

## NINETY-SEVENTH DAY

St. Paul, Minnesota, Wednesday, March 24, 1976

The Senate met at 9:00 o'clock a.m. and was called to order by the President.

## CALL OF THE SENATE

Mr. Coleman imposed a call of the Senate for the balance of today's proceedings. The following Senators answered to their names:

Anderson	Davies	Humphrey	Olson, A. G.	Spear
Arnold	Doty	Keefe, S.	Olson, J. L.	Stokowski
Ashbach	Dunn	Kirchner	Patton	Stumpf
Berg	Fitzsimons	Larson	Perpich, A. J.	Tennessen
Borden	Gearty	McCutcheon	Pillsbury	Ueland
Brataas	Hansen, Baldy	Milton	Purfeerst	Wegener
Brown	Hanson, R.	Moe	Schmitz	Willet
Coleman	Hughes	Olhoft	Schrom	

The Sergeant-at-Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Mervin Dick.

The roll being called, the following Senators answered to their names:

Anderson	Davies	Keefe, S.	Ogdahl	Sillers
Arnold	Doty	Kirchner	Olhoft	Solon
Ashbach	Dunn	Kleinbaum	Olson, A. G.	Spear
Bang	Fitzsimons	Knutson	Olson, H. D.	Stassen
Berg	Frederick	Kowalczyk	Olson, J. L.	Stokowski
Bernhagen	Gearty	Larson	O'Neill	Stumpf
Blatz	Hansen, Baldy	Laufenburger	Patton	Tennessen
Borden	Hansen, Mel	Lewis	Perpich, A. J.	Ueland
Brataas	Hanson, R.	McCutcheon	Pillsbury	Wegener
Brown	Hughes	Merriam	Purfeerst	Willet
Chenoweth	Humphrey	Milton	Renneke	
Chmielewski	Jensen	Moe	Schaaf	
Coleman	Josefson	Nelson	Schmitz	
Conzernius	Keefe, J.	North	Schrom	

The President declared a quorum present.

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

## MEMBERS EXCUSED

Mr. Perpich, G. was excused from the Session of today. Mr.

Frederick was excused from the Session of today until 10:30 o'clock a.m.

### INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

Mr. Solon introduced—

S. F. No. 2586: A bill for an act relating to public employment labor relations; clarifying and revising the powers and duties of the director of the bureau of mediation services and the public employment relations board; authorizing the director to decertify exclusive representatives and to clarify or amend appropriate bargaining units; authorizing the public employment relations board to obtain administrative services and staff subject to appropriation, and to issue notices, subpoenas and orders; eliminating the prescribed duration of teacher's contracts; revising the criteria for determining appropriate units; authorizing the appeal of certain decisions by the public employment relations board to the supreme court; revising the compensation of members of the public employment relations board and of arbitrators; eliminating the deadline for execution of contracts and the independent review of grievances; amending Minnesota Statutes 1974, Sections 179.61; 179.62; 179.63, Subdivisions 1, 6, 8, 9, 9a, 10, 11, 13, 14 and 17; 179.64, Subdivision 7; 179.65, Subdivisions 1, 2 and 6; 179.66, Subdivisions 5, 6 and 9; 179.67, Subdivisions 1, 4, 5, 6, 14 and by adding a subdivision; 179.68; 179.69, Subdivisions 1, 2 and 6; 179.70, Subdivision 1; 179.71, Subdivisions 2, 3, 4 and 5; 179.72, Subdivisions 1, 2, 3, 4, 6 and 7; 179.74, Subdivision 2; amending Minnesota Statutes, 1975 Supplement, Sections 15.0411, Subdivision 2; 179.74, Subdivision 4; repealing Minnesota Statutes 1974, Section 179.76.

Referred to the Committee on Labor and Commerce.

Messrs. Humphrey, Schaaf and Keefe, S. introduced—

S. F. No. 2587: A bill for an act relating to insurance; regulating cancellation, renewal, and reduction of coverage of residential insurance; amending Minnesota Statutes 1974, Sections 65A.01, Subdivision 3; and 65A.07.

Referred to the Committee on Labor and Commerce.

Mr. Perpich, A. J. introduced—

S. F. No. 2588: A bill for an act relating to taxation; providing local option to specified counties to receive property tax payments from state for state owned land; providing an appropriation.

Referred to the Committee on Taxes and Tax Laws.

### MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the

following Senate File herewith returned: S. F. No. 357.

Edward A. Burdick, Chief Clerk, House of Representatives  
Returned March 23, 1976

Mr. President:

I have the honor to announce the passage by the House of the following Senate File AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S. F. No. 1097: A bill for an act relating to health; providing for pilot programs for dental care for senior citizens; establishing means of administration; subsidizing premiums to cover cost of services; appropriating money.

Senate File No. 1097 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives  
Returned March 23, 1976

Mr. Tennesen moved that the Senate do not concur in the amendments by the House to S. F. No. 1097 and that a Conference Committee of 3 members be appointed by the Committee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S. F. No. 2078: A bill for an act relating to metropolitan revenue distribution; changing the method of computing the taxable valuation of certain governmental units; amending Minnesota Statutes 1974, Section 473F.08, Subdivision 2.

Senate File No. 2078 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives  
Returned March 22, 1976

#### CONCURRENCE AND REPASSAGE

Mr. Purfeerst moved that the Senate concur in the amendments by the House to S. F. No. 2078 and that the bill be placed on its repassage as amended. The motion prevailed.

S. F. No. 2078: A bill for an act relating to metropolitan revenue distribution; providing that the commissioner of revenue shall perform administrative functions; changing settlement dates and the method of computing the taxable valuation of governmental units; amending Minnesota Statutes 1974, Sections 473F.02, Subdivisions 7, 11 and 12; 473F.06; 473F.08, Subdivisions 2, 3, 7 and 8; 473F.12, Subdivisions 2 and 4; 473F.13, Subdivisions 1 and 2; repealing Minnesota Statutes 1974, Sections 473F.02, Subdivision

6; 473F.03; 473F.07, Subdivision 2; and 473F.08, Subdivision 9.

Was read the third time, as amended by the House and placed on its repassage.

The question being taken on the repassage of the bill, as amended,

And the roll being called, there were yeas 48 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Fitzsimons	Keefe, S.	Olson, A. G.	Schrom
Arnold	Gearty	Kirchner	Olson, H. D.	Sillers
Berg	Hansen, Baldy	Kleinbaum	Olson, J. L.	Spear
Bernhagen	Hansen, Mel	Larson	O'Neill	Stassen
Brataas	Hanson, R.	Merriam	Patton	Stokowski
Brown	Hughes	Milton	Perpich, A. J.	Stumpf
Chmielewski	Humphrey	Moe	Pillsbury	Tennessen
Conzemius	Jensen	Nelson	Purfeerst	Willet
Davies	Josefson	Ogdahl	Renneke	
Dunn	Keefe, J.	Olhoft	Schmitz	

So the bill, as amended, was repassed and its title was agreed to.

#### MESSAGES FROM THE HOUSE—CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S. F. No. 819: A bill for an act relating to taxation; providing for public financing in political campaigns; increasing the tax credit for political contributions; amending Minnesota Statutes 1974, Section 290.06, Subdivision 11.

Senate File No. 819 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 23, 1976

Mr. Stumpf moved that the Senate do not concur in the amendments by the House to S. F. No. 819 and that a Conference Committee of 5 members be appointed by the Committee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S. F. No. 1530: A bill for an act relating to wild animals; establishing the expiration date of all game and fish licenses as the last day of February; authorizing the commissioner of natural resources to provide for the issuance of more than one game or fish license on con-

signment; establishing an issuing fee for such licenses; requiring sub-agents to be bonded; authorizing county auditors to retain a four percent commission on all license fees including surcharges; authorizing the commissioner of natural resources to issue regulations regulating to sub-agencies; amending Minnesota Statutes 1974, Sections 98.45, Subdivision 1; and 98.50, Subdivisions 1, 2, 3 and 5.

Senate File No. 1530 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives  
Returned March 23, 1976

Mr. Kleinbaum moved that S. F. No. 1530 be laid on the table. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2072:

H. F. No. 2072: A bill for an act relating to taxes on or measured by net income and on the sale of intoxicating liquors and to assessment of ad valorem taxes; appropriating funds; amending Minnesota Statutes 1974, Sections 4.12, Subdivision 4; 270.13; 273.138, Subdivisions 2 and 5; 276.05; 276.06; 290.06, Subdivision 9a; 290.066, Subdivision 1; 340.51; 340.55; and Chapters 256 and 273, by adding sections; Minnesota Statutes, 1975 Supplement, Sections 270.16, Subdivision 2; 273.012, Subdivision 3; 273.11, Subdivision 2; 273.122, Subdivision 1; 273.13, Subdivisions 6, 7, and 14a; 273.17, Subdivision 1; 274.14; 276.04; 281.17; 290.01, Subdivision 20; 290.012, Subdivision 4; 290.21, Subdivision 4; 290A.03, Subdivisions 3, 7, 8, 12, and 13 and by adding a subdivision; 290A.04, Subdivisions 2 and 3; 290A.05; 290A.06; 290A.07, Subdivisions 1 and 2; 290A.14; 290A.19; and Chapter 290A, by adding a section; and Laws 1975, Chapter 349, Section 32; and Laws 1976, Chapter 5, Sections 2, Subdivision 1; and 3; repealing Minnesota Statutes 1974, Section 273.11, Subdivision 4, and Minnesota Statutes, 1975 Supplement, Section 124.03.

And the House respectfully requests that a Conference Committee of five members be appointed thereon:

Kelly, W; Sabo; Anderson, I; Johnson, D. and Vanasek have been appointed as such committee on the part of the House.

House File No. 2072 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives  
Transmitted March 23, 1976

Mr. Perpich, A. J. moved that the Senate accede to the request of the House for a Conference Committee on H. F. No. 2072, and that a Conference Committee of 5 members be appointed by the Committee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 500.

H. F. No. 500: A bill for an act relating to energy; energy commission, public members; providing for compensation and reimbursement of traveling and other expenses; amending Minnesota Statutes 1974, Section 116H.04, Subdivision 2.

And the House respectfully requests that a Conference Committee of five members be appointed thereon:

Munger, Voss, Hanson, Luther and Biersdorf have been appointed as such committee on the part of the House.

House File No. 500 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 23, 1976

Mr. Humphrey moved that the Senate accede to the request of the House for a Conference Committee on H. F. No. 500, and that a Conference Committee of 5 members be appointed by the Committee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of three members of the House, on the amendments adopted by the House to the following Senate File:

S. F. No. 1051: A bill for an act relating to attorneys; providing for investigation of accusations against attorneys; amending Minnesota Statutes 1974, Section 481.15, by adding a subdivision.

There has been appointed as such committee on the part of the House:

Skoglund, Savelkoul and Parish.

Senate File No. 1051 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 23, 1976

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of three members of the House, on the amendments adopted by the House to the following Senate File:

S. F. No. 1499: A bill for an act relating to the conduct of public officials and campaigns for public office; defining "lobbying"; redefining "lobbyist" and certain other terms; providing for the filing of certain reports and statements; providing penalties; amending Minnesota

Statutes 1974, Sections 10A.01, Subdivisions 2, 5, 7, 10 and 11, and by adding a subdivision; 10A.02, Subdivisions 1, 5, 8, and 11; 10A.04, Subdivision 4; 10A.07, Subdivision 1; 10A.09, Subdivision 5; 10A.11, Subdivision 6; 10A.14, Subdivision 2; 10A.19, Subdivision 1; 10A.20, Subdivisions 1, 2, and 3, and by adding a subdivision; 10A.21, Subdivision 1; 10A.22, Subdivision 5; 10A.23; 10A.25, Subdivisions 3, 6 and 7; 10A.27, Subdivision 3; repealing Minnesota Statutes 1974, Sections 10A.01, Subdivision 14; 10A.14, Subdivision 3; 10A.20, Subdivision 4; 10A.22, Subdivisions 2 and 8.

There has been appointed as such committee on the part of the House:

Vento, Osthoff and Knickerbocker.

Senate File No. 1499 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 23, 1976

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the appointment of a Conference Committee, consisting of three members of the House, on the amendments adopted by the House to the following Senate File.

S. F. No. 1740: A bill for an act relating to counties; authorizing county boards to establish personnel departments; providing for county personnel administration on an integrated, merit basis.

There has been appointed as such committee on the part of the House:

Setzepfandt, McEachern and Friedrich.

Senate File No. 1740 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 23, 1976

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S. F. No. 60: A bill for an act relating to insurance; providing for the establishment and administration of plans of health insurance to provide certain minimum benefits to all persons in the state; creating a comprehensive health care association; providing a dual option for health care for certain employees; regulating health maintenance organizations' coverage of dental services and conversion privileges; appropriating money; amending Minnesota Statutes 1974, Section 62D.12, by adding a subdivision.

Senate File No. 60 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 23, 1976

Mr. Conzemius moved that the Senate do not concur in the amendments by the House to S. F. No. 60 and that a Conference Committee of 3 members be appointed by the Committee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested.

S. F. No. 1156: A bill for an act relating to political subdivisions; authorizing direct loans to cities, counties and towns; amending Minnesota Statutes 1974, Chapter 465, by adding a section.

Senate File No. 1156 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 23, 1976

Mr. Sillers moved that S. F. No. 1156 be laid on the table. The motion prevailed.

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H. F. Nos. 2144 and 2683.

Edward A. Burdick, Chief Clerk House of Representatives

Transmitted March 23, 1976

#### FIRST READING OF HOUSE BILLS

The following bills were read the first time and referred to the committees indicated.

H. F. No. 2144: A bill for an act relating to the state transportation system; creating the Minnesota state transportation fund; appropriating money therefrom for construction and reconstruction of bridges and bridge approaches; authorizing the issuance of state bonds therefor pursuant to article XI of the constitution.

Referred to the Committee on Rules and Administration.

H. F. No. 2683: A bill for an act relating to claims against the state; appropriating moneys for the payment thereof.

Mr. Borden moved that H. F. No. 2683 be laid on the table. The motion prevailed.

#### REPORTS OF COMMITTEES

Mr. Davies moved that the Committee Reports at the Desk be now adopted. The motion prevailed.



Mr. Coleman from the Committee on Rules and Administration, to which were referred H. F. Nos. 2414 and 2215 for comparison to companion Senate Files, reports the following House Files were found identical and recommends the House Files be given their Second Reading and substituted for their companion Senate Files as follows:

GENERAL ORDERS		CALENDAR OF ORDINARY MATTERS		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
2414	2298				
2215	2293				

And that the above Senate Files be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

Mr. Coleman from the Committee on Rules and Administration, to which were referred H. F. Nos. 2218, 1876 and 1984 for comparison to companion Senate Files, reports the following House Files were found not identical with their companion Senate Files as follows:

GENERAL ORDERS		CALENDAR OF ORDINARY MATTERS		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
2218	2380				
1876	1971				
1984	1895				

Pursuant to Rule 49 the Committee on Rules and Administration recommends that H. F. No. 2218 be amended as follows:

Page 1, lines 20 to 23 delete the underscored language

Page 2, delete lines 1 to 3 and insert *"Up to 75 percent provided by the state with the remainder of the cost to be financed by the counties served and by client fees in accordance with rules promulgated by the department of public welfare."*

Sec. 2. *This act is effective January 1, 1977."*

And when so amended, H. F. No. 2218 will be identical to S. F. No. 2380 and further recommends that H. F. No. 2218 be given its second reading and substituted for S. F. No. 2380 and that the Senate File be indefinitely postponed.

Pursuant to Rule 49 the Committee on Rules and Administration recommends that H. F. No. 1984 be amended as follows:

Delete page 1, line 11 to page 11, line 14 and insert:

*"Section 1. [PURPOSE.] In order to aid farmers in obtaining credit for the acquisition of farm real estate, there is established a family farm security program which shall provide state money in guarantee of loans made according to the provisions of sections 1 to 15."*

**Sec. 2. [DEFINITIONS.]** *Subdivision 1. For the purposes of this act the following terms shall have the meanings given.*

*Subd. 2. "Applicant" means a natural person applying for a family farm security loan.*

*Subd. 3. "Council" means the family farm advisory council.*

*Subd. 4. "Commissioner" means the commissioner of agriculture.*

*Subd. 5. "Family farm security loan" means a loan secured by a first real estate mortgage. It shall be used for acquisition of farm land and shall be approved by the commissioner. This loan shall be guaranteed and may qualify for a payment adjustment as defined in subdivision 10 and a seller-sponsored loan as defined in subdivision 8.*

*Subd. 6. "Farm land" means land in Minnesota that is capable of supporting the commercial production of agricultural crops, livestock or livestock products, poultry products, milk or dairy products, or fruit or other horticultural products.*

*Subd. 7. "Lender" means any bank, savings bank, mutual savings bank, building and loan association, savings and loan association, organized under the laws of this state or the United States, trust companies, trust companies acting as fiduciaries, and other financial institutions subject to the supervision of the commissioner of banks; and any foreign or domestic corporation engaged in the business of insurance which is subject to the supervision of the commissioner of insurance as defined in Minnesota Statutes, Section 60A.02, Subdivisions 1 and 3; and any financial institution operating under the supervision of the farm credit administration. In case of seller-sponsored loans as authorized in section 8, "lender" also means the seller of the property.*

*Subd. 8. "Seller-sponsored loan" means a loan in which part or all of the purchase price of the farm is financed by a loan from the seller of the property, and the remainder of the loan, if any, is supplied by a lender as defined in subdivision 7. The annual interest on a seller-sponsored loan shall not exceed seven percent.*

*Subd. 9. "Family farm loan guarantee" means an agreement that in the event of default the state of Minnesota shall pay the lender all sums due and payable under the first real estate mortgage.*

*Subd. 10. "Payment adjustment" means an amount of money equal to four percent interest on the principal balance of the family farm security loan.*

**Sec. 3. [ADMINISTRATION.]** *Subdivision 1. The family farm security program shall be administered by the commissioner.*

*Subd. 2. [RULES.] The commissioner shall promulgate rules necessary for the efficient administration of sections 1 to 7; section 8, subdivisions 1 and 2; section 10, subdivisions 1 and 4; and section 15.*

*Subd. 3. [REPORT TO LEGISLATURE.] On or before January 1 of each year the commissioner shall submit a report to the legislature, as provided in Minnesota Statutes, Section 3.195, concerning the actions of the commissioner and the status of loans granted.*

*Sec. 4. [ADVISORY COUNCIL.] Subdivision 1. [COMPOSITION.] There is established a family farm advisory council composed of seven members appointed by the commissioner of agriculture as follows:*

- (a) Two officers from a commercial lending institution;*
- (b) One dairy farmer;*
- (c) One livestock farmer;*
- (d) One cash grain farmer;*
- (e) One officer from a farm credit association;*
- (f) One representative of consumers of food products who shall not be a farmer or lender.*

*Subd. 2. [TERMS AND COMPENSATION.] The council shall expire and the terms, compensation and removal of members of the council shall be governed by Minnesota Statutes, Section 15.059. The council shall meet monthly or more often as needed. Initial members shall be appointed for terms as follows: (a) for terms ending the first Monday in January, 1979: one officer from a commercial lending institution, the dairy farmer, the cash grain farmer, and the representative of consumers; and (b) for terms ending the first Monday in January, 1980: the remaining members.*

*Subd. 3. [CHAIRMAN.] The members of the council shall annually elect a chairman and other officers they deem necessary.*

*Subd. 4. [DUTIES.] The duties of the council shall be as follows:*

- (a) To review and appraise the family farm security program;*
- (b) To give advice and counsel to the commissioner regarding the family farm security program;*
- (c) To review all applications for family farm security loans and make recommendations to the commissioner as to their disposition;*
- (d) To make recommendations to the commissioner of agriculture, legislature and the public on or before December 31 of each year regarding any needed state policy or program changes to foster and promote the economic health and viability of the family farm.*

*Subd. 5. [STAFF; SERVICES.] The commissioner of agriculture shall provide the council with necessary staff, office space and administrative services.*

*Sec. 5. [ELIGIBILITY.] A family farm security loan approval may be granted if the following criteria are satisfied:*

(a) That the applicant is a resident of the state of Minnesota, or shows sufficient evidence that he intends to become a resident;

(b) That the applicant has sufficient education, training, or experience in the type of farming for which he wishes the loan and continued participation in a farm management program, approved by the commissioner, for the duration of the family farm security loan;

(c) That the applicant and spouse have total net worth valued at less than \$50,000 and has demonstrated a need for the loan;

(d) That the applicant intends to purchase farm land to be used by the applicant for agricultural purposes;

(e) That the applicant is credit worthy according to standards prescribed by the commissioner.

