenschwander
Anderson, R.	Dauner	Hugoson	Limmer	O'Connor
Battaglia	Dawkins	Jacobs	Long	Ogren
Bauerly	Dempsey	Janezich	Lynch	Olsen, S.
Beard	Dille	Jaros	Macklin	Olson, E.
Begich	Dorn	Jefferson	Marsh	Olson, K.
Bennett	Forsythe	Jennings	McDonald	Omann
Bertram	Frederick	Johnson, A.	McEachern	Onnen
Bishop	Frerichs	Johnson, R.	McGuire	Orenstein
Blatz	Girard	Johnson, V.	McLaughlin	Osthoff
Boo	Greenfield	Kahn	McPherson	Ostrom
Brown	Gruenes	Kahis	Milbert	Otis
Burger	Gutknecht	Kelly	Miller	Ozment
Carlson, D.	Hartle	Kelso	Morrison	Pappas
Carlson, L.	Hasskamp	Kinkel	Munger	Pauly
Carruthers	Haukoos	Kostohryz	Murphy	Pellow
Clark	Heap	Krueger	Nelson, C.	Pelowski

Peterson	Richter	Segal	Tjornhom	Welle
Poppenhagen	Rodosovich	Simoneau	Tompkins	Wenzel
Price	Rukavina	Skoglund	Trimble	Williams
Pugh	Runbeck	Solberg	Uphus	Winter
Quinn	Sarna	Sparby	Valento	Wynia
Redalen	Schafer	Stanius	Vellenga	Spk. Vanasek
Reding	Scheid	Steensma	Wagenius	
Rest	Schreiber	Sviggum	Waltman	
Rice	Seaberg	Swenson	Weaver	

The bill was passed, as amended, and its title agreed to.

The Speaker resumed the Chair.

Wynia moved that the remaining bill on Special Orders for today be continued. The motion prevailed.

GENERAL ORDERS

Wynia moved that the bills on General Orders for today be continued. The motion prevailed.

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 that the Senate refuses to concur in the House amendments to Senate File No. 206:

S. F. No. 206, A bill for an act relating to state government; administrative procedures; regulating exempt rules; making certain technical changes; amending Minnesota Statutes 1988, sections 14.40; and 97A.051, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 3; repealing Minnesota Statutes 1988, sections 97A.051, subdivision 3; 144A.10, subdivision 6a; 174.031, subdivision 2; 254B.03, subdivision 6; 254B.04, subdivision 2; 257.357; and 574.262, subdivision 3; Laws 1985, chapter 4, section 8; and Laws 1987, chapter 337, section 128.

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

Messrs. Belanger, Waldorf and Kroening.

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

Rodosovich 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. 206. The motion prevailed.

MOTIONS AND RESOLUTIONS

Rodosovich moved that his name be stricken as an author on H. F. No. 192. The motion prevailed.

Rodosovich moved that his name be stricken as an author on H. F. No. 1006. The motion prevailed.

Olson, E., moved that the name of Ostrom be added as an author on H. F. No. 1040. The motion prevailed.

McLaughlin moved that the name of Dorn be added as an author on H. F. No. 1272. The motion prevailed.

Rodosovich moved that his name be stricken as an author on H. F. No. 1462. The motion prevailed.

Rodosovich moved that his name be stricken as an author on H. F. No. 1576. The motion prevailed.

Jefferson moved that H. F. No. 357, now on General Orders, be re-referred to the Committee on Appropriations. The motion prevailed.

Haukoos moved that H. F. No. 1500 be returned to its author. The motion prevailed.

Sviggum, Henry, Redalen, Schreiber and Girard introduced:

House Resolution No. 9, A house resolution requiring that all legislation affecting property taxes have its own "truth in taxation" policy.

SUSPENSION OF RULES

Swiggum moved that the rules be so far suspended that House Resolution No. 9 be now considered and be placed upon its adoption.

A roll call was requested and properly seconded.

The question was taken on the Swiggum motion and the roll was called. There were 59 yeas and 72 nays as follows:

Those who voted in the affirmative were:

Abrams	Frederick	Johnson, R.	Neuenschwander	Schreiber
Bennett	Frerichs	Johnson, V.	Olsen, S.	Seaberg
Bishop	Girard	Limmer	Omann	Stanias
Blatz	Gruenes	Lynch	Onnen	Swiggum
Boo	Gutknecht	Macklin	Ozment	Swenson
Burger	Hartle	Marsh	Pauly	Tjornhom
Carlson, D.	Hasskamp	McDonald	Pellow	Tompkins
Conway	Haukoos	McGuire	Poppenhagen	Uphus
Dauner	Heap	McPherson	Redalen	Valento
Dempsey	Henry	Miller	Richter	Waltman
Dille	Himle	Morrison	Runbeck	Weaver
Forsythe	Hugoson	Nelson, C.	Schafer	

Those who voted in the negative were:

Anderson, G.	Janezich	McLaughlin	Peterson	Sparby
Battaglia	Jaros	Milbert	Price	Steensma
Bauerly	Jefferson	Munger	Pugh	Trimble
Beard	Johnson, A.	Murphy	Quinn	Tunheim
Begich	Kahn	Nelson, K.	Reding	Vellenga
Bertram	Kalis	O'Connor	Rest	Wagenius
Brown	Kelly	Ogren	Rice	Welle
Carlson, L.	Kelso	Olson, E.	Rodosovich	Wenzel
Carruthers	Kinkel	Olson, K.	Rukavina	Williams
Clark	Kostohryz	Orenstein	Sarna	Winter
Cooper	Krueger	Osthoof	Scheid	Wynia
Dawkins	Lasley	Ostrom	Segal	Spk. Vanasek
Dorn	Lieder	Otis	Simoneau	
Greenfield	Long	Pappas	Skoglund	
Jacobs	McEachern	Pelowski	Solberg	

The motion did not prevail.

The resolution was referred to the Committee on Taxes.

ANNOUNCEMENT BY THE SPEAKER

The Speaker announced the appointment of the following members of the House to a Conference Committee on S. F. No. 206:

Rodosovich, Pappas and Blatz.

ADJOURNMENT

Wynia moved that when the House adjourns today it adjourn until 12:00 noon, Tuesday, May 2, 1989. The motion prevailed.

Wynia moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 12:00 noon, Tuesday, May 2, 1989.

EDWARD A. BURDICK, Chief Clerk, House of Representatives