**Sec. 6. [PROCEDURE.] Subdivision 1. [APPLYING FOR LOAN; LOAN DENIED.]** Any person desiring to acquire farm land may make application with a lender for a family farm security loan. Upon completion of the appropriate forms by the applicant and the lender, the lender shall forward the application to the commissioner for approval. The commissioner shall prescribe a screening process to determine eligibility and he may arrange for local lenders to perform this function for the state. The commissioner may approve the application if the criteria of sections 5 and 7 are satisfied, and shall notify the applicant and the lender of his decision.

If the application is denied, the commissioner shall return the application to the lender with a written statement of the reasons for the denial. The applicant shall be given a copy of the reasons for the denial of the loan. If the circumstances of the applicant change such that he becomes eligible, he may reapply.

**Subd. 2 [APPROVED LOANS.]** If the commissioner approves the loan application, he shall retain a copy of the application for his files and return the original to the lender. The applicant and the lender may then complete the transaction for the loan.

**Subd. 3. [PRIVACY OF RECORDS.]** The information contained in an application and the statement of reasons for the denial of an application shall be private data on individuals as defined in Minnesota Statutes, Section 15.162.

**Subd. 4. [DEFAULT; FILING CLAIM.]** Within 90 days of a default on a guaranteed family farm security loan, the lender shall send notice to the applicant stating that the commissioner must be notified if the default continues for another 90 days, and the consequences of that default. The lender and the applicant may agree to take any steps reasonable to assure the fulfillment of the loan obligation.

After 180 days from the initial default, if the applicant has not made arrangements to meet his obligation, the lender shall file a claim with the commissioner, identifying the loan and the nature of the default, and assigning to the state all of the lender's security

and interest in the loan in exchange for payment according to the terms of the family farm security loan guarantee. If the commissioner determines that the terms of the family farm security loan guarantee have been met, he shall authorize payment of state funds to the lender, and shall notify the defaulting party. The state of Minnesota shall then become the holder of the mortgage and taxes shall be levied and paid on the land as though the owner were a natural person and not a political subdivision of the state. The commissioner may, on behalf of the state, commence foreclosure proceedings in the manner provided by law. In the event that title to the property is acquired by the state, he shall arrange for fair market value appraisal of the farm land and shall accept applications from prospective purchasers who meet the criteria of sections 5 and 7 and have the support of a lender willing to finance the purchase. If an application is accepted by the commissioner, the property will be sold to the applicant and treated as though it were a new family farm security loan. If no buyer who is a qualified applicant can be found within 90 days at the fair market price as determined by the commissioner, the commissioner shall advertise the property and sell it to the highest bidder.

Subd. 5. [GUARANTEE VOID.] The loan guarantee shall be void only if the guaranteed loan was obtained by fraud or material misrepresentation of which the original lender or subsequent holder had actual knowledge.

Sec. 7. [TERMS OF THE LOAN.] Subdivision 1. A family farm security loan shall be transacted on forms provided by the commissioner with the advice of the attorney general. The commissioner shall establish an appraisal procedure and shall thereby determine the value of the property before guaranteeing a family farm security loan.

Subd. 2. [PAYMENT ADJUSTMENT.] To be eligible for payment adjustment a family farm security loan shall have a maximum term of 20 years and shall provide for payments at least annually so that the loan shall be amortized over its term with equal annual payments of principal and interest. During the first ten years of a family farm security loan, the commissioner shall annually pay to the lender four percent of the outstanding balance due at the beginning of that year and the applicant shall pay the remainder of the payment due. After the tenth year, the applicant shall make payments according to the stated interest rate. The applicant may petition the commissioner for one ten year renewal of the payment adjustment. If a renewal is granted, in the 21st year the applicant shall reimburse the commissioner for the sums paid on the applicant's behalf under this subdivision. If no renewal is granted, the applicant shall reimburse the commissioner in the 11th year for the sums paid on the applicant's behalf under this subdivision. The obligation to repay the payment adjustment shall be a lien against the property.

Subd. 3. [ANNUAL REVIEW OF NET WORTH.] The applicant and spouse shall annually submit to the commissioner a statement of their net worth. If their net worth in any year ex-

ceeds the sum of \$100,000, the applicant shall be ineligible for a payment adjustment in that year.

Sec. 8. [SELLER-SPONSORED LOANS.] Subdivision 1. [AUTHORIZATION.] The commissioner may provide a guarantee to the lenders on seller-sponsored loans when the buyer satisfies the eligibility criteria in section 5. The commissioner may also provide a payment adjustment on behalf of the applicant in the case of seller-sponsored loans.

Subd. 2. [NEGOTIABILITY AND MARKETABILITY.] A seller-sponsored loan shall be secured by a purchase money first real estate mortgage evidenced by negotiable note or notes as defined in Minnesota Statutes, Section 336.3-104. The commissioner must be notified in writing within 30 days after a family farm security loan note is sold or exchanged.

Subd. 3. [TAXABILITY.] The interest earned by the seller of the property on a seller-sponsored loan that is guaranteed by the commissioner shall be excludable from gross income for the year in which it is received.

Sec. 9. Minnesota Statutes, 1975 Supplement, Section 290.08, is amended by adding a subdivision to read:

Subd. 23. The interest earned by the seller of the property on a seller-sponsored loan that is guaranteed by the commissioner of agriculture under the provisions of sections 1 to 15.

Sec. 10. [SALE OR CONVEYANCE.] Subdivision 1. [IMMEDIATE REPAYMENT OF LOAN.] Any applicant who sells or conveys the property for which a family farm security loan was issued shall immediately retire the entire indebtedness still owed to the lender and the commissioner. The new owner may negotiate a family farm security loan in his own right, but under no circumstances may the original loan be assumed by the new owner. This subdivision is not intended to prohibit the applicant from granting a security interest in the property for the purposes of securing an additional loan.

Any applicant who fails to maintain the land covered by a family farm security loan in active agricultural production for a period of time longer than one year shall be in default. Such a default may be waived by the commissioner in the event of a physical disability or other extenuating circumstances.

Subd. 2. [TAX PENALTY ON CAPITAL GAIN.] Minnesota Statutes, Chapter 290 shall apply to determine the amount of the gain realized on the sale of property for which a family farm security loan has been issued. The tax imposed by chapter 290 shall be imposed on the following percentages of any gain realized on the sale of the property:

Time lapsed from issuance of loan			
	At least	but less than	Percent
(a)		1 year	100
(b)	1 year	3 years	90

(c)	3 years	5 years	80
(d)	5 years	7 years	70
(e)	7 years	9 years	60
(f)	9 years	10 years	50

*This tax shall no longer be applicable and the tax imposed by chapter 290 shall apply when the property for which a family farm security loan was issued has been held by the applicant for more than ten years after the issuance of the loan. Chapter 290 shall apply when the applicant has realized a loss on the sale of the property.*

**Sec. 11. [DISCRIMINATION PROHIBITED.]** *In carrying out their respective duties under this act, the council and the commissioner shall not discriminate between applicants because of race, color, creed, religion, national origin, sex, marital status, disability, political or ideological persuasion."*

Page 16, delete lines 22 to 27 and insert: "included in the measure of the tax imposed by this chapter ;

*(10) The interest on any payment adjustment received by the seller of the property on a seller-sponsored loan that is guaranteed by the commissioner of agriculture as provided by sections 5, 6, 7, and 8 of this act."*

Page 19, delete lines 5 to 11

Page 19, line 25, delete "section 9," and insert "section 10,"

Page 20, line 31, after "1977" insert a comma

Renumber the sections in order

Further amend the title as follows:

Page 1, line 6, delete "290.08, by adding a"

Page 1, line 7, delete "subdivision;"

Page 1, line 8, after "20;" insert "290.08, by adding a subdivision;"

And when so amended, H. F. No. 1984 will be identical to S. F. No. 1895 and further recommends that H. F. No. 1984 be given its second reading and substituted for S. F. No. 1895 and that the Senate File be indefinitely postponed.

Pursuant to Rule 49 the Committee on Rules and Administration recommends that H. F. No. 1876 be amended as follows:

Strike everything after the enacting clause and insert:

"Section 1. [LEGISLATIVE PURPOSE.] The legislature finds and determines that integrated transportation systems, including railways, highways and airways, are necessary in order to meet the economic and energy needs of the citizens of the state,

both now and in the future. The legislature finds that a portion of the present railroad system in the state does not provide adequate service to citizens of the state. The legislature further finds and determines that it is in the best interest of the state to establish and fund a rail service improvement program and to establish a railroad planning process in order to preserve and improve essential rail service in the state.

Sec. 2. [CITATION.] Sections 1 to 9 may be cited as "the Minnesota rail service improvement act".

Sec. 3. [DEFINITIONS.] Subdivision 1. As used in sections 1 to 9, the terms defined in this section shall have the meanings given them herein.

Subd. 2. "Department" means the state planning agency.

Subd. 3. "Director" means the director of the state planning agency.

Subd. 4. "Rail line" means railroad roadbeds, track, track structure, and other appurtenances of railroad right-of-way.

Subd. 5. "Rail service" means rail transportation and local rail service.

Subd. 6. "Rail users" means shippers, consignors or other business entities that depend upon or benefit from the movement of goods and products by means of rail service.

Sec. 4. [RAIL SERVICE IMPROVEMENT FUND.] Subdivision 1. [DEPOSITS; APPROPRIATION.] The rail service improvement fund is created as a special account in the state treasury. All money appropriated to or received by the department for the purpose of rail service improvement, other than administrative costs, shall be deposited in this fund. All money so deposited is appropriated to the department for expenditure for rail service improvement in accordance with applicable federal law and subject to the expenditure restrictions provided in subdivision 2 of this section. Administrative costs for the rail service improvement program shall not be paid from the fund but shall be provided by direct appropriations to the department for this purpose.

Subd. 2. [EXPENDITURE RESTRICTIONS.] Direct appropriations to the rail service improvement fund, unless otherwise specified, shall be expended exclusively for rehabilitation of rail lines through contracts negotiated and entered into by the director. The participants in these contracts shall be railroads, rail users and the department, and may be political subdivisions of the state and the federal government. In such contracts, participation by all parties shall be voluntary.

Subd. 3. In making any contract pursuant to subdivision 2 the director may:

(a) Stipulate minimum operating standards for rail lines when improved, including speed, freight carrying capacity, and frequency of service;



(b) Require a portion of the total assistance for improving a rail line to be loaned to the railroad by rail users and require the railroad to reimburse rail users for any loan on the basis of use of the line and the revenues produced when the line has been improved;

(c) Determine the terms and conditions under which all or any portion of state funds allocated shall be repaid to the department by the railroads. Reimbursement may be made as a portion of the increased revenue derived from the improved rail line. Any reimbursement received by the department pursuant to this clause shall be deposited in the rail service improvement fund and shall be appropriated exclusively for rehabilitating other rail lines in the state; and

(d) Require, in lieu of reimbursement as provided in clause (c) of this subdivision, that the railroad establish and maintain a separate railroad fund to be used exclusively for rehabilitation of other rail lines in Minnesota, to which a portion of the increase in revenue derived from the improved rail line shall be credited. The terms and conditions for use of money in the fund shall be stipulated in the contract. The contract shall also stipulate a penalty for use of such money in a manner other than as set forth in the contract and require the railroad to report to the department at such times as the director requires, concerning the disbursement of money from the fund and the general status of rail line improvements.

Sec. 5. [RAIL SERVICE IMPROVEMENT PROGRAM.] Subdivision 1. There is created the rail service improvement program to provide assistance for improvement of rail service in the state.

Subd. 2. The director shall identify those rail lines that have deteriorated or are in danger of deteriorating so as to be unable to carry the speeds and weights necessary to efficiently transport the goods and products moved or sought to be moved on the lines.

Subd. 3. The director shall have all the powers necessary and convenient to implement the rail service improvement program, including the power to:

(a) Set priorities for the allocation of money or in kind contributions to railroads according to criteria developed by the director. The criteria shall include the anticipated economic and social benefits to the state and to the area being served;

(b) Negotiate and enter into contracts for rail line rehabilitation or other rail service improvement;

(c) Disburse state and federal money for rail service improvements;

(d) Adopt rules necessary to carry out the purposes of this act.

Sec. 6. [PARTICIPATION BY POLITICAL SUBDIVISIONS.] The governing body of any political subdivision of the state may with the approval of the director appropriate money for rail service improvement and may participate in the state rail service improvement program.

Sec. 7. [COOPERATION BETWEEN STATES.] The director may cooperate with other states in connection with the rail service improve-

ment program and the railroad planning process. In exercising the authority conferred by this section, the director may enter into contractual agreements with other states.

Sec. 8. [ACCEPTANCE OF FEDERAL MONEY.] The director may exercise those powers necessary for the state to qualify for, accept, and disburse any federal money that may be made available pursuant to the provisions of the federal rail revitalization and regulatory reform act of 1976, or any other federal law, including the power to;

(a) Establish an adequate plan for rail services in the state as part of an overall planning process for all transportation services in the state, including a suitable process for updating, revising, and amending the plan,

(b) Administer and coordinate the plan with other state agencies, and provide for the equitable distribution of resources,

(c) Develop, promote, and support safe, adequate and efficient rail transportation services; employ qualified personnel; maintain adequate programs of investigation, research, promotion and development, with provisions for public participation; and take all practical steps to improve transportation safety and reduce transportation related energy utilization and pollution,

(d) Adopt and maintain adequate procedures for financial control, accounting and performance evaluation in order to assure proper use of state and federal money,

(e) Do all things otherwise necessary to maximize federal assistance to the state under the federal rail revitalization and regulatory reform act of 1976 or other relevant federal legislation.

Sec. 9. [ACCESS TO INFORMATION.] The director may request any railroad to provide such information as necessary to carry out the purposes of this act. Railroads operating within the state shall provide such information within 60 days of the date of the request. The director may issue subpoenas to compel production of such information if not provided within the time required. The director shall exercise all necessary caution to avoid disclosure of confidential information supplied under this section.

Sec. 10. [APPROPRIATIONS.] Subdivision 1. There is appropriated from the general fund to the rail service improvement fund the sum of \$3,000,000.

Subd. 2. There is appropriated from the general fund to the state planning agency the sum of \$150,000 for administrative costs of the rail service improvement program, to be available until June 30, 1977.

Sec. 11. [EFFECTIVE DATE.] This act is effective the day following final enactment."

Further, strike the title in its entirety and insert:

"A bill for an act relating to transportation; creating a rail service improvement fund; authorizing contractual agreements for

rail line rehabilitation; establishing a rail service improvement program; prescribing powers and duties of the director of the state planning agency; appropriating money."

And when so amended, H. F. No. 1876 will be identical to S. F. No. 1971 and further recommends that H. F. No. 1876 be given its second reading and substituted for S. F. No. 1971 and that the Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

## SECOND READING OF HOUSE BILLS

H. F. Nos. 2414, 2215, 2218, 1876 and 1984 were read the second time.

## MOTIONS AND RESOLUTIONS

Mr. Sillers moved that S. F. No. 1156 be taken from the table. The motion prevailed.

## CONCURRENCE AND REPASSAGE

Mr. Sillers moved that the Senate concur in the amendments by the House to S. F. No. 1156 and that the bill be placed on its repassage as amended. The motion prevailed.

S. F. No. 1156 was read the third time, as amended by the House, and placed on its repassage.

The question being taken on the repassage of the bill, as amended,

And the roll being called, there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

Arnold	Doty	Kirchner	Ogdahl	Schrom
Ashbach	Dunn	Kleinbaum	Olson, A. G.	Sillers
Bang	Fitzsimons	Knutson	Olson, H. D.	Spear
Berg	Gearty	Kowalczyk	Olson, J. L.	Stassen
Bernhagen	Hansen, Baldy	Larson	O'Neill	Stokowski
Blatz	Hansen, Mel	Laufenburger	Patton	Stumpf
Borden	Hanson, R.	Lewis	Perpich, A. J.	Tennessen
Brataas	Hughes	McCutcheon	Pillsbury	Ueland
Brown	Humphrey	Merriam	Purfeerst	Wegener
Chmielewski	Jensen	Milton	Renneke	Willet
Conzemius	Josefson	Moe	Schaaf	
Davies	Keefe, S.	Nelson	Schmitz	

So the bill, as amended, was repassed and its title was agreed to.

## MOTIONS AND RESOLUTIONS—CONTINUED

Mr. Gearty moved that the report from the Committee on Governmental Operations, reported March 22, 1976, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Gearty moved that the foregoing report be now adopted. The motion prevailed.

#### **CONFIRMATION**

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointment of:

#### **MINNESOTA HOUSING FINANCE AGENCY**

Bernard Carlson, 1216 Selmsner Avenue, Cloquet, Carlton County, effective July 2, 1975, for a term expiring January 1, 1977.

The motion prevailed. So the appointment was confirmed.

#### **MOTIONS AND RESOLUTIONS—CONTINUED**

Mr. Gearty moved that the report from the Committee on Governmental Operations, reported March 22, 1976, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Gearty moved that the foregoing report be now adopted. The motion prevailed.

#### **CONFIRMATION**

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointment of:

#### **STATE ZOOLOGICAL BOARD**

Robert Ferguson, 855 Cliff Road, Eagan, Dakota County, effective January 27, 1976, for a term expiring January 1, 1981.

The motion prevailed. So the appointment was confirmed.

#### **MOTIONS AND RESOLUTIONS—CONTINUED**

Mr. Gearty moved that the report from the Committee on Governmental Operations, reported March 22, 1976, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Gearty moved that the foregoing report be now adopted. The motion prevailed.

#### **CONFIRMATION**

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointment of:

**MINNESOTA HOUSING FINANCE AGENCY**

Richard Miller, 2652 Marshall Street N.E., Minneapolis, Hennepin County, effective January 1, 1975, for a term expiring January 1, 1979.

The motion prevailed. So the appointment was confirmed.

**MOTIONS AND RESOLUTIONS—CONTINUED**

Mr. Gearty moved that the report from the Committee on Governmental Operations, reported March 22, 1976, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Gearty moved that the foregoing report be now adopted. The motion prevailed.

**CONFIRMATION**

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointments of:

**MINNESOTA HOUSING FINANCE AGENCY**

James Johnson, 2225 Irving Avenue South, Minneapolis, Hennepin County, effective July 18, 1975, for a term expiring January 1, 1978.

Reverend Lawrence Gavin, St. Edward's Church, 2000 West Oakland Avenue, Austin, Mower County, effective January 1, 1976, for a term expiring January 1, 1980.

**STATE BOARD OF HUMAN RIGHTS**

Finette Magnuson, 2141 Doswell Avenue, St. Paul, Ramsey County, effective January 12, 1976, for a term expiring January 1, 1978.

The motion prevailed. So the appointments were confirmed.

**MOTIONS AND RESOLUTIONS—CONTINUED**

Mr. Gearty moved that the report from the Committee on Governmental Operations, reported March 22, 1976, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Gearty moved that the foregoing report be now adopted. The motion prevailed.

**CONFIRMATION**

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointments of:

**DEPARTMENT OF FINANCE—COMMISSIONER**

Gerald Christenson, 127-16th Avenue N.W., New Brighton, Ramsey County, effective June 1, 1975, for a term expiring January 1, 1979.

**MUNICIPAL COMMISSION**

Thomas J. Simmons, 412 South 11th, Olivia, Renville County, effective June 30, 1975, for a term expiring June 30, 1981.

**CAPITOL AREA ARCHITECTURAL AND PLANNING COMMISSION**

Gordon Rosenmeier, 606 Southeast 1st Street, Little Falls, Morrison County, effective July 1, 1975, for a term expiring July 1, 1979.

Mrs. Solveig Premack, 5226 Stevens Avenue, Minneapolis, Hennepin County, effective July 1, 1975, for a term expiring July 1, 1979.

Mrs. Marjorie Vogel, 999 Kingman, Red Wing, Goodhue County, effective July 1, 1975, for a term expiring July 1, 1979.

The motion prevailed. So the appointments were confirmed.

**MOTIONS AND RESOLUTIONS—CONTINUED**

Mr. Gearty moved that the report from the Committee on Governmental Operations, reported March 22, 1976, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Gearty moved that the foregoing report be now adopted. The motion prevailed.

Mr. Spear requested that the appointment of Anna Lawler to the State Board of Human Rights be divided out. So the question was divided.

**CONFIRMATION**

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointments of:

**STATE BOARD OF HUMAN RIGHTS**

Rebecca Knittle, 4656 Clinton Avenue South, Minneapolis, Hennepin County, effective February 25, 1976, for a term expiring January 1, 1977.

Melda Hedblom, 1801 Summit Avenue, St. Paul, Ramsey County, effective February 25, 1976, for a term expiring January 1, 1979.

James Willis, 3216 First Avenue South, Minneapolis, Hennepin County, effective February 25, 1976, for a term expiring January 1, 1979.

Raul Salazar, 7900 Xerxes Avenue South, Minneapolis, Hennepin County, effective February 25, 1976, for a term expiring January 1, 1979.

Walter Dziedzic, 2727 Cleveland, Minneapolis, Hennepin County, effective February 25, 1976, for a term expiring January 1, 1979.

Tollie Joe Flippin, Jr., 3309 Second Avenue South, Minneapolis, Hennepin County, effective February 25, 1976, for a term expiring January 1, 1979.

Duane Korbel, 8129 Rhode Island Circle, Bloomington, Hennepin County, effective January 1, 1976, for a term expiring January 1, 1979.

Cathy Clardy, 116 Circle High Drive, Burnsville, Dakota County, effective January 1, 1976, for a term expiring January 1, 1979.

Manuel Guerrero, 806 Osceola Avenue, St. Paul, Ramsey County, effective January 1, 1976, for a term expiring January 1, 1979.

Mary Lou Hill, 432 Oliver Avenue South, Minneapolis, Hennepin County, effective January 1, 1976, for a term expiring January 1, 1979.

Branch Miller, 1530 South Sixth Street, Minneapolis, Hennepin County, effective January 1, 1976, for a term expiring January 1, 1979.

Jose Trejo, 841 Delaware Avenue, St. Paul, Ramsey County, effective January 1, 1976, for a term expiring January 1, 1979.

Ilene Jean Atwood, 5413 London Road, Duluth, St. Louis County, effective January 1, 1976, for a term expiring January 1, 1979.

The motion prevailed. So the appointments were confirmed.

### CONFIRMATION

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointment of:

Anna Lawler, 768 Lower Colonial Drive, St. Paul, Ramsey County, effective February 25, 1976, for a term expiring January 1, 1978.

The question being taken on the adoption of the motion,

And the roll being called, there were yeas 48 and nays 7, as follows:

Those who voted in the affirmative were:

Arnold	Davies	Josefson	Nelson	Schrom
Ashbach	Dunn	Keefe, J.	North	Sillers
Bang	Fitzsimons	Kleinbaum	Olson, A. G.	Solon
Berg	Gearty	Knutson	Olson, J. L.	Stassen
Bernhagen	Hansen, Baldy	Kowalczyk	O'Neill	Stokowski
Blatz	Hansen, Mel	Larson	Patton	Stumpf
Brataas	Hanson, R.	Laufenburger	Pillsbury	Ueland
Brown	Hughes	Merriam	Purfeerst	Willet
Chenoweth	Humphrey	Milton	Renneke	
Chmielewski	Jensen	Moe	Schmitz	

Those who voted in the negative were:

Coleman	Doty	Schaaf	Spear	Tennessen
Conzemius	Lewis			

The motion prevailed. So the appointment was confirmed.

### MOTIONS AND RESOLUTIONS—CONTINUED

Mr. Gearty moved that the report from the Committee on Governmental Operations, reported March 22, 1976, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Gearty moved that the foregoing report be now adopted. The motion prevailed.

Mr. Brown requested that the appointments of the State Personnel Board be divided out.

Mr. Perpich, A. J., requested that the appointment of Mr. William Watters to the State Personnel Board be divided out. So the question was divided.

### CONFIRMATION

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointment of:

#### STATE ZOOLOGICAL BOARD

Robert Engels, 1921 Humboldt Avenue South, Minneapolis, Hennepin County, effective January 11, 1975, for a term expiring January 1, 1981.

The motion prevailed. So the appointment was confirmed.

### CONFIRMATION

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointment of:

#### STATE PERSONNEL BOARD

William Watters, 330 East Faribault, Duluth, St. Louis County, effective January 1, 1976, for a term expiring January 1, 1979.

The question being taken on the adoption of the motion,

And the roll being called, there were yeas 30 and nays 27, as follows:

Those who voted in the affirmative were:

Bernhagen	Gearty	Kirchner	O'Neill	Schrom
Blatz	Hansen, Baldy	Larson	Pillsbury	Sillers
Borden	Hanson, R.	McCutcheon	Purfeerst	Solon
Brataas	Hughes	Moe	Renneke	Tennessen
Davies	Humphrey	Nelson	Schaaf	Ueland
Doty	Jensen	Ogdahl	Schmitz	Wegener



Those who voted in the negative were:

Arnold	Coleman	Knutson	Olhoff	Stassen
Bang	Conzemius	Kowalczyk	Olson, A. G.	Stumpf
Berg	Fitzsimons	Laufenburger	Olson, J. L.	Willet
Brown	Hansen, Mel	Lewis	Patton	
Chenoweth	Josefson	Merriam	Perpich, A. J.	
Chmielewski	Keefe, J.	North	Spear	

The motion prevailed. So the appointment was confirmed.

### CONFIRMATION

Mr. Gearty moved that in accordance with the report from the Committee on Governmental Operations, reported March 22, 1976, the Senate, having advised with, do now consent to and confirm the appointments of:

### STATE PERSONNEL BOARD

Marcella Page, 1847 Woodcrest Drive, St. Paul, Ramsey County, effective January 1, 1976, for a term expiring January 1, 1979.

William B. Flaherty, Sr., 3208 Rankin Road, Minneapolis, Hennepin County, effective January 1, 1976, for a term expiring January 1, 1979.

The question being taken on the adoption of the motion,

And the roll being called, there were yeas 46 and nays 12, as follows:

Those who voted in the affirmative were:

Arnold	Doty	Laufenburger	Patton	Stokowski
Ashbach	Gearty	Lewis	Perpich, A. J.	Stumpf
Bernhagen	Hansen, Baldy	McCutcheon	Pillsbury	Tennessen
Blatz	Hanson, R.	Merriam	Purfeerst	Ueland
Borden	Hughes	Moe	Schaaf	Wegener
Brataas	Humphrey	Nelson	Schmitz	Willet
Chenoweth	Jensen	North	Schrom	
Chmielewski	Kirchner	Ogdahl	Sillers	
Coleman	Kleinbaum	Olson, A. G.	Solon	
Davies	Larson	O'Neill	Spear	

Those who voted in the negative were:

Bang	Conzemius	Hansen, Mel	Knutson	Olson, J. L.
Berg	Dunn	Josefson	Kowalczyk	Stassen
Brown	Fitzsimons			

The motion prevailed. So the appointments were confirmed.

### RECONSIDERATION

Mr. O'Neill moved that the vote whereby S. F. No. 2014 was passed by the Senate on March 22, 1976, be now reconsidered.

The question being taken on the adoption of the motion,

And the roll being called, there were yeas 28 and nays 33, as follows:

Those who voted in the affirmative were:

Ashbach	Brown	Hanson, R.	Larson	Pillsbury
Bang	Dunn	Josefson	Laufenburger	Renneke
Berg	Fitzsimons	Keefe, J.	Nelson	Sillers
Bernhagen	Frederick	Kirchner	Olson, J. L.	Ueland
Blatz	Hansen, Baldy	Knutson	O'Neill	
Brataas	Hansen, Mel	Kowalczyk	Patton	

Those who voted in the negative were:

Anderson	Davies	Lewis	Olhoft	Spear
Arnold	Doty	McCutcheon	Perpich, A. J.	Stokowski
Borden	Gerty	Merriam	Purfeerst	Stumpf
Chenoweth	Hughes	Milton	Schaaf	Tennessen
Chmielewski	Humphrey	Moe	Schmitz	Willet
Coleman	Keefe, S.	North	Schrom	
Conzemius	Kleinbaum	Ogdahl	Solon	

The motion did not prevail.

### MOTIONS AND RESOLUTIONS—CONTINUED

Mr. Kleinbaum moved that S. F. No. 1530 be taken from the table. The motion prevailed.

### CONCURRENCE AND REPASSAGE

Mr. Kleinbaum moved that the Senate concur in the amendments by the House to S. F. No. 1530 and that the bill be placed on its repassage as amended. The motion prevailed.

S. F. No. 1530 was read the third time, as amended by the House, and placed on its repassage.

The question being taken on the repassage of the bill, as amended,

And the roll being called, there were yeas 50 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Coleman	Josefson	Moe	Purfeerst
Arnold	Conzemius	Keefe, S.	Nelson	Renneke
Bang	Davies	Kirchner	North	Schmitz
Berg	Dunn	Kleinbaum	Olhoft	Schrom
Bernhagen	Fitzsimons	Knutson	Olson, H. D.	Spear
Blatz	Gerty	Kowalczyk	Olson, J. L.	Stassen
Brataas	Hansen, Baldy	Laufenburger	O'Neill	Stokowski
Brown	Hansen, Mel	Lewis	Patton	Stumpf
Chenoweth	Hanson, R.	Merriam	Perpich, A. J.	Tennessen
Chmielewski	Hughes	Milton	Pillsbury	Willet

So the bill, as amended, was repassed and its title was agreed to.

### MOTIONS AND RESOLUTIONS—CONTINUED

Mr. Spear introduced—

Senate Resolution No. 34: A Senate resolution congratulating Marshall-University High School on the winning of the State High School Class A Basketball Tournament by the Legislature of the State of Minnesota.

Referred to the Committee on Rules and Administration.

**SPECIAL ORDER**

Pursuant to Rule 10, Mr. Arnold, Chairman of the Committee on Finance, designated H. F. No. 1026, No. 33 on the General Orders Calendar, a Special Order to be heard immediately.

H. F. No. 1026: A bill for an act relating to land use planning; establishing a land use planning assistance program of grants for local government units to be administered by the state planning agency and the metropolitan council; appropriating money; amending Laws 1975, Chapter 13, Section 18, Subdivision 2.

Mr. Dunn moved to amend H. F. No. 1026 as follows:

Strike everything after the enacting clause and insert:

"Section 1. [GRANTS; LAND USE PLANNING.] Subdivision 1. In order to improve the land use decision-making capability of local government, the state planning agency shall make grants to the metropolitan council pursuant to section 5, and to towns, counties and municipalities. The state planning agency shall give priority when granting funds to those areas that show a special need according to the provisions of clauses (a) and (b). The grants may be used to employ staff or contract with other units of government or qualified consultants for the following purposes:

(a) To prepare and implement plans which are required for certain areas by law or by designation as a critical area under Minnesota Statutes, Chapter 116G.

(b) To prepare and implement plans which the unit of government is authorized by law to undertake for the management of problems resulting from (1) rapid population or economic growth or decline; (2) potential development in environmentally sensitive areas including but not limited to flood plains, wild and scenic rivers, and shorelands; and (3) the addition or elimination of a major state or federal facility;

(c) To assist neighborhood organizations in cities of the first class to do land use and related planning by making grants to the municipality;

(d) To analyze and prepare plans to preserve and protect agricultural land as defined in Minnesota Statutes 1974, Section 500.24.

Subd. 2. Grants shall not exceed 75 percent of the cost of the land use planning program, except that grants made within a designated critical area may be up to 100 percent of the cost of the planning program.

Subd. 3. For the purpose of this act municipality has the definition stated in Minnesota Statutes 1974, Section 462.352, Subdivision 2.

Sec. 2. [ADMINISTRATION.] The state planning agency shall determine priorities pursuant to section 1, and shall promulgate

rules for the submittal and review of applications hereunder in accordance with the provisions of Minnesota Statutes, Chapter 15.

Sec. 3. [ELIGIBILITY.] Eligibility of grants is limited to units of government authorized by law to plan or adopt and enforce land use controls.

Sec. 4. [REGIONAL DEVELOPMENT COMMISSION REVIEW.] An application for grants from this program shall be submitted to the appropriate regional development commission for review pursuant to Minnesota Statutes 1974, Section 462.391, Subdivision 3, prior to the submittal to the state planning agency. The regional development commission shall complete its review within 45 days after receipt of the application. If an application is not reviewed within the requisite time limit or if an extension of time is not agreed to by the affected parties, the application shall be deemed approved. Until units of local government in the metropolitan area as defined by Minnesota Statutes, Section 473.02 are required by law to prepare and adopt comprehensive plans or portions thereof, the review required by this section shall be made by the metropolitan council for units of local government in the metropolitan area.

Sec. 5. [MANDATORY TRANSFER OF FUNDS.] If part or all of the units of government within the metropolitan area as defined by Minnesota Statutes, Section 473.02 are required by law to prepare and adopt comprehensive plans or specified portions thereof, 50 percent of the funds appropriated for the purposes of section 1, clauses (b), (c) and (d), less the amount previously granted to units of government within the metropolitan area, shall be transferred to the metropolitan council on the effective date of such a law. Funds so transferred are reappropriated to the metropolitan council and shall be used for making grants to units of government within the metropolitan area for the preparation and adoption of comprehensive plans and controls required by law. Not more than five percent of the transferred funds shall be available to the metropolitan council for grant administration.

Sec. 6. [APPROPRIATION.] There is appropriated from the general fund \$2,500,000 to the state planning agency for the purposes of this act, of which \$300,000 shall be used for designated critical areas, and not more than five percent of which shall be available to the state planning agency for administering this act. Fifty percent of the money appropriated for purposes other than section 1, clause (a), shall be granted to local governments outside the metropolitan area as defined in Minnesota Statutes, Section 473.02. The appropriation shall not cancel the first year, but shall be available until June 30, 1977.

Sec. 7. [EFFECTIVE DATE.] This act shall be effective July 1, 1976."

Strike the title and insert:

"A bill for an act relating to land use planning; establishing a land

use planning assistance program of grants for local government units to be administered by the state planning agency; appropriating money."

The motion prevailed. So the amendment was adopted.

H. F. No. 1026 was read the third time, as amended, and placed on its final passage.

The question being taken on the passage of the bill, as amended,

And the roll being called, there were yeas 48 and nays 8, as follows:

Those who voted in the affirmative were:

Anderson	Davies	Keefe, S.	Nelson	Solon
Arnold	Dunn	Kirchner	North	Spear
Bang	Fitzsimons	Kleinbaum	Olson, H. D.	Stokowski
Berg	Frederick	Kowalczyk	Olson, J. L.	Stumpf
Bernhagen	Gearty	Larson	O'Neill	Tennessen
Blatz	Hansen, Mel	Laufenburger	Patton	Ueland
Brataas	Hanson, R.	McCutcheon	Perpich, A. J.	Wegener
Chenoweth	Hughes	Merriam	Purfeerst	Willet
Coleman	Humphrey	Milton	Renneke	
Conzemius	Jensen	Moe	Sillers	

Those who voted in the negative were:

Ashbach	Hansen, Baldy	Pillsbury	Schrom	Stassen
Brown	Knutson	Schmitz		

So the bill, as amended, passed and its title was agreed to.

### SPECIAL ORDER

Pursuant to Rule 10, Mr. Arnold, Chairman of the Committee on Finance, designated S. F. No. 466, No. 65 on the General Orders Calendar, a Special Order to be heard immediately.

S. F. No. 466: A bill for an act relating to corporations; requiring domestic corporations to file an active status report with the secretary of state; requiring the secretary of state to perform certain duties; providing that corporations that fail to file reports shall lose exclusive right to their names; permitting corporations and others to utilize the names of corporations which have lost exclusive right to their names; establishing filing fees; appropriating money; amending Minnesota Statutes 1974, Chapter 301 by adding a section; and Section 301.05, Subdivision 2.

Mr. Nelson moved to amend S. F. No. 466 as follows:

Page 3, line 21 after "effectuating" insert "and notifying all corporations of"

The motion prevailed. So the amendment was adopted.

S. F. No. 466 was then progressed.

### SPECIAL ORDER

Pursuant to Rule 10, Mr. Arnold, Chairman of the Committee on Finance, designated H. F. No. 2201, No. 113 on the General Orders Calendar, a Special Order to be heard immediately.

H. F. No. 2201: A bill for an act relating to the state planning agency; providing additional responsibilities for the state demographer; providing for implementation of federal law permitting the state to design a plan for return of census data to the state; providing precinct boundaries to facilitate census data returns; appropriating money; amending Minnesota Statutes 1974, Section 4.12, Subdivision 7; and Minnesota Statutes, 1975 Supplement, Section 204A.06, Subdivision 1, and by adding a subdivision.

Mr. Keefe, S., moved that the amendment made to H. F. No. 2201 by the Committee on Rules and Administration in the report adopted March 23, 1976, pursuant to Rule 49, be stricken. The motion prevailed. So the amendment was stricken.

H. F. No. 2201 was then progressed.

The question recurred on S. F. No. 466.

S. F. No. 466: A bill for an act relating to corporations; requiring domestic corporations to file an active status report with the secretary of state; requiring the secretary of state to perform certain duties; providing that corporations that fail to file reports shall lose exclusive right to their names; permitting corporations and others to utilize the names of corporations which have lost exclusive right to their names; establishing filing fees; appropriating money; amending Minnesota Statutes 1974, Chapter 301 by adding a section; and Section 301.05, Subdivision 2.

Mr. Humphrey moved to amend S. F. No. 466 as follows:

Page 3, line 22, after "act" insert "*, to be available until June 30, 1977*"

The motion prevailed. So the amendment was adopted.

S. F. No. 466 was read the third time, as amended, and placed on its final passage.

The question being taken on the passage of the bill, as amended,

And the roll being called, there were yeas 35 and nays 26, as follows:

Those who voted in the affirmative were:

Anderson  
Arnold  
Ashbach

Borden  
Brataas  
Brown

Chmielewski  
Coleman  
Davies

Doty  
Gearty  
Hansen, Mel

Hughes  
Humphrey  
Keefe, S.

Kirchner	McCutcheon	Nelson	Schaaf	Stumpf
Kleinbaum	Merriam	North	Schmitz	Tennessee
Laufenburger	Milton	Olson, H. D.	Solon	Wegener
Lewis	Moe	Perpich, A. J.	Stokowski	Willet

Those who voted in the negative were:

Bang	Frederick	Knutson	Patton	Stassen
Berg	Hansen, Baldy	Kowalczyk	Pillsbury	Ueland
Bernhagen	Hanson, R.	Larson	Purfeerst	
Blatz	Jensen	Ogdahl	Renneke	
Conzemius	Josefson	Olson, J. L.	Schrom	
Fitzsimons	Keefe, J.	O'Neill	Sillers	

So the bill, as amended, passed and its title was agreed to.

The question recurred on H. F. No. 2201.

H. F. 2201: A bill for an act relating to the state planning agency; providing additional responsibilities for the state demographer; providing for implementation of federal law permitting the state to design a plan for return of census data to the state; providing precinct boundaries to facilitate census data returns; appropriating money; amending Minnesota Statutes 1974, Section 4.12, Subdivision 7; and Minnesota Statutes, 1975 Supplement, Section 204A.06, Subdivision 1, and by adding a subdivision.

Was read the third time and placed on its final passage.

The question being taken on the passage of the bill,

And the roll being called, there were yeas 55 and nays 0, as follows:

Those who voted in the affirmative were:

Arnold	Frederick	Kirchner	North	Schmitz
Ashbach	Gearty	Kleinbaum	Ogdahl	Schrom
Bang	Hansen, Baldy	Knutson	Olson, H. D.	Sillers
Berg	Hansen, Mel	Kowalczyk	Olson, J. L.	Solon
Bernhagen	Hanson, R.	Larson	O'Neill	Stassen
Brataas	Hughes	Laufenburger	Patton	Stokowski
Brown	Humphrey	Lewis	Perpich, A. J.	Stumpf
Chmielewski	Jensen	McCutcheon	Pillsbury	Tennessee
Coleman	Josefson	Merriam	Purfeerst	Ueland
Doty	Keefe, J.	Milton	Renneke	Wegener
Fitzsimons	Keefe, S.	Nelson	Schaaf	Willet

So the bill passed and its title was agreed to.

### SPECIAL ORDER

Pursuant to Rule 10, Mr. Arnold, Chairman of the Committee on Finance, designated H. F. No. 920, No. 119 on the General Orders Calendar, a Special Order to be heard immediately.

H. F. No. 920: A bill for an act relating to recreation; environ-

mental preservation and energy conservation; conserving human and natural resources by promoting health and recreation and abating environmental pollution by encouraging the use of bicycles; providing for a bicycle registration system; and prescribing the powers and duties of the commissioner of public safety in relation thereto; directing the commissioner of public safety to study the use of bicycles on streets, highways, bicycle ways and bicycle lanes; prescribing a model bicycle ordinance for political subdivisions; directing the commissioner of natural resources to develop a plan for an interconnecting system of bicycle trails; providing for the construction of bicycle lanes or ways using federal funds; prescribing penalties; and appropriating money.

Mr. Olhoft moved to amend H. F. No. 920 as follows:

Page 2, line 17, after "wheels" insert "but shall not include a children's tricycle"

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

Mr. Schrom moved to amend H. F. No. 920 as follows:

Page 16, line 5, after "enactment" insert ", and shall apply only to the seven-county metropolitan area"

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

H. F. No. 920 was read the third time and placed on its final passage.

The question being taken on the passage of the bill,

And the roll being called, there were yeas 38 and nays 25, as follows:

Those who voted in the affirmative were:

Anderson	Doty	Keefe, J.	Milton	Spear
Arnold	Fitzsimons	Keefe, S.	Moe	Stassen
Brown	Gearly	Kirchner	North	Stokowski
Chenoweth	Hansen, Mel	Kleinbaum	Ogdahl	Stumpf
Chmielewski	Hughes	Laufenburger	Schaaf	Tennessee
Coleman	Humphrey	Lewis	Schmitz	Willet
Conzemius	Jensen	McCutcheon	Sillers	
Davies	Josefson	Merriam	Solon	

Those who voted in the negative were:

Ashbach	Borden	Hanson, R.	Olson, J. L.	Purfeerst
Bang	Brataas	Knutson	O'Neill	Renneke
Berg	Dunn	Larson	Patton	Schrom
Bernhagen	Frederick	Nelson	Perpich, A. J.	Ueland
Blatz	Hansen, Baldy	Olson, H. D.	Pillsbury	Wegener

So the bill passed and its title was agreed to.



**RECESS**

Mr. Coleman moved that the Senate do now recess until 2:00 o'clock p.m. The motion prevailed.

The hour of 2:00 o'clock p.m. having arrived, the President called the Senate to order.

**SPECIAL ORDER**

Pursuant to Rule 10, Mr. Arnold, Chairman of the Committee on Finance, designated H. F. No. 2203, No. 117 on the General Orders Calendar, a Special Order to be heard immediately.

H. F. No. 2203: A bill for an act relating to medical assistance for the needy; establishing guidelines for reimbursement of medical services furnished by nursing homes; prescribing certain responsibilities for the commissioner of public welfare.

Mr. Kirchner moved to amend H. F. No. 2203, as amended pursuant to Rule 49, adopted by the Senate March 23, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 2225.)

Page 2, after line 16, insert a new subdivision to read:

"Subd. 3. A nonproprietary nursing home which incurred operating losses prior to July 1, 1975, and which pays interest on indebtedness incurred as a result of the operating losses may be reimbursed for the actual interest on that indebtedness if (1) the proceeds of the indebtedness were actually used for operating expenses and (2) the loan was obtained in an arms length transaction. This subdivision shall expire as of July 1, 1978."

Page 3, line 22, after the period, insert " "Purchase" means the acquisition of a nursing home by a new owner or the construction of a new nursing home."

Page 3, line 25, strike "other than governmentally"

Page 3, line 26, strike "owned homes"

Page 3, line 27, strike "eight" and insert "nine"

Page 3, line 29, strike "eight" and insert "seven"

Page 3, line 30, after the period insert "The allowance for governmentally owned homes shall be three percent of the value of the facility."

Page 4, line 8, strike "accumulated" and insert "computed"

Page 4, line 9, strike "original value and on any"

Page 6, line 24, before "balance" insert "consolidated"

Page 6, line 27, strike "and"

Page 6, line 28, strike "together with" and insert "and (3)"

The motion prevailed. So the amendment was adopted.

Mr. Knutson moved to amend H. F. No. 2203, as amended pursuant to Rule 49, adopted by the Senate March 23, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 2225.)

Page 5, line 10, strike "salaries or expenses of a"

Page 5, strike line 11

Page 5, line 12, strike "lobbying activities, (3)"

Page 5, line 15, after the comma insert "and"

Page 5, line 15, strike "unsuccessful"

Page 5, line 16, strike ", and (6) that part of the dues" and insert "which are determined by the court to be frivolous."

Page 5, strike lines 17 and 18

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

H. F. No. 2203 was read the third time, as amended, and placed on its final passage.

The question being taken on the passage of the bill, as amended,

And the roll being called, there were yeas 55 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Doty	Josefson	Milton	Pillsbury
Arnold	Dunn	Keefe, J.	Moe	Purfeerst
Bang	Fitzsimons	Keefe, S.	Nelson	Renneke
Berg	Frederick	Kirchner	North	Schmitz
Bernhagen	Gearty	Knutson	Ogdahl	Sillers
Borden	Hansen, Baldy	Kowalczyk	Olson, A. G.	Spear
Brataas	Hansen, Mel	Larson	Olson, H. D.	Stokowski
Chenoweth	Hanson, R.	Laufenburger	Olson, J. L.	Stumpf
Chmielewski	Hughes	Lewis	O'Neill	Tennessen
Conzemius	Humphrey	McCutcheon	Patton	Ueland
Davies	Jensen	Merriam	Perpich, A. J.	Willet

So the bill, as amended, passed and its title was agreed to.

### SPECIAL ORDER

Pursuant to Rule 10, Mr. Arnold, Chairman of the Committee on Finance, designated H. F. No. 1984, No. 116 on the General Orders Calendar, a Special Order to be heard immediately.

### SUSPENSION OF RULES

Mr. Moe moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H. F. No. 1984 and that the rules of the Senate be so far suspended as to give H. F. No. 1984 its third reading and place it on its final passage. The motion prevailed.

H. F. No. 1984: A bill for an act relating to agriculture; establishing a family farm security program to encourage loans for farm real estate; appropriating money; amending Minnesota Statutes 1974, Sec-

tions 48.24, Subdivision 5; and 290.08, by adding a subdivision; Minnesota Statutes, 1975 Supplement, Section 290.01, Subdivision 20; and 290.09, Subdivision 4.

Mr. Moe moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 2, line 4, after "and" insert "may be"

Page 2, line 20, delete "Subdivisions 1 and" and insert "Subdivision"

Page 2, line 29, after the period insert "This loan shall be secured by a first real estate mortgage evidenced by one or more notes that may carry different interest rates."

Page 2, line 29, after "interest" insert "earned by the seller of the property"

Page 7, line 17, delete "provided" and insert "approved"

Page 10, after line 10, insert "Subd. 3. [WAIVER OF TAX PENALTY.] The commissioner of revenue shall waive the additional tax imposed in subdivision 2 if the applicant has died or suffered a total disability, and the tax imposed in chapter 290 shall apply."

For the purposes of this section, "total disability" means the total and permanent loss of sight of both eyes, the loss of both arms at the shoulder, the loss of both legs so close to the hips that no effective artificial members can be used, complete and permanent paralysis, total and permanent loss of mental faculties, or any other injury which totally incapacitates the applicant from working his farm."

Page 15, line 25, delete "on any payment adjustment"

The motion prevailed. So the amendment was adopted.

Mr. Bernhagen moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Strike everything after the enacting clause and insert:

"Section 1. [PURPOSE.] Subdivision 1. The purpose of this act is to perpetuate and encourage the increase of family farms and thereby enhance the quality of life and the economy of rural Minnesota, insofar as is possible. The legislature believes this goal may be achieved by creating a system whereby certain loans can be obtained on a long term, low interest basis with interest payments and amortization to be made by the borrower on a basis designed to encourage participation of those farmers desiring acquisition of farm operations, and by increasing credit sources."

Subd. 2. [FAMILY FARM SECURITY PROGRAM.] There is established a family farm security program which shall provide money to assist in securing loans pursuant to the provisions of this act.

Sec. 2. [DEFINITIONS.] Subdivision 1. For the purposes of this act the following terms shall have the meanings given.

*Subd. 2. "Applicant" means a person applying for a family farm security loan.*

*Subd. 3. "Board" means the Minnesota family farm security board.*

*Subd. 4. "Family farm security loan" means a loan made by the board to an eligible applicant in an amount no greater than that which will enable the applicant to obtain credit for the acquisition of farm real estate, machinery, equipment, or buildings, approved by the board.*

*Subd. 5. "Farm real estate" means land in Minnesota that is capable of supporting the commercial production of agricultural crops, livestock or livestock products, poultry or poultry products, milk or dairy products, fruit or other horticultural products, including aquatic products.*

*Subd. 6. An "eligible applicant" means an applicant who meets the following basic criteria:*

*(a) that he is a resident of the state of Minnesota, or shows sufficient evidence that he intends to become a resident;*

*(b) that he has sufficient experience, training and education in the type of farming for which he wishes the loan and pledges participation in a farm management program which has been approved by the board;*

*(c) that he has total net worth valued at less than \$50,000 in accordance with criteria for establishing net worth. The board shall establish criteria.*

*Subd. 7. "Seller" means the owner of real or personal property, sold to the eligible applicant.*

*Subd. 8. "Lender" means any bank, savings bank, mutual savings bank, building and loan association, savings and loan association, organized under the laws of this state or the United States, trust companies, trust companies acting as fiduciaries, and other financial institutions subject to the supervision of the commissioner of banks; and any foreign or domestic corporation engaged in the business of insurance which is subject to the supervision of the commissioner of insurance as defined in Minnesota Statutes, Section 60A.02, Subdivisions 2 and 3; and any financial institution operating under the supervision of the farm credit administration.*

*Subd. 9. "Participant" means any person or entity specified in subdivisions 3, 6, 7 and 8 of this section.*

**Sec. 3. [MINNESOTA FAMILY FARM SECURITY BOARD.]**

*Subdivision 1. [CREATION.] In order to aid farmers in obtaining credit for the acquisition of farm real estate, machinery, equipment, and buildings, there is established a public body corporate and politic to be known as the Minnesota family farm security board, which shall provide credit for loans made according to the provisions of this act.*

*Subd. 2. [ADMINISTRATION.] The family farm security program shall be administered by the board.*

**Subd. 3. [MEMBERSHIP.]** *The board shall consist of one person from each of the development regions established pursuant to Minnesota Statutes 1974, Sections 462.387 to 462.395, for four year terms commencing 180 days following the effective date of this act.*

**Subd. 4. [OFFICERS.]** *The board shall annually elect a chairman and other officers as necessary to conduct its business.*

**Subd. 5. [EX-OFFICIO MEMBERS.]** *The following, or their designees, shall serve as ex-officio, non-voting members of the association:*

*(a) the commissioner of agriculture;*

*(b) the commissioner of commerce;*

*(c) the legislative auditor;*

*(d) an agricultural economist designated by the university of Minnesota board of regents;*

*(e) two officers from commercial lending institutions selected by the commissioner of banking;*

*(f) one officer from a farm credit association selected by the commissioner of banking.*

**Subd. 6. [COMPENSATION.]** *The members, officers and ex-officio members shall receive no compensation for their services but shall be entitled to their reasonable and necessary expenses actually incurred in discharging their duties.*

**Subd. 7. [CONTROL.]** *The management and control of the board shall be vested solely in the members in accordance with the provisions of this act.*

**Subd. 8. [ORGANIZATION.]** *The powers of the board shall be vested in the members thereof in office from time to time and a majority of the members of the board constitutes a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, notwithstanding the existence of any vacancies. Action may be taken by the board upon a vote of a majority of the members present.*

**Subd. 9. [STAFF.]** *The board shall employ an executive director and other employees, permanent and temporary, as it may require, and shall determine their qualifications, duties and compensation. The board may delegate to one or more of its employees such powers or duties as it may deem proper.*

**Subd. 10. [LIABILITY.]** *The members and officers of the board shall not be liable personally, either jointly or severally, for any debt or obligation created or incurred by the board.*

**Subd. 11. [RULES.]** *The board shall promulgate rules, forms and procedures necessary for the efficient administration of this act, sections 24 and 25 excepted.*

**Sec. 4. [SPECIFIC POWERS OF THE BOARD.]** *Subdivision*

1. *The board shall have the specific powers and duties set forth in this section.*

*Subd. 2. It may make or participate in the making of loans to applicants pursuant to this act. Loans shall be made only upon determination by the board that the loans are not otherwise available, wholly or in part, from private or other lenders, upon equivalent terms and conditions.*

*Subd. 3. It may purchase and enter into commitments for the purchase of eligible securities provided that the board shall first determine that the proceeds of the securities will be utilized for the purposes specified in this section.*

*Subd. 4. It may accept appropriations, gifts, grants, bequests and devises, and utilize or dispose of the same to carry out its corporate purpose.*

*Subd. 5. It may make and execute contracts, releases, compromises, compositions and other instruments necessary or convenient for the exercise of its powers, or to carry out its corporate purpose.*

*Subd. 6. It may collect reasonable interest, fees, and charges in connection with making and servicing its loans, notes, bonds, obligations, commitments and other evidence of indebtedness. Such interest, fees and charges shall be limited to the amounts required to pay the costs of the board, including operating and administrative expenses, and reasonable allowances for losses which may be incurred. It may invest any funds not required for immediate disbursement as recommended by the executive director of the Minnesota state investment board.*

**Sec. 5. [GENERAL POWERS OF THE BOARD.]** *Subdivision 1. For the purpose of exercising the specific powers granted in section 4 and effectuating the other purposes of this act the board shall have the general powers granted in this section.*

*Subd. 2. It may sue and be sued.*

*Subd. 3. It may have a seal and alter the same at will.*

*Subd. 4. It may make, and from time to time, amend and repeal rules and regulations not inconsistent with the provisions of this act.*

*Subd. 5. It may acquire, hold and dispose of personal property for its corporate purposes.*

*Subd. 6. It may enter into agreements or other transactions with any federal or state agency, any person and any domestic or foreign partnership, corporation, association or organization.*

*Subd. 7. It may acquire real property, or an interest therein, in its own name, by purchase or foreclosure, where such acquisition is necessary or appropriate to protect any loan in which the board has an interest and may sell, transfer and convey any such property to a buyer and, in the event such sale, transfer or convey-*

ance cannot be effected with reasonable promptness or at a reasonable price, may lease such property to a tenant.

Subd. 8. It may sell, at public sale, any note, mortgage or other instrument or obligation evidencing or securing a loan.

Subd. 9. It may procure insurance against any loss in connection with its property in such amounts, and from such insurers, as may be necessary or desirable.

Subd. 10. It may consent, whenever it deems it necessary or desirable in the fulfillment of its corporate purpose, to the modification of the rate of interest, time of payment or any installment of principal or interest, or any other term, of any mortgage loan, mortgage loan commitment, construction loan, contract or agreement of any kind to which the board is a party.

Subd. 11. It may make and publish rules and regulations respecting its lending, lending procedures, and any other rules and regulations as are necessary to effectuate its corporate purpose.

Subd. 12. It may borrow money to carry out and effectuate its corporate purpose and may issue its negotiable bonds or notes as evidence of any such borrowing in accordance with this act.

Sec. 6. [ADDITIONAL POWERS AND DUTIES OF THE BOARD.] Subdivision 1. In addition to the powers granted in sections 4 and 5 the board shall have the further powers granted in this section.

Subd. 2. It may enter into agreements with lenders or the issuers of securities for the purpose of this act financed in whole or in part by the proceeds of eligible loans or eligible securities purchased by the board.

Subd. 3. It may undertake and carry out studies and analyses of agricultural needs within the state in cooperation with the university of Minnesota, or the department of agriculture so as to meet the needs of agriculturists and may disseminate resulting information.

Subd. 4. It shall make recommendations to the governor, legislature and the public on or before December 1 of each year regarding any needed state policy or program changes designed to foster and promote the economic health and viability of family farms.

Subd. 5. The board from time to time may issue its negotiable bonds and notes in such principal amounts as, in the opinion of the board, shall be necessary to provide sufficient funds for achieving its purposes, including the making of eligible loans and the purchase of eligible securities, the payment of interest on bonds and notes of the board, the establishment of reserves to secure such bonds and notes, and the payment of all other expenditures of the board incident to and necessary or convenient to carry out its corporate purposes and powers.

Subd. 6. The board from time to time may issue bonds or notes for the purpose of refunding any bonds or notes of the board then

outstanding, including the payment of any redemption premiums thereon and any interest accrued or to accrue to the redemption date next succeeding the date of delivery of such refunding bonds or notes. The proceeds of any refunding bonds or notes may, in the discretion of the board, be applied to the purchase or payment at maturity of the bonds or notes to be refunded, or to the redemption of outstanding bonds or notes on the redemption date next succeeding the date of delivery of refunding bonds or notes and may, pending application, be placed in escrow to be applied for such purpose, retirement, or redemption. Any escrow proceeds, pending such use, may be invested and reinvested in obligations issued or guaranteed by the state or United States or by any agency or instrumentality thereof, or in certificates of deposit or time deposits, secured in a manner as the agencies shall determine, maturing at the time or times as shall be appropriate to assure the prompt payment of the principal of and interest and redemption premiums, if any, on the bonds or notes to be refunded. The income earned or realized on any investments may also be applied to the payment of the bonds or notes to be refunded. After the terms of the escrow have been fully satisfied, any balance of proceeds and investment income may be returned to the board for use by it in any lawful manner. All refunding bonds or notes issued under the provisions of this subdivision shall be issued and secured in the manner provided by the resolution of the board.

Subd. 7. All bonds or notes issued hereunder shall be negotiable investment securities within the meaning and for all purposes of the uniform commercial code, subject only to any provisions of the bonds and notes for registration. All notes and bonds so issued shall be general obligations of the board, secured by its full faith and credit, and payable out of any monies, assets, or revenues of the board, subject to the provisions of resolutions or indentures pledging and appropriating particular monies, assets, or revenues to particular notes or bonds.

Sec. 7. [BONDS AND NOTES; RESOLUTIONS AUTHORIZING, ADDITIONAL TERMS, SALE.] The notes and bonds of the board shall be authorized by a resolution or resolutions adopted by the board and shall bear a date or dates, shall mature at a time or times, shall bear interest at a rate or rates, be in denominations, be in form, carry registration privileges, be executed in a manner, be payable in lawful money of the United States of America, at the place or places within or without the state, and be subject to terms of redemption prior to maturity as the resolutions or certificates may provide. No note shall mature more than ten years from its date or from the date of any note refunded thereby. The maximum maturity of any bond, whether or not issued for the purpose of refunding, shall be 50 years from its date. The notes and bonds of the board may be sold at public or private sale, at a price or prices as the board shall determine.

Sec. 8. [BONDS AND NOTES; OPTIONAL RESOLUTION AND CONTRACT PROVISIONS.] Subdivision 1. Any resolution authorizing any notes or bonds or any issue thereof may contain provisions, which shall be a part of the contract with the holders thereof, as to the matters referred to in this section.



*Subd. 2. It may pledge or create a lien on all or any part of the moneys or property of the board and any moneys held in trust or otherwise by others to secure the payment of the notes or bonds or of any issue thereof, subject to agreements with bondholders or note-holders as may then exist.*

*Subd. 3. It may provide for the custody, collection, securing, investment, and payment of any moneys of the board.*

*Subd. 4. It may set aside reserves or sinking funds and provide for the regulation and disposition thereof and may create other special funds into which any moneys of the board may be deposited.*

*Subd. 5. It may limit the loans and securities to which the proceeds of sale of notes or bonds may be applied and may pledge repayment thereon to secure the payment of the notes or bonds or of any issue thereof.*

*Subd. 6. It may limit the issuance of additional notes or bonds, the terms upon which additional notes or bonds may be issued and secured, and the refunding of outstanding or other notes or bonds.*

*Subd. 7. It may prescribe the procedure, if any, by which the terms of any contract with noteholders or bondholders may be amended or abrogated, the amount of notes or bonds the holders of which must consent thereto, and the manner in which such consent may be given.*

*Subd. 8. It may vest in a trustee or trustees such property, rights, powers and duties in trust as the board may determine, which may include any or all of the rights, powers and duties of the bondholders, or may limit the rights, powers and duties of a trustee.*

*Subd. 9. It may define the acts or omissions to act which shall constitute a default in the obligations and duties of the board and may provide for the rights and remedies of the holders of bonds or notes in the event of such default, and provide any other matters of like or different character, consistent with the general laws of the state and other provisions of this act, which in any way affect the security or protection of the notes or bonds and the rights of the holders thereof.*

**Sec. 9. [PLEDGES.]** *Any pledge made by the board shall be valid and binding from the time when the pledge is made, the moneys or property so pledged and thereafter received by the board shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the board, irrespective of whether the parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be recorded.*

**Sec. 10. [BONDS AND NOTES; NONLIABILITY OF INDIVIDUALS.]** *Neither the members of the board nor any person executing the notes or bonds shall be liable personally on the notes or bonds or be subject to any personal liability or accountability by reason of the issuance thereof.*

**Sec. 11. [BONDS AND NOTES; PURCHASE AND CANCELLATION BY BOARD.]** *The board, subject to agreements with note-*

holders or bondholders as may then exist, shall have power out of any funds available therefor to purchase notes or bonds of the board, which shall thereupon be cancelled, at a price not exceeding (a) if the notes or bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (b) if the notes or bonds are not redeemable, the redemption price applicable on the first date after the purchase upon which the notes or bonds become subject to redemption plus accrued interest to date.

**Sec. 12. [BONDS AND NOTES; NONLIABILITY OF STATE.]** *The state of Minnesota shall not be liable on notes or bonds of the board and its notes and bonds shall not be a debt of the state. The notes and bonds shall contain on the face thereof, a statement to that effect.*

**Sec. 13. [STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS.]** *The state pledges and agrees with the holders of any notes or bonds issued under this act that the state will not limit or alter the rights vested in the board to fulfill the terms of any agreements made with the holders thereof, or in any way impair the rights and remedies of the holders until the notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The board is authorized to include this pledge and agreement of the state in any agreement with the holders of such notes or bonds.*

**Sec. 14. [DEFAULT IN PAYMENTS; APPOINTMENT OF TRUSTEE.]** *If the board defaults in the payments of principal or interest on any issue of notes or bonds after the same shall become due, whether at maturity or upon call for redemption, and the default continues for a period of 30 days, or if the board fails or refuses to comply with the provisions of this chapter, or defaults in any agreement made with the holders of any issue of notes or bonds, the holders of 25 percent in aggregate principal amount of the notes or bonds of the issue then outstanding may appoint a trustee to represent the holders of the notes or bonds for the purposes set forth in section 8, unless the notes or bonds are issued under an indenture made and entered into by the board with a designated trustee.*

**Sec. 15. [POWERS AND DUTIES OF TRUSTEE.]** *Subdivision 1. The trustee designated in any indenture or resolution securing an issue of notes or bonds, or a trustee appointed pursuant to section 14, may, and upon written request of the holders of 25 percent in principal amount of such notes or bonds then outstanding shall, in his own name, subject to the provisions of such indenture or resolution:*

*(a) Enforce all rights of the noteholders or bondholders, including the right to require the board to collect fees and charges and interest and payments on eligible loans and mortgages made and eligible securities purchased by it adequate to carry out any agreement as to, or pledge of, such fees and charges and payments and to require the board to carry out any other agreements with the holders of such notes or bonds and to perform its duties under this chapter;*

*(b) Bring suit upon such notes or bonds;*

(c) Require the board to account as if it were the trustee of any express trust for the holders of its notes or bonds;

(d) Enjoin any acts or things which may be unlawful or in violation of the rights of holders of such notes or bonds; or

(e) Declare all notes or bonds due and payable, and if all defaults shall be made good, then, with the consent of the holders of 25 percent of the principal amount of notes or bonds then outstanding, the trustee may annul the declaration and consequences.

Subd. 2. In addition to the powers specifically granted herein, the trustee shall have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights.

Subd. 3. The venue of any action or proceedings brought by the trustees under sections 4 to 15 shall be in Ramsey county. Before declaring the principal of notes or bonds due and payable, the trustee shall first give 30 days notice in writing to the board and to the state treasurer.

Sec. 16. [MONEYS OF BOARD.] Subdivision 1. [FUNCTIONS OF STATE TREASURER.] All moneys of the board, except as otherwise authorized or provided in this section, shall be paid to the state treasurer as agent of the board, who shall not commingle such moneys with any other moneys. The moneys in such accounts shall be paid out on warrants drawn by the commissioner of finance on requisition of the chairman of the board or of any other officer or employee as the board shall authorize to make such requisition. All deposits of moneys shall, if required by the state treasurer or the board, be secured by obligations of the United States or of the state of a market value equal at all times to the amount of the deposit and all banks and trust companies are authorized to give security for such deposits.

Subd. 2. [CONTRACTS AND SECURITY.] Notwithstanding the provisions of this section, the board shall have power, subject to the approval of the state treasurer, to contract with the holders of any of its notes or bonds, as to the custody, collection, securing, investment, and payment of any moneys of the board or any moneys held in trust or otherwise for the payment of notes or bonds, and to carry out the contract. Moneys held in trust or otherwise for the payment of notes or bonds or in any way to secure notes or bonds and deposits of such moneys may be secured in the same manner as moneys of the board, and all banks and trust companies are authorized to give security for such deposits. All moneys so paid to the state treasurer as agent of the board, from whatever source, are appropriated to the board.

Subd. 3. [SYSTEM OF ACCOUNTS.] Subject to agreements with noteholders and bondholders, the commissioner of finance shall prescribe a system of accounts.

Sec. 17. [EXEMPTION FROM TAXES.] Subdivision 1. The property of the board and its income and operation shall be exempt from all taxation by the state or any of its political subdivisions

and all bonds and notes of the board shall be exempt from all taxation by the state or any of its political subdivisions.

*Subd. 2. The state covenants with the purchasers and all subsequent holders and transferees of notes and bonds issued by the board in consideration of the acceptance of and payment for the notes and bonds, that the notes and bonds of the board issued pursuant to this act and the income therefrom and all its fees, charges, gifts, grants, revenues, receipts, and other moneys received or to be received, pledges to pay or secure the payment of such notes or bonds shall at all times be free and exempt from all state, city, county or other taxation provided by the laws of the state, except for estate and gift taxes and taxes on transfers, and except for the Minnesota corporate franchise tax and taxes on transfers, and except for the Minnesota corporate franchise tax measured by income, so long as the interest on federal bonds is included in the income by which the tax is measured.*

**Sec. 18. [FAMILY FARM SECURITY FUND; CREATION, SOURCES.]** *Subdivision 1. There is created and established under the jurisdiction and control of the board a revolving fund to be known as the "family farm security fund".*

*Subd. 2. There shall be paid into the family farm security fund (a) any moneys appropriated and made available by the state for the purposes of the fund; (b) any money which the board receives in repayment of advances made from the fund; (c) any other moneys which may be made available to the board for the purpose of the fund from any other source or sources; (d) all fees and charges collected by the board; (e) all interest or other income not required by the provisions of a resolution or indenture securing notes or bonds to be paid into another special fund.*

*Subd. 3. Whenever any moneys are appropriated by the state to the board solely for a specified purpose or purposes, the board shall establish a separate bookkeeping account or accounts in the family farm security fund to record the receipt and disbursement of moneys and of the income, gained and lost, from the investment and reinvestment thereof.*

**Sec. 19. [FAMILY FARM SECURITY FUND; LOANS, INTEREST, REPAYMENT.]** *Subdivision 1. [LOANS; POLICY.] Loans granted pursuant to subdivisions 2 and 3 of this section are to be based on a flexible policy established and published from time to time by the board which shall reflect economic considerations including land prices, taxes, farm commodity prices, availability of capital, repayment capacity, bond and other money market interest rates, other related factors, and the overall purposes of section 1. The maximum percentage specified in subdivisions 2 and 3 of this section, therefore, are established for the purpose of authorizing a degree of flexibility to the board so as to enable accomplishment of section 1 of this act. In all cases, applicants should be made aware that it is the intent of this act to make possible the goals of section 1 and to avoid providing the financial means for financial ruin or perpetual credit dependency.*

*Subd. 2. [LOANS; REAL ESTATE.] The board may make*

loans or may participate with eligible applicants and other lenders, public and private, in establishing potential agreements, which, if consummated enable the applicant to obtain credit for the acquisition of farm land.

**Subd. 3. [LOANS; OTHER ELIGIBLE LOANS.]** *The board may make loans or may participate with eligible applicants and other lenders, public and private, in establishing potential agreements which, if consummated, enable the applicant to obtain credit for the acquisition of machinery, equipment, or buildings associated with a farm operation.*

**Subd. 4. [INTEREST.]** *The board may charge applicants an interest rate as near the interest rate paid on bonds issued by the board as viability of the program will permit.*

**Subd. 5. [REPAYMENT.]** *The board shall cooperate with the applicant to determine repayment terms best suited to accomplish the purposes of this act. Loan and repayment terms may be established on a flexible basis, tailored to the needs of the applicant and the purposes, provisions, and conditions of this act.*

**Subd. 6. [TERMS OF LOANS.]** *The board shall require as a condition of all loans made pursuant to this act, the following:*

*(a) All participants including sellers, lenders, borrowers, insurers, and the board shall be made aware of the participation of each and all, and*

*(b) Should any participant become aware of loan default, imminent loan default, loss or potential loss of any kind, including disability, non-payment of taxes, non-payment of insurance premiums or any other economic loss factor experienced by the applicant which affects the collateral value of the loan, each shall notify the other in writing within 7 days.*

**Subd. 7. [APPLICATION FORMS.]** *Family farm security loans shall be transacted on forms provided by the board.*

**Sec. 20. Minnesota Statutes 1974, Section 48.24, Subdivision 5, is amended to read:**

**Subd. 5. Loans or obligations shall not be subject under this section to any limitation based upon such capital and surplus to the extent that they are secured or covered by guarantees, or constitute first liens and family farm security program loans constitute second liens, or by commitments or agreements to take over or purchase the same, made by any Federal Reserve Bank or by the United States or any department, bureau, board, commission, or establishment of the United States, including any corporation wholly owned directly or indirectly by the United States.**

**Sec. 21. [DEFAULT OF LOANS.] Subdivision 1. [INITIAL DEFAULT.]** *Within 90 days of a default on a loan in which the board is participating, the lender shall send notice to all participants including the applicant, who shall be notified forthwith of the consequences of default. The lender and the applicant may agree to take any steps reasonable to assure the fulfillment of the loan obligation.*

*Subd. 2. [FINAL DEFAULT.] After 180 days from the initial default, if the eligible applicant has not made arrangements to meet his obligation, the board shall file a lien against the secured property and such other assignable assets of the borrower, and shall take all other steps permitted by law to recover all monies due and payable to the board.*

*Sec. 22. [BOND FUND.] Subdivision 1. The aggregate principal amount of bonds and notes which are outstanding at any time, excluding the principal amount of any bonds and notes refunded by the issuance of new bonds or notes, shall not exceed the sum of:*

*(a) \$200,000,000 issued for the purpose of providing funds for loans for the acquisition of farm lands, or refunding bonds or notes issued for this purpose, plus*

*(b) \$100,000,000 issued for the purpose of providing funds for the purposes specified in section 19, subdivision 3 of this act, or refunding bonds or notes issued for this purpose, plus*

*(c) \$500,000,000 issued for other purposes specified in section 6, subdivisions 5, 6 and 7.*

*Subd. 2. Subdivision 1 is not a contract with the holders of any bonds or notes excluding the issuance of bonds or notes in excess of said maximum amount, if such maximum shall be increased by law.*

*Subd. 3. The board may create and establish a special fund or funds for the security of one or more or all series of its bonds or notes, which funds shall be known as debt service reserve funds. The board may pay into each debt service reserve fund (a) any moneys appropriated by the state only for the purposes of such fund, (b) any proceeds of sale of bonds or notes to the extent provided in the resolution or indenture authorizing the issuance thereof, (c) any funds directed to be transferred by the board to such debt service reserve fund, and (d) any other moneys made available to the board only for the purpose of such fund from any other source or sources.*

*Subd. 4. The moneys held in or credited to each debt service reserve fund, except as provided in this section, shall be used solely for the payment of the principal of bonds or notes of the board as the same mature, the purchase of such bond or notes, the payment of interest thereon, or the payment of any premium required when such bonds or notes are redeemed before maturity; provided, that moneys in any such fund shall not be withdrawn therefrom at any time in such amount as would reduce the amount of the fund to less than the amount which the board shall determine to be reasonably necessary for the purposes of the fund, except for the purpose of paying principal or interest due on bonds or notes secured by the fund, for the payment of which other moneys of the board are not available.*

*Subd. 5. Moneys in any debt service reserve fund not required for immediate use or disbursement may be invested in obligations*

of the state or the United States of America, or obligations the principal and interest of which are guaranteed by the state or the United States of America. In computing the amount of any debt service reserve fund for the purpose of this section, securities in which all or a portion of the fund are invested shall be valued at par or, if purchased at less than par, at their cost to the board.

Subd. 6. If the board shall create and establish a debt service reserve fund for the security of any series of bonds or notes, it shall not issue any additional bonds or notes which are similarly secured if the amount of any of the debt service reserve funds at the time of such issuance does not equal or exceed the minimum amount, if any, required by the resolution creating such fund, unless the board shall deposit in each such fund at the time of such issuance, from the proceeds of the bonds or notes or otherwise, an amount which, together with the amount then in the fund, will be not less than the minimum amount so required.

Subd. 7. To the extent consistent with the resolutions and indentures securing outstanding bonds and notes, the board may at the close of any fiscal year transfer to any other fund or account from any debt service reserve fund, any excess in that fund over the amount deemed by the board to be reasonably necessary for the purpose of the fund.

Subd. 8. In order to assure the payment of the principal of and interest on bonds and notes of the board and the continued maintenance of all debt service reserve funds created and established therefor, the board shall annually determine and certify to the governor, on or before December 1, (a) the amount, if any, then needed to restore each debt service reserve fund to the minimum amount required by the resolution or indenture establishing the fund, not exceeding the maximum amount of principal and interest to become due and payable in any subsequent year on all bonds or notes which are then outstanding and secured by such fund; and (b) the amount, if any, determined by the board to be needed in the then immediately ensuing fiscal year, with other funds pledged and estimated to be received during that year, for the payment of the principal and interest due and payable in that year on all then outstanding bonds and notes secured by a debt service reserve fund the amount of which is then less than the minimum amount agreed. The governor shall include and submit to the legislature, in the budget for the following fiscal year, or in a supplemental budget if the regular budget for that year has previously been approved, the amount certified to him by the board in accordance with this subdivision.

Subd. 9. The board shall also submit a biennial report of its activities to the governor and the legislature on or before January 15 in each odd-numbered year.

Subd. 10. All of the official books and records of the board shall be subject to audit by the state auditor in the manner prescribed for other agencies of state government. The board is authorized also to employ and to contract in its resolutions and indentures for the employment of independent accountants for the audit of books and rec-

*ords pertaining to any fund or funds, and the state auditor is authorized to cooperate with such accountants as provided in sections 6.64 to 6.70.*

Sec. 23. *This act is necessary for the welfare of the state of Minnesota and its inhabitants; therefore, it shall be liberally construed to effect its purpose.*

Sec. 24. Minnesota Statutes, 1975 Supplement, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

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

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

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

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

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

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

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

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

(1) Interest income on obligations of any state other than Min-



nesota or a political subdivision of any such other state exempt from federal income taxes under the Internal Revenue Code of 1954;

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

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

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under chapter 290, to the extent deductible in determining federal adjusted gross income;

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

(6) Losses which do not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses, and including any such nonassignable losses which occur prior to the time the individual becomes a resident of the state of Minnesota;

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

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

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

(9) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, 1974, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1974, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (9) or under section 290.09, subdivision 24; and

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

(11) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101.

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

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

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

*(b) If farm real estate is sold to be used for agricultural purposes only, and a gain is considered a long-term capital gain for federal income tax purposes, the modification shall be fifty percent of such excess;*

*(c) The commissioner of revenue shall annually determine the percentage increase in the consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The commissioner shall determine the increase from September 1 of one year to August 30 of the next. He shall announce the percentage figure by November 1 each year and shall adjust the modification percentage accordingly.*

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

(4) Income which does not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20;

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

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

(7) The amount of any pension or benefit which is excluded from gross income under the provisions of section 290.08, subdivision 6; and

(8) The amount of compensation for personal services in the armed forces of the United States or the United Nations which is excluded from gross income under the provisions of section 290.65; and

(9) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1974, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter.

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

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

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder disposes of his stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

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

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

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

Sec. 25. Minnesota Statutes 1974, Section 290.16, Subdivision 4, is amended to read:

Subd. 4. [DEDUCTIONS FOR CAPITAL GAINS.] If for any taxable year the net long-term capital gain exceeds the net short-term capital loss, 50 percent of the amount of such excess shall be a deduction from gross income; *if, however, farm real estate is sold to be used for agricultural purpose only, the deduction shall be 75 percent. The commissioner of revenue shall annually determine the percentage increase in the consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The commissioner shall determine the increase from September 1 of one year to August 30 of the next. He shall announce the percentage figure by November 1 each year and shall modify the percent of deduction accordingly.*

Sec. 26. Minnesota Statutes 1974, Section 291.05, is amended to read:

291.05 [EXEMPTIONS.] The following exemptions from the tax are hereby allowed:

(1) Any devise, bequest, gift, or transfer to or for the use of the United States of America or any state or any political subdivision thereof for public purposes exclusively, and any devise, bequest, gift, or transfer to or for the use of any corporation, fund, foundation, trust, or association operated within this state for religious, charitable, scientific, literary, education or public cemetery purposes exclusively, including the encouragement of art and the prevention of cruelty to children or animals, no part of which devise, bequest, gift, or transfer inures to the profit of any private stockholder or individual, and any bequest or transfer to a trustee or trustees exclusively for such purposes, shall be exempt. Any devise, bequest, gift, or transfer to an employee stock ownership trust as defined in section 290.01, subdivision 3 25, shall be exempt. Where the beneficiaries of a stock ownership trust include the transferor, his spouse, children, grandchildren, parents, siblings or their children, the amount of the exemption shall be reduced

by the product of multiplying said amount by their percentage interest in the trust.

Any devise, bequest, gift, or transfer, not to exceed \$1,000 made to a clergyman, the proceeds of which are to be used for religious purposes or rites designated by the testator, shall be exempt. Any devise, bequest, gift, or transfer to or for the use of any corporation, fund, foundation, trust, or association operated for religious, charitable, scientific, literary, education, or public cemetery purposes exclusively, including the encouragement of art, and the prevention of cruelty to children or animals, no part of which devise, bequest, gift, or transfer inures to the profit of any private stockholder or any individual, and any bequest or transfer to a trustee or trustees exclusively for such purposes, shall be exempt, if, at the date of the decedent's death, the laws of the state under the laws of which the transferee was organized or existing, either (1) did not impose a death tax of any character, in respect of property transferred to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of this state, or (2) contained a reciprocal provision under which transfers to a similar corporation, fund, foundation, trust, or association, organized or existing under the laws of another state were exempted from death taxes of every character if such other state allowed a similar exemption to a similar corporation, fund, foundation, trust, or association, organized under the laws of such state.

(2) The homestead of a decedent, and the proceeds thereof if sold during administration, transferred to the spouse or to any minor or dependent child of the decedent, or to any minor or dependent legally adopted child of the decedent, shall be exempt to the extent of \$30,000 of the appraised value thereof.

Proceeds of any insurance policy issued by the United States and generally known as war risk insurance, United States government life insurance or national service life insurance payable upon the death of any person dying on or after June 24, 1950, shall be exempt.

Proceeds of life insurance issued pursuant to Public Law 89-214 and generally known as servicemen's group life insurance payable upon the death of any person on or after September 1, 1965, shall be exempt. Claims for refunds of inheritance tax paid on such proceeds shall be accepted by the commissioner if filed with him by December 31, 1970, or within 18 months after such payment, whichever is later.

Proceeds of payments from the United States railroad retirement fund; or from the United States as social security benefit, shall be exempt.

(3) (i) Property or any beneficial interest therein of the clear value of ~~\$30,000~~ \$100,000 transferred to the ~~widow~~ surviving spouse, shall be exempt.

(ii) Provided, where the amount of family maintenance allowed by the probate court is less than the maximum deductible under the provisions of section 291.10, or if no such maintenance

is allowed, there shall be allowed to the ~~widow~~ *surviving spouse* an additional exemption equal in amount to the difference between the maximum deduction as provided by section 291.10 and the amount of such family maintenance allowed by the probate court. Further provided, where no probate proceedings are had there shall be allowed to the ~~widow~~ *surviving spouse* an additional exemption equal to the maximum deduction allowed for family maintenance under the provisions of section 291.10.

(4) (i) Property or any beneficial interest therein of the clear value of ~~\$15,000~~ *\$30,000* transferred to each minor or dependent child of the decedent, or any minor or dependent legally adopted child of the decedent, shall be exempt.

(ii) Provided, where the decedent left no ~~widow~~ *surviving spouse* entitled to the exemption allowed by clause (3) of this section the exemption allowed by subparagraph (ii) of clause (3) shall be allowed to beneficiaries entitled to exemption under the provisions of this clause (4). In no event shall the aggregate amount of exemption so allowed be in excess of the additional amount that would have been allowed under subparagraph (ii) of clause (3) had such paragraph been applicable.

(5) Property or any beneficial interest therein of the clear value of ~~\$6,000~~ *\$12,000* transferred to the ~~husband~~, any adult child or other lineal descendant of the decedent, any adult legally adopted child, stepchild as defined in section 291.005, or any child to whom the decedent, for not less than ten years prior to his death, stood in the mutually acknowledged relation of a parent; provided, such mutually acknowledged relationship began at or before the child's fifteenth birthday, and was continuous for ten years thereafter, or any lineal issue of such adopted or mutually acknowledged child, or any lineal ancestor of the decedent, shall be exempt.

(6) Property or any beneficial interest therein of the clear value of ~~\$1,500~~ *\$12,000* transferred to any brother or sister or a descendant of a brother or sister of the decedent, a wife or widow of a son, or the husband of a daughter of the decedent, shall be exempt.

(7) Property or any beneficial interest therein of the clear value of \$500 transferred to any person in any other degree of collateral consanguinity than is hereinbefore stated, or shall be a stranger in blood to the decedent, or shall be a body politic or corporate not exempt under this chapter, shall be exempt.

(8) The commissioner of revenue shall annually determine the percentage increase in the consumer price index for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor with 1967 as a base year. The commissioner shall determine the increase from September 1 of one year to August 30 of the next. He shall announce the percentage figure by November 1 each year. The exemptions shall be modified in accordance with such percentage figure.

Sec. 27. [APPROPRIATION.] *There is appropriated from the general fund to the association the sum of \$76,000 for administrative expenses incurred in fulfilling the provisions of this act.* "

Further amend by striking the title in its entirety and inserting the following:

"A bill for an act relating to agriculture; establishing a family farm security program; creating a family farm security board; prescribing powers and duties; authorizing issuance of bonds and notes; exempting the property and income of the board from taxation; creating a family farm security fund; permitting loans; appropriating money; amending Minnesota Statutes 1974, Sections 48.24, Subdivision 5; 290.16, Subdivision 4; 291.05; and Minnesota Statutes, 1975 Supplement, Section 290.01, Subdivision 20."

Mr. Bernhagen moved to amend the Bernhagen amendment to H. F. No. 1984 as follows:

Page 14, after line 12, add a new subdivision 6, as follows:

"Subd. 6. [TAX PENALTY ON CAPITAL GAIN.] *Capital gain realized on the sale of property for which a family farm security loan was issued within ten years of the issuance of the loan shall be taxed as follows:*

	<i>Time lapsed from issuance of loan</i>		<i>Tax rate</i>
	<i>At least</i>	<i>but less than</i>	<i>Percent</i>
(a)		1 year	100
(b)	1 year	3 years	90
(c)	3 years	5 years	80
(d)	5 years	7 years	70
(e)	7 years	9 years	60
(f)	9 years	10 years	50"

Renumber the remaining subdivisions.

The motion prevailed. So the amendment to the amendment was adopted.

The question being taken on the adoption of the amendment, as amended,

And the roll being called, there were yeas 24 and nays 33, as follows:

Those who voted in the affirmative were:

Ashbach	Brown	Josefson	Larson	Pillsbury
Bang	Dunn	Keefe, J.	Nelson	Renneke
Berg	Fitzsimons	Kirchner	Olson, J. L.	Sillers
Bernhagen	Frederick	Knutson	O'Neill	Ueland
Brataas	Jensen	Kowalczyk	Patton	

Those who voted in the negative were:

Anderson	Gearty	Lewis	Olson, H. D.	Stokowski
Arnold	Hansen, Baldy	McCutcheon	Perpich, A. J.	Stumpf
Borden	Hughes	Merriam	Purfeerst	Tennessen
Chmielewski	Humphrey	Moe	Schaaf	Wegener
Coleman	Keefe, S.	North	Schmitz	Willet
Conzemius	Kleinbaum	Olhoft	Solon	
Davies	Laufenburger	Olson, A. G.	Spear	

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

Mr. Renneke moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 1, line 21, strike "*Council*" and insert "*Board*"

Page 1, line 21, strike "*advisory*"

Page 1, line 22, strike "*council*" and insert "*board*"

Page 2, line 3, strike "*commissioner*" and insert "*board*"

Page 3, line 8, strike "*commissioner*" and insert "*board*"

Page 3, line 9, strike "*commissioner*" and insert "*board*"

Page 3, line 18, strike "ADVISORY COUNCIL" and insert "FAMILY FARM BOARD"

Page 3, line 19, strike "*advisory*"

Page 3, line 20, strike "*council*" and insert "*board*"

Page 3, line 20, after "*members*" insert "*with no more than four from the same political party*"

Page 3, line 21, strike "*commissioner of agriculture*" and insert "*board*"

Page 3, strike lines 27 and 28 and insert "(f) *One agricultural economist.*"

Page 3, line 29, strike "*council*" and insert "*board*"

Page 3, line 31, strike "*council*" and insert "*board*"

Page 3, line 32, strike "*council*" and insert "*board*"

Page 4, line 7, strike "*council*" and insert "*board*"

Page 4, line 10, strike "*council*" and insert "*board*"

Page 4, line 17, strike "*and make recommendations to the commissioner as to*"

Page 4, line 18, strike "*their disposition*"

Page 4, line 25, strike "*council*" and insert "*board*"

Page 5, line 4, strike "*commissioner*" and insert "*board*"

Page 5, line 12, strike "*commissioner*" and insert "*board*"

Page 5, line 18, strike "*for approval*"

Page 5, line 19, strike "*commissioner*" and insert "*board*"

Page 5, line 21, strike "*commissioner*" and insert "*board*"

Page 5, line 24, strike "*his*" and insert "*its*"

Page 5, line 25, strike "*commissioner*" and insert "*board*"

Page 5, line 31, strike "*commissioner*" and insert "*board*"



Page 7, line 19, strike "*commissioner*" and insert "*board*"

Mr. Renneke requested division of the amendment as follows:

First portion: All of the amendment except "Page 3, strike lines 27 and 28 and insert "(f) *One agricultural economist.*"

Second portion: Page 3, strike lines 27 and 28 and insert "(f) *One agricultural economist.*"

The question being taken on the adoption of the first portion of the amendment,

And the roll being called, there were yeas 24 and nays 31, as follows:

Those who voted in the affirmative were:

Bang	Dunn	Jensen	Larson	Pillsbury
Berg	Fitzsimons	Josefson	Nelson	Renneke
Bernhagen	Frederick	Keefe, J.	Ogdahl	Sillers
Brataas	Hansen, Baldy	Knutson	Olson, J. L.	Ueland
Brown	Hansen, Mel	Kowalczyk	Patton	

Those who voted in the negative were:

Anderson	Doty	Merriam	Perpich, A. J.	Tennessen
Arnold	Hughes	Milton	Purfeerst	Wegener
Borden	Humphrey	Moe	Schmitz	Willet
Chmielewski	Keefe, S.	North	Schrom	
Coleman	Kleinbaum	Olhoft	Spear	
Conzemius	Laufenburger	Olson, A. G.	Stokowski	
Davies	McCutcheon	Olson, H. D.	Stumpf	

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

The question being taken on the adoption of the second portion of the amendment,

The motion prevailed. So the amendment was adopted.

Mr. Olhoft moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House File is identical to S. F. No. 1895.)

Page 5, line 12, strike the period and insert a semicolon

Page 5, after line 12, insert:

*"(f) that the seller has not acquired the farm land for purposes of obtaining the income tax exemption allowed by sections 8, 9, and 13 of this act."*

The motion prevailed. So the amendment was adopted.

Mr. Nelson moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Strike everything after the enacting clause and insert:

*"Section 1. [CITATION.] This act may be cited as the "small business and family farm assistance act".*

Sec. 2. [FINDINGS; DECLARATION OF POLICY.] *The legislature declares that the preservation and expansion of free competition is basic to the economic well being of the state. It is essential for this preservation and expansion of free competition that the actual and potential capacity of small business and family farm be encouraged and developed. It is the declared policy of the legislature that the state government should assist and protect, to the extent practicable, the interests of small business and family farm in order to preserve free competitive enterprise, to maintain and strengthen the overall economy of the state, to create new employment opportunities and to prevent the migration of persons from certain areas of the state.*

Sec. 3. [DEFINITIONS.] *Subdivision 1. For the purposes of this act the following terms shall have the meanings given.*

Subd. 2. "Applicant" means a person applying for a small business and family farm security loan.

Subd. 3. "Council" means the small business and family farm advisory council.

Subd. 4. "Commissioner" means the commissioner of economic development.

Subd. 5. "Small business and family farm security loan" means a loan for acquisition of farm land or other real or personal property as approved by the commissioner. It may include one or more of the following: (a) a small business and family farm security loan guarantee; (b) a payment adjustment; (c) a participation loan.

Subd. 6. "Farm land" means land in Minnesota that is capable of supporting the commercial production of agricultural crops, livestock or livestock products, poultry products, milk or dairy products, or fruit or other horticultural products.

Subd. 7. "Lender" means any bank, savings bank, mutual savings bank, building and loan association, savings and loan association, organized under the laws of this state or the United States, trust companies, trust companies acting as fiduciaries, and other financial institutions subject to the supervision of the commissioner of banks, and any foreign or domestic corporation engaged in the business of insurance which is subject to the supervision of the commissioner of insurance as defined in Minnesota Statutes, Section 60A.02, Subdivisions 1 and 3; and any financial institution operating under the supervision of the farm credit administration. In case of participation loans as authorized in section 9, "lender" also means the seller of the property.

Subd. 8. "Participation loan" means a loan in which part or all of the purchase price of the farm or other real estate is financed by a loan from the seller of the property, and the remainder of the loan, if any, is supplied by a lender as defined in subdivision 7. A participation loan may be secured by two or more separate notes that carry different interest rates.

Subd. 9. "Small business" means a business entity organized for profit, including an individual, partnership, corporation, joint venture, association or cooperative which has its principal place

of business in Minnesota and which is not (a) dominant in its field of operation or (b) an affiliate or subsidiary of a business dominant in its field of operation.

Subd. 10. "Socially or economically disadvantaged person" means a person who has been deprived of the opportunity to develop and maintain a competitive position in the economy because of social or economic disadvantage. This disadvantage may arise from cultural, social or economic circumstances or background, physical location if the person resides or is employed in an area declared as a labor surplus area by the United States Department of Commerce, or other similar cause.

Subd. 11. "Dominant in its field of operation" means exercising a controlling or major influence in a business activity in which a number of businesses are engaged. In determining if a business is dominant, the following criteria, among others, shall be considered: number of employees; volume of business; financial resources; competitive status or position; ownership or control of materials, processes, patents, license agreements and facilities; sales territory; and nature of business activity. The following businesses shall be deemed dominant in their field of operation:

(a) Manufacturing businesses which employ more than 100 persons and have in the preceding three fiscal years exceeded a total of \$15,000,000 in gross receipts;

(b) General construction businesses which in the preceding three fiscal years exceeded a total of \$6,000,000 in gross receipts;

(c) Specialty construction businesses which in the preceding three fiscal years exceeded a total of \$3,000,000 in gross receipts; and

(d) Nonmanufacturing businesses which employ more than 25 persons and have in the preceding three fiscal years exceeded a total of \$3,000,000 in gross receipts.

Subd. 12. "Affiliate or subsidiary of a business dominant in its field of operation" means a business which is at least 20 percent owned by a business dominant in that field of operation, or by partners, officers, directors, majority shareholders, or their equivalent of a business dominant in that field of operation.

Sec. 4. [ADMINISTRATION.] Subdivision 1. The small business and family farm security program shall be administered by the commissioner.

Subd. 2. [RULES.] The commissioner shall promulgate rules necessary for the efficient administration of sections 1 to 8; section 9, subdivisions 1 and 2; section 11, subdivisions 1 and 4; and section 15.

Subd. 3. [REPORT TO LEGISLATURE.] On or before January 1 of each year the commissioner shall submit a report to the legislature, as provided in Minnesota Statutes, Section 3.195, concerning the actions of the commissioner and the status of loans granted.

Sec. 5. [ADVISORY COUNCIL.] Subdivision 1. [COMPOSITION.] There is established a small business and family farm advisory council composed of 13 members appointed by the governor as follows:

- (a) *Two officers from a commercial lending institution;*
- (b) *One dairy farmer;*
- (c) *One livestock farmer;*
- (d) *One cash grain farmer;*
- (e) *One officer from a farm credit association;*
- (f) *One representative of consumers of food products who shall not be a farmer or lender;*
- (g) *Two small businessmen;*
- (h) *Two accountants;*
- (i) *Two persons engaged in the business of marketing.*

*Subd. 2. [TERMS AND COMPENSATION.] The council shall expire and the terms, compensation and removal of members of the council shall be governed by Minnesota Statutes, Section 15.059. The council shall meet monthly or more often as needed. The terms of the members of the council first appointed shall expire as follows: eight members, on the first Monday in January, 1979; seven members, on the first Monday in January, 1980.*

*Subd. 3. [CHAIRMAN.] The members of the council shall annually elect a chairman and other officers they deem necessary.*

*Subd. 4. [DUTIES.] The duties of the council shall be as follows:*

*(a) To review and appraise the small business and family farm security program;*

*(b) To give advice and counsel to the commissioner regarding the small business and family farm assistance program;*

*(c) To review all applications for small business and family farm security loans and make recommendations to the commissioner as to their disposition;*

*(d) To make recommendations to the governor, legislature and the public on or before December 31 of each year regarding any needed state policy or program changes to foster and promote the economic health and viability of small business and the family farm.*

*Subd. 5. [STAFF; SERVICES.] The commissioner of economic development shall provide the council with necessary staff, office space and administrative services.*

*Sec. 6. [ELIGIBILITY.] A small business and family farm security loan guarantee, payment adjustment or participation loan approval may be granted if the following criteria are satisfied:*

*(a) That the applicant is a resident of the state of Minnesota, or shows sufficient evidence that he intends to become a resident;*

*(b) That the applicant has sufficient education, training, or experience in the type of farming or small business for which he wishes the loan and continued participation in a farm or small*

business management program, approved by the commissioner, for the duration of the small business family farm security loan;

(c) That the applicant has total net worth valued at less than \$50,000 and has demonstrated a need for the loan;

(d) That the applicant intends to purchase farm land or other real or personal property to be used by the applicant for small business agricultural purposes.

The foregoing powers shall be subject, however, to the following restrictions and limitations:

(a) No financial assistance shall be extended pursuant to this subdivision unless the financial assistance applied for is not otherwise available to the applicant on reasonable terms;

(b) The loans shall be made upon such terms and conditions as the commissioner determines to be necessary to accomplish the purpose of this act and to provide reasonable security for repayment of the loan.

**Sec. 7. [PROCEDURE.] Subdivision 1. [APPLYING FOR LOAN; LOAN DENIED.]** Any person desiring to acquire farm land or other real or personal property for a small business may make application with a lender for one or more of the following: (1) a small business and family farm security loan guarantee; (2) payment adjustment; and (3) participation loan. Upon completion of the appropriate forms by the applicant and the lender, the lender shall forward the application to the commissioner for approval. The commissioner may approve the application if the criteria of sections 6 and 8 are satisfied, and shall notify the applicant and the lender of his decision.

If the application is denied, the commissioner shall return the application to the lender with a written statement of the reasons for the denial. The applicant shall be given a copy of the reasons for the denial of the loan. If the circumstances of the applicant change such that he becomes eligible, he may reapply.

**Subd. 2. [APPROVED LOANS.]** If the commissioner approves the loan application, he shall retain a copy of the application for his files and return the original to the lender. The applicant and the lender may then complete the transaction for the loan.

**Subd. 3. [PRIVACY OF RECORDS.]** The information contained in an application and the statement of reasons for the denial of an application shall be private data on individuals as defined in Minnesota Statutes, Section 15.162.

**Subd. 4. [DEFAULT; FILING CLAIM.]** Within 90 days of a default on a small business and family farm security loan, the lender shall send notice to the applicant stating that the commissioner must be notified if the default continues for another 90 days, and the consequences of that default. The lender and the applicant may agree to take any steps reasonable to assure the fulfillment of the loan obligation.

After 180 days from the initial default, if the applicant has not made arrangements to meet his obligation, the lender shall file a

claim with the commissioner, identifying the loan and the nature of the default, and relinquishing to the state all rights of the lender in exchange for payment of the outstanding balance due. If the commissioner is satisfied that the default has occurred, he shall authorize payment of state funds to the lender, and shall notify the defaulting party. The commissioner shall then become the holder of the mortgage. He shall arrange for fair market value appraisal of the farm land or other real or personal property used in small business and shall accept applications from prospective purchasers who meet the criteria of sections 6 and 8 and have the support of a lender willing to finance the purchase. If an application is accepted by the commissioner, the property will be sold to the applicant and treated as though it were a new small business family farm security loan. If no buyer who is a qualified applicant can be found within 90 days at the fair market price as determined by the commissioner, the commissioner shall advertise the property and sell it to the highest bidder.

In the case of a participation loan involving more than one note, all of the notes shall be considered to be in default if one of the notes is in default.

Subd. 5. [GUARANTEE VOID.] The loan guarantee shall be void only if the guaranteed loan was obtained by fraud or material misrepresentation of which the original lender or subsequent holder had actual knowledge.

Sec. 8. [TERMS OF THE LOAN.] Subdivision 1. A small business and family farm security loan shall be transacted on forms provided by the commissioner with the advice of the attorney general. The commissioner shall establish an appraisal procedure and shall thereby determine the value of the property before guaranteeing a small business and family farm security loan.

Subd. 2. [PAYMENT ADJUSTMENT.] To be eligible for payment adjustment a small business and family farm security loan shall have a maximum term of 20 years and shall provide for payments at least annually so that the loan shall be amortized over its term with equal annual payments of principal and interest. During the first ten years of a small business and family farm security loan, the commissioner shall annually pay to the lender four percent of the outstanding balance due at the beginning of that year and the applicant shall pay the remainder of the payment due. After the tenth year, the applicant shall make payments according to the stated interest rate. The applicant may petition the commissioner for one ten year renewal of the payment adjustment. If a renewal is granted, in the 21st year the applicant shall reimburse the commissioner for the sums paid on the applicant's behalf under this subdivision. If no renewal is granted, the applicant shall reimburse the commissioner in the 11th year for the sums paid on the applicant's behalf under this subdivision.

Subd. 3. [ANNUAL REVIEW OF NET WORTH.] The applicant shall annually submit to the commissioner a statement of his net worth. If his net worth in any year exceeds the sum of \$100,000, the applicant shall be ineligible for a payment adjustment in that year.

Sec. 9. [PARTICIPATION LOANS.] Subdivision 1. [AUTHORIZATION.] The commissioner may provide a guarantee to the lenders on

participation loans when the buyer satisfies the eligibility criteria in section 6. The commissioner may also provide a payment adjustment on behalf of the applicant in the case of participation loans.

**Subd. 2. [NEGOTIABILITY AND MARKETABILITY.]** A participation loan shall be secured by a negotiable note or notes as defined in Minnesota Statutes, Section 336.3-104. Participation loan notes may be sold at a premium or discount. The commissioner must be notified in writing within 30 days when a participation loan note is sold or exchanged.

**Subd. 3. [TAXABILITY.]** The interest earned by the seller of the farm land on a participation loan that is guaranteed by the commissioner shall be excludable from gross income for the year in which it is received.

**Sec. 10.** Minnesota Statutes, 1975 Supplement, Section 290.08, is amended by adding a subdivision to read:

**Subd. 23.** The interest earned by the seller of the farm land on a participation loan that is guaranteed by the commissioner of economic development under the provisions of section 9.

**Sec. 11. [SALE OR CONVEYANCE.] Subdivision 1. [IMMEDIATE REPAYMENT OF LOAN.]** Any applicant who sells or conveys the property for which a small business and family farm security loan was issued shall immediately retire the entire indebtedness still owed to the lender and the commissioner. The new owner may negotiate a small business and family farm security loan in his own right, but under no circumstances may the original loan be assumed by the new owner. This subdivision is not intended to prohibit the applicant from granting a security interest in the property for the purposes of securing an additional loan.

**Subd. 2. [TAX PENALTY ON CAPITAL GAIN.]** Minnesota Statutes, Chapter 290 shall apply to determine the amount of the gain realized on the sale of farm land for which a small business and family farm security loan has been issued. In lieu of the tax imposed by chapter 290, the following rate of tax shall be imposed on any gain realized on the sale of the property:

	Time lapsed from issuance of loan		Tax rate
	At least	but less than	Percent
(a)		1 year	100
(b)	1 year	3 years	90
(c)	3 years	5 years	80
(d)	5 years	7 years	70
(e)	7 years	9 years	60
(f)	9 years	10 years	50

This tax shall no longer be applicable and the tax imposed by chapter 290 shall apply when the property for which a small business and family farm security loan was issued has been held by the applicant for more than ten years after the issuance of the loan. Chapter 290 shall apply when the applicant has realized a loss on the sale of the property.

**Subd. 3. [WAIVER OF TAX PENALTY.]** The commissioner of revenue shall waive the imposition of the tax in subdivision 2 if the applicant has died or suffered a total disability.

*For the purposes of this section, "total disability" means the total and permanent loss of sight of both eyes, the loss of both arms at the shoulder, the loss of both legs so close to the hips that no effective artificial members can be used, complete and permanent paralysis, total and permanent loss of mental faculties, or any other injury which totally incapacitates the applicant from working his farm.*

*Subd. 4. [DISCLOSURE IN LOAN CONTRACT.] Every small business and family farm security loan shall contain notice of the penalties imposed by this section. The lender shall explain these terms to the applicant before submitting the loan to the commissioner for approval.*

**Sec. 12.** Minnesota Statutes 1974, Section 48.24, Subdivision 5, is amended to read:

**Subd. 5.** Loans or obligations shall not be subject under this section to any limitation based upon such capital and surplus to the extent that they are secured or covered by guarantees, or by commitments or agreements to take over or to purchase the same, made by *the commissioner of economic development on the purchase of farm land or by any Federal Reserve bank or by the United States or any department, bureau, board, commission, or establishment of the United States, including any corporation wholly owned directly or indirectly by the United States.*

**Sec. 13.** Minnesota Statutes, 1975 Supplement, Section 290.01, Subdivision 20, is amended to read:

**Subd. 20. [GROSS INCOME.]** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

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

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

(i) The Internal Revenue Code of 1954, as amended through



December 31, 1970, shall be in effect for taxable years beginning after December 31, 1970 and prior to January 1, 1973.

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

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

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

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

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

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

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

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

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under chapter 290, to the extent deductible in determining federal adjusted gross income;

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

(6) Losses which do not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses, and including any such nonassignable losses which occur prior to the time the individual becomes a resident of the state of Minnesota;

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

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

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

(9) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, 1974, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1974, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (9) or under section 290.09, subdivision 24; and

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

(11) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101.

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

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

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

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

(4) Income which does not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20;

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

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

(7) The amount of any pension or benefit which is excluded from gross income under the provisions of section 290.08, subdivision 6; and

(8) The amount of compensation for personal services in the armed forces of the United States or the United Nations which is excluded from gross income under the provisions of section 290.65; and

(9) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1974, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter ;

*(10) The interest earned by the seller of the farm land on a participation loan that is guaranteed by the commissioner of agriculture as provided by this act;*

*(11) The amount of gain included in federal adjusted gross income attributable to sales taxed under this act.*

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

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

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder disposes of his stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

(3) In cases where the election under section 1372 of the Internal Revenue Code of 1954 antedates the election under section 290.972 of this chapter and at the close of the taxable year immediately preceding the effective election under section 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue

Code of 1954, in the event and to the extent that such reserve is distributed to shareholders such distribution shall be taxed as a dividend for purposes of this act.

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

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

Sec. 14. Minnesota Statutes, 1975 Supplement, Section 290.09, Subdivision 4, is amended to read:

Subd. 4. [TAXES.] Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter; (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; (c) inheritance, gift and estate taxes except as provided in section 290.077, subdivision 4; (d) cigarette and tobacco products excise tax imposed on the consumer; (e) that part of Minnesota property taxes for which a credit or refund is claimed and allowed under section 290.0603 or 290.066; (f) federal income taxes, by corporations, national and state banks except as provided in section 290.18; and (g) *the tax imposed by section 10, subdivision 2, of this act when the property has been held for less than ten years after the issuance of the loan; and* ~~(g)~~ (h) tax paid by any corporation or national or state bank to any foreign country or possession of the United States to

the extent that a credit against federal income taxes is allowed under the provisions of the Internal Revenue Code of 1954, as amended through December 31, 1974. If the taxpayer's foreign tax credit consists of both foreign taxes deemed paid and foreign taxes actually paid or withheld, it will be conclusively presumed that foreign taxes deemed paid were first used by the taxpayer in its foreign tax credit. Minnesota gross income shall include the amount of foreign tax paid which had been allowed as a deduction in a previous year, provided such foreign tax is later allowed as a credit against federal income tax. Income taxes permitted to be deducted hereunder shall, regardless of the methods of accounting employed, be deductible only in the taxable year in which paid. Taxes imposed upon a shareholder's interest in a corporation which are paid by the corporation without reimbursement from the shareholder shall be deductible only by such corporation.

*Sec. 15. [APPROPRIATIONS.] Subdivision 1. There is appropriated from the general fund to a special account in the state treasury the sum of \$20,000,000 to be invested by the state board of investment in such securities as authorized by law.*

*Such sums as may be needed from time to time to pay lenders for defaulted loans are appropriated from the special account to the commissioner. The sum of all outstanding small business and family farm security loans guaranteed by the commissioner at any time shall not exceed ten times the amount of money in the special account created in this subdivision.*

*Subd. 2. The sum of \$800,000 from the general fund is appropriated to the commissioner to be used for payment adjustment under section 7, subdivision 2.*

*Subd. 3. There is appropriated from the general fund to the commissioner the sum of \$74,300 for the biennium ending June 30, 1977, for administrative expenses incurred in fulfilling the provisions of this act."*

Amend the title as follows:

Line 2, after "to" insert "small business and" and after "a" insert "small business and"

Line 3, after "for" strike "farm" and insert "small businesses and farms"

Line 4, strike "real estate"

The question being taken on the adoption of the amendment,

And the roll being called, there were yeas 27 and nays 30, as follows:

Those who voted in the affirmative were:

Ashbach	Fitzsimons	Knutson	Nelson	Sillers
Bang	Frederick	Kowalczyk	Ogdahl	Spear
Bernhagen	Hansen, Baldy	Larson	Olson, J. L.	Ueland
Brataas	Jensen	Lewis	Patton	
Brown	Josefson	McCutcheon	Pillsbury	
Chenoweth	Kirchner	Merriam	Renneke	

Those who voted in the negative were:

Anderson	Doty	Kleinbaum	Olson, H. D.	Solon
Borden	Gearty	Laufenburger	Perpich, A. J.	Stokowski
Chmielewski	Hanson, R.	Moe	Purfeerst	Stumpf
Coleman	Hughes	North	Schaaf	Tennessen
Conzemius	Humphrey	Olhoft	Schmitz	Wegener
Davies	Keefe, S.	Olson, A. G.	Schrom	Willet

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

Mr. Tennessen moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 6, strike lines 4 to 8

Renumber the remaining subdivision

The motion prevailed. So the amendment was adopted.

Mr. Tennessen then moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 2, line 27, after "*property*" insert "*who is a natural person or a family farm corporation as defined in section 500.24*"

The motion prevailed. So the amendment was adopted.

Mr. Bernhagen moved that H. F. No. 1984 be re-referred to the Committee on Natural Resources and Agriculture.

The question being taken on the adoption of the motion,

And the roll being called, there were yeas 26 and nays 34, as follows:

Those who voted in the affirmative were:

Ashbach	Frederick	Kirchner	Olson, J. L.	Tennessen
Berg	Hansen, Baldy	Knutson	O'Neill	Ueland
Bernhagen	Hansen, Mel	Kowalczyk	Patton	
Brataas	Jensen	Larson	Pillsbury	
Brown	Josefson	Nelson	Renneke	
Davies	Keefe, J.	Ogdahl	Sillers	

Those who voted in the negative were:

Anderson	Dunn	Kleinbaum	Olson, A. G.	Solon
Arnold	Fitzsimons	Laufenburger	Olson, H. D.	Spear
Borden	Gearty	Lewis	Perpich, A. J.	Stokowski
Chenoweth	Hanson, R.	Merriam	Purfeerst	Stumpf
Chmielewski	Hughes	Milton	Schaaf	Wegener
Coleman	Humphrey	Moe	Schmitz	Willet
Doty	Keefe, S.	Olhoft	Schrom	

The motion did not prevail.

Mr. Olson, J. L. moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 8, line 29, after "*commissioner*" insert "*and the interest earned by any vendor of farm land pursuant to a contract for deed*"

Page 9, line 4, before the period insert "*and the interest earned by any vendor of farm land pursuant to contract for deed*"

Page 15, line 28, before the period insert "*and the interest earned by any vendor of farm land pursuant to contract for deed*"

The question being taken on the adoption of the amendment,

And the roll being called, there were yeas 28 and nays 30, as follows:

Those who voted in the affirmative were:

Bang	Chmielewski	Jensen	Larson	Pillsbury
Berg	Dunn	Josefson	Nelson	Renneke
Bernhagen	Fitzsimons	Keefe, J.	Ogdahl	Stassen
Blatz	Frederick	Kirchner	Olson, J. L.	Ueland
Brataas	Hansen, Baldy	Knutson	O'Neill	
Brown	Hansen, Mel	Kowalczyk	Patton	

Those who voted in the negative were:

Arnold	Hanson, R.	Lewis	Perpich, A. J.	Spear
Chenoweth	Hughes	Merriam	Purfeerst	Stokowski
Coleman	Humphrey	Milton	Schaaf	Stumpf
Conzemius	Keefe, S.	Moe	Schmitz	Tennessen
Davies	Kleinbaum	Olhoft	Schrom	Wegener
Doty	Laufenburger	Olson, H. D.	Solon	Willet

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

Mr. Tennessen moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 8, strike lines 27 to 32

Page 9, strike lines 1 to 4

Pages 10 to 18, strike all of Section 13

Renumber the remaining sections

Amend the title as follows:

Line 7, strike "Sections 290.01, Subdivision 20;"

Line 8, strike "290.08, by adding a subdivision; and" and insert "Section"

The question being taken on the adoption of the amendment,

And the roll being called, there were yeas 35 and nays 29, as follows:

Those who voted in the affirmative were:

Ashbach	Davies	Keefe, J.	Nelson	Pillsbury
Bang	Fitzsimons	Kirchner	North	Renneke
Berg	Frederick	Knutson	Ogdahl	Spear
Bernhagen	Hansen, Baldy	Kowalczyk	Olson, A. G.	Stassen
Blatz	Hansen, Mel	Larson	Olson, J. L.	Stumpf
Brataas	Jensen	Lewis	O'Neill	Tennessen
Brown	Josefson	McCutcheon	Patton	Ueland

Those who voted in the negative were:

Anderson	Doty	Keefe, S.	Olhoft	Schrom
Arnold	Dunn	Kleinbaum	Olson, H. D.	Solon
Borden	Gearty	Laufenburger	Perpich, A. J.	Stokowski
Chmielewski	Hanson, R.	Merriam	Purfeerst	Wegener
Coleman	Hughes	Milton	Schaaf	Willet
Conzemius	Humphrey	Moe	Schmitz	

The motion prevailed. So the amendment was adopted.

Mr. Dunn moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 23, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 6, line 31, strike "In" and insert

*"Subd. 4. [SALE OF DEFAULTED PROPERTY.] In the event that title to the property is acquired by the state, upon conveyance of title to the state and expiration of the period of redemption, the commissioner shall, within 15 days of the expiration of such period, undertake to sell the property by publishing a notice of the impending sale at least once each week for four successive weeks in a legal newspaper and also in a newspaper of general distribution in the county in which the property to be sold is situated. Such notice shall specify the time and place in the county at which the sale will commence, a description of the lots or tracts to be offered, and a general statement of the terms of sale. Except as further provided in this subdivision, the terms and method of sale shall be determined by the commissioner. The commissioner shall sell the property to the highest bidder as determined by taking sealed bids or by public auction, provided that in either event he shall select the successful bidder within 15 days of the date of the last published notice of sale. Bidders shall submit bid security in the form of a certified check or bid bond in the amount of two percent of their bid price and the successful bidder shall remit the balance of the purchase price to the commissioner within 90 days of the date of sale. Upon remittance of such balance within 90 days of the date of sale, the commissioner shall transfer title to the property to the purchaser by quitclaim deed. In the event that the purchaser fails to remit any part of such balance within 90 days of the date of sale, the purchaser shall forfeit all rights to the property and any monies paid thereon and the state shall recommence the sale process as specified in this subdivision. Proceeds from the sale of a parcel of property obtained by the state pursuant to this section shall be paid into the special account authorized in section 15, subdivision 1, to the extent that funds from the special account were disbursed according to the terms of the family farm security loan guarantee. Proceeds in excess of the amount disbursed from the special fund shall be paid into the general fund."*

Page 6, strike line 32

Page 7, strike lines 1 to 11

Renumber the subsequent subdivision

The motion prevailed. So the amendment was adopted.

Mr. Renneke moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)



Page 3, line 1, strike "*all*" and insert "*90 percent of the*"

The question being taken on the adoption of the amendment,  
And the roll being called, there were yeas 33 and nays 27, as follows:

Those who voted in the affirmative were:

Ashbach	Davies	Keefe, J.	Ogdahl	Spear
Bang	Dunn	Kirchner	Olson, J. L.	Stassen
Berg	Fitzsimons	Knutson	O'Neill	Stumpf
Bernhagen	Frederick	Kowalczyk	Patton	Tennessee
Blatz	Hansen, Mel	Larson	Pillsbury	Ueland
Brataas	Jensen	Lewis	Renneke	
Brown	Josefson	Nelson	Sillers	

Those who voted in the negative were:

Arnold	Doty	Kleinbaum	Olhoff	Stokowski
Borden	Hansen, Baldy	McCutcheon	Olson, A. G.	Wegener
Chenoweth	Hanson, R.	Merriam	Olson, H. D.	Willet
Chmielewski	Hughes	Milton	Perpich, A. J.	
Coleman	Humphrey	Moe	Purfeerst	
Conzemius	Keefe, S.	North	Schmitz	

The motion prevailed. So the amendment was adopted.

Mr. Stassen moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 3, line 20, after "*members*" insert "*, with no more than four from the same political party,*"

The question being taken on the adoption of the amendment,  
And the roll being called, there were yeas 25 and nays 34, as follows:

Those who voted in the affirmative were:

Ashbach	Brown	Josefson	Nelson	Patton
Bang	Dunn	Keefe, J.	Ogdahl	Pillsbury
Bernhagen	Frederick	Knutson	Olhoff	Renneke
Blatz	Hansen, Mel	Kowalczyk	Olson, J. L.	Stassen
Brataas	Jensen	Larson	O'Neill	Ueland

Those who voted in the negative were:

Anderson	Davies	Kleinbaum	North	Spear
Arnold	Doty	Laufenburger	Olson, A. G.	Stokowski
Borden	Gearty	Lewis	Perpich, A. J.	Stumpf
Chenoweth	Hanson, R.	McCutcheon	Purfeerst	Tennessee
Chmielewski	Hughes	Merriam	Schmitz	Wegener
Coleman	Humphrey	Milton	Schrom	Willet
Conzemius	Keefe, S.	Moe	Sillers	

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

Mr. Merriam moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Pages 18 and 19, strike all of Section 14

Amend the title as follows:

Lines 6 and 7, strike “; and Minnesota Statutes, 1975 Supplement, Sections”

Lines 8 and 9, strike “; and 290.09, Subdivision 4”

The motion prevailed. So the amendment was adopted.

Mr. Dunn moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 5, line 6, after “applicant” insert “, his dependents”

Page 8, line 10, after “applicant” insert “, his dependents”

The motion prevailed. So the amendment was adopted.

Mr. Moe moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 7, delete lines 19 through 21 and insert “*The commissioner shall establish by rule an appraisal procedure. He shall thereby determine the value and income potential of the property before guaranteeing a family farm security loan. No guarantee shall be made if the purchase price of the farm land exceeds the appraisal value as determined under the provisions of this subdivision.*”

The motion prevailed. So the amendment was adopted.

Mr. Merriam moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 10, after line 28, insert:

“Sec. 13. Minnesota Statutes, 1975 Supplement, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. [GROSS INCOME.] Except as otherwise provided in this chapter, the term “gross income,” as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source.

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

For each of the taxable years beginning after December 31, 1970, the term “gross income” in its application to individuals, estates, and trusts shall mean the adjusted gross income as computed for federal

income tax purposes as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this section.

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

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

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

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

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

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

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

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

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

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under chapter 290, to the extent deductible in determining federal adjusted gross income;

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

(6) Losses which do not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses, and including any such nonassignable losses which occur prior to the time the individual becomes a resident of the state of Minnesota;

(7) The amount of any federal income tax overpayment for any previous taxable year, received as refund or credited to

another taxable year's income tax liability, proportionate to the percentage of federal income tax that was claimed as a deduction in determining Minnesota income tax for such previous taxable year.

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

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

(9) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, 1974, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1974, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) (9) or under section 290.09, subdivision 24; and

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

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

(12) *The amount by which the gain determined pursuant to section 10, subdivision 2 of this act exceeds the amount of such gain included in federal adjusted gross income.*

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

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

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

(3) Interest or dividend income on securities to the extent

exempt from income tax under the laws of this state authorizing the issuance of such securities but includible in gross income for federal income tax purposes;

(4) Income which does not arise from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20;

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

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

(7) The amount of any pension or benefit which is excluded from gross income under the provisions of section 290.08, subdivision 6; and

(8) The amount of compensation for personal services in the armed forces of the United States or the United Nations which is excluded from gross income under the provisions of section 290.65; and

(9) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1974, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter.

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

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

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder disposes of his stock and there is no capital loss reflected in fed-

eral adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

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

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

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

Renumber the sections in sequence

Amend the title as follows:

Line 6, after "5" insert "; and Minnesota Statutes, 1975 Supplement, Section 290.01, Subdivision 20"

The motion prevailed. So the amendment was adopted.

Mr. Moe moved to amend H. F. No. 1984, as amended pursuant to Rule 49, as amended by Mr. Moe, adopted by the Senate March 24, 1976, as follows:

Page 2, line 29, strike all the language after the period

Page 2, strike line 30

The motion prevailed. So the amendment was adopted.

Mr. Dunn moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 19, after line 26, insert:

*"Sec. 16. [EXPIRATION DATE.] No applications for family farm security loans shall be accepted for processing, approved or denied, after July 1, 1980."*

The question being taken on the adoption of the amendment,

And the roll being called, there were yeas 28 and nays 29, as follows:

Those who voted in the affirmative were:

Aashbach	Davies	Jensen	Nelson	Renneke
Berg	Dunn	Keefe, J.	Ogdahl	Sillers
Bernhagen	Fitzsimons	Kirchner	Olson, J. L.	Stassen
Blatz	Frederick	Knutson	O'Neill	Ueland
Brataas	Hansen, Baldy	Kowalczyk	Patton	
Brown	Hansen, Mel	Larson	Pillsbury	

Those who voted in the negative were:

Anderson	Conzemius	Kleinbaum	North	Stokowski
Arnold	Doty	Laufenburger	Olhoff	Stumpf
Borden	Gearty	McCutcheon	Olson, A. G.	Tennessen
Chenoweth	Hughes	Merriam	Perpich, A. J.	Wegener
Chmielewski	Humphrey	Milton	Purfeerst	Willet
Coleman	Keefe, S.	Moe	Schmitz	

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

Mr. Bernhagen moved to amend H. F. No. 1984, as amended pursuant to Rule 49, adopted by the Senate March 24, 1976, as follows:

(The text of the amended House file is identical to S. F. No. 1895.)

Page 5, line 18, after "approval." insert *"The provisions of section 4, subdivision 4 (c) shall be implemented."*

The question being taken on the adoption of the amendment,

And the roll being called, there were yeas 20 and nays 36, as follows:

Those who voted in the affirmative were:

Ashbach	Brataas	Jensen	Nelson	Renneke
Bang	Brown	Kirchner	Ogdahl	Sillers
Berg	Frederick	Knutson	O'Neill	Stassen
Bernhagen	Hansen, Mel	Kowalczyk	Patton	Ueland

Those who voted in the negative were:

Anderson	Fitzsimons	McCutcheon	Perpich, A. J.	Stumpf
Arnold	Gearty	Merriam	Pillsbury	Tennessen
Borden	Hansen, Baldy	Milton	Purfeerst	Wegener
Chmielewski	Humphrey	Moe	Schaaf	Willet
Coleman	Keefe, S.	North	Schmitz	
Conzenius	Kleinbaum	Olhoft	Solon	
Davies	Laufenburger	Olson, A. G.	Spear	
Doty	Lewis	Olson, H. D.	Stokowski	

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

H. F. No. 1984 was read the third time, as amended, and placed on its final passage.

The question being taken on the passage of the bill, as amended,

And the roll being called, there were yeas 37 and nays 27, as follows:

Those who voted in the affirmative were:

Anderson	Gearty	Lewis	Olson, H. D.	Stokowski
Arnold	Hanson, R.	McCutcheon	Perpich, A. J.	Stumpf
Borden	Hughes	Merriam	Purfeerst	Tennessen
Chmielewski	Humphrey	Milton	Schaaf	Wegener
Coleman	Josefson	Moe	Schmitz	Willet
Doty	Keefe, S.	North	Schrom	
Dunn	Kleinbaum	Olhoft	Solon	
Fitzsimons	Laufenburger	Olson, A. G.	Spear	

Those who voted in the negative were:

Ashbach	Brown	Keefe, J.	Ogdahl	Sillers
Bang	Davies	Kirchner	Olson, J. L.	Stassen
Berg	Frederick	Knutson	O'Neill	Ueland
Bernhagen	Hansen, Baldy	Kowalczyk	Patton	
Blatz	Hansen, Mel	Larson	Pillsbury	
Brataas	Jensen	Nelson	Renneke	

So the bill, as amended, passed and its title was agreed to.

#### MOTIONS AND RESOLUTIONS—CONTINUED

Mr. Olhoft offered the following and moved that it be printed in the Journal. The motion prevailed.

I have been informed by the Secretary of the Senate that because of a malfunction in the Senate voting machine, my vote was not recorded on several votes today. If the machine had been working properly, I would have been recorded as voting in the affirmative on S. F. No. 1156, the confirmation of Anna Lawler, H. F. No. 1026, S. F. No. 466, H. F. No. 2201, H. F. No. 920 and H. F. No. 2203.

Wayne Olhoft, Senator

#### NOTICE OF RECONSIDERATION

Mr. Merriam gave notice of intention to move for reconsideration of S. F. No. 2078.



### MOTIONS AND RESOLUTIONS—CONTINUED RECONSIDERATION

Having voted on the prevailing side, Mr. Hughes moved that the vote whereby the appointment of William Watters to the State Personnel Board was confirmed on March 24, 1976, be now reconsidered. The motion prevailed.

The question recurred on the confirmation of Mr. William Watters to the State Personnel Board.

The question being taken on the adoption of the motion to confirm,

And the roll being called, there were yeas 9 and nays 47, as follows:

Those who voted in the affirmative were:

Borden	Doty	Keefe, J.	Milton	Solon
Davies	Gearty	Keefe, S.	Schaaf	

Those who voted in the negative were:

Anderson	Conzemius	Kowalczyk	Olhoft	Sillers
Arnold	Fitzsimons	Larson	Olson, A. G.	Spear
Bang	Frederick	Laufenburger	Olson, H. D.	Stassen
Berg	Hansen, Mel	Lewis	Olson, J. L.	Stokowski
Bernhagen	Hanson, R.	McCutcheon	O'Neill	Stumpf
Blatz	Hughes	Merriam	Patton	Wegener
Brataas	Humphrey	Moe	Perpich, A. J.	Willet
Brown	Kirchner	Nelson	Purfeerst	
Chmielewski	Kleinbaum	North	Schmitz	
Coleman	Knutson	Ogdahl	Schrom	

The motion did not prevail. So the appointment was not confirmed.

### NOTICE OF RECONSIDERATION

Mr. Doty gave notice of intention to move for reconsideration of the confirmation of the appointments of Marcella Page and William B. Flaherty, Sr. to the State Personnel Board.

### RECESS

Mr. Coleman moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

Without objection, the Senate reverted to the Order of Business of Reports of Committees.

### REPORTS OF COMMITTEES

Mr. Davies from the Committee on Judiciary, to which were referred the following appointments as reported in the Journal for July 19, 1975:

#### COMMISSION ON JUDICIAL STANDARDS

Harvey A. Stegemoeller

Mrs. Ruby Hunt

Reports the same back with the recommendation that the appointments be confirmed.

Mr. Coleman moved that the foregoing committee report be laid on the table. The motion prevailed.

Mr. Moe from the Committee on Natural Resources and Agriculture, to which was referred the following appointment as reported in the Journal for March 18, 1976:

#### **WATER RESOURCES BOARD**

Duane Ekman

Reports the same back with the recommendation that the appointment be confirmed.

Mr. Coleman moved that the foregoing committee report be laid on the table. The motion prevailed.

#### **APPOINTMENTS**

Mr. Davies, from the Committee on Committees, recommends that the following named Senators be and they hereby are appointed as a Conference Committee on:

H. F. No. 2072, pursuant to the request of the House:

Messrs. Perpich, A. J.; Coleman; Larson; Lewis and Blatz.

H. F. No. 500, pursuant to the request of the House:

Messrs. Humphrey, McCutcheon, Borden, Bernhagen and Hanson, R.

S. F. No. 819, pursuant to the request of the Senate:

Messrs. Stumpf; Keefe, S.; Tennessen; Fitzsimons and Brown.

S. F. No. 1097, pursuant to the request of the Senate:

Messrs. Tennessen, Moe and Kirchner.

S. F. No. 60, pursuant to the request of the Senate:

Messrs. Conzemius, Kowalczyk and Nelson.

Mr. Davies moved that the foregoing appointments be approved. The motion prevailed.

#### **MOTIONS AND RESOLUTIONS—CONTINUED**

Mr. Coleman moved that the Senate do now adjourn until 9:00 o'clock a.m., Thursday, March 25, 1976. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate