

FORTY-NINTH DAY

St. Paul, Minnesota, Monday, May 9, 1983

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

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. M.E. Sandness.

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

Adkins	Diessner	Kroening	Olson	Solon
Anderson	Dieterich	Kronebusch	Pehler	Spear
Belanger	Frank	Laidig	Peterson, C.C.	Storm
Benson	Frederick	Langseth	Peterson, D.C.	Stumpf
Berg	Frederickson	Lantry	Peterson, D.L.	Taylor
Berglin	Freeman	Lessard	Peterson, R.W.	Ulland
Bernhagen	Hughes	Luther	Petty	Vega
Bertram	Isackson	McQuaid	Pogemiller	Waldorf
Brataas	Johnson, D.E.	Mehrkens	Purfeerst	Wegscheid
Chmielewski	Johnson, D.J.	Merriam	Ramstad	Willet
Dahl	Jude	Moe, D.M.	Reichgott	
Davis	Kamrath	Moe, R.D.	Renneke	
DeCramer	Knaak	Nelson	Samuelson	
Dicklich	Knutson	Novak	Schmitz	

The President declared a quorum present.

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

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos: 372, 1198, 568, 948, 689, 900, 927 and 824.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

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 con-

currence of the Senate is respectfully requested:

S.F. No. 398: A bill for an act relating to vulnerable adults; refining the Vulnerable Adults Reporting Act; specifying reporting requirements; specifying access to reports; preventing record destruction; amending Minnesota Statutes 1982, section 626.557, subdivisions 2, 3, 4, 10, 12, 14, and by adding a subdivision; repealing Minnesota Statutes 1982, section 626.557, subdivision 12a.

Senate File No. 398 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

Mr. Moe, R.D. moved that S.F. No. 398 be laid on the table. 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. 639: A bill for an act relating to energy; changing a cross-reference for nonpublic data reporting; amending the definition of "earth sheltered"; changing the due date of biennial energy reports; amending Minnesota Statutes 1982, sections 13.68, subdivision 1; 116J.06, subdivision 2; and 116J.18, subdivision 1.

Senate File No. 639 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

Mr. Frank moved that the Senate do not concur in the amendments by the House to S.F. No. 639, and that a Conference Committee of 3 members be appointed by the Subcommittee 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. 755: A bill for an act relating to agriculture; making changes in the artificial dairy products act; amending Minnesota Statutes 1982, sections 32.53; 32.531; 32.5311; 32.532; 32.533; and proposing new law coded in Minnesota Statutes, chapter 32.

Senate File No. 755 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

Mr. Bertram moved that S.F. No. 755 be laid on the table. 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. 843: A bill for an act relating to veterans; authorizing the commissioner of veterans affairs to accept gifts; revising the procedure for purchasing veterans grave markers; authorizing an imprest cash fund at veterans homes; providing for the disposal of abandoned property of veterans at veterans homes; amending Minnesota Statutes 1982, section 197.23; proposing new law coded in Minnesota Statutes, chapter 198; and repealing Minnesota Statutes 1982, section 198.055.

Senate File No. 843 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

CONCURRENCE AND REPASSAGE

Mr. DeCramer moved that the Senate concur in the amendments by the House to S.F. No. 843 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 843: A bill for an act relating to veterans; authorizing the commissioner of veterans affairs to accept gifts; revising the procedure for purchasing veterans grave markers; authorizing an imprest cash fund at veterans homes; providing for the disposal of abandoned property of veterans at veterans homes; amending Minnesota Statutes 1982, section 197.23; proposing new law coded in Minnesota Statutes, chapters 196 and 198; and repealing Minnesota Statutes 1982, section 198.055.

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

The question was taken on the repassage of the bill, as amended.

The roll was called, and there were yeas 50 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Johnson, D.J.	Moe, D. M.	Ramstad
Anderson	Davis	Jude	Moe, R. D.	Reichgott
Belanger	DeCramer	Kamrath	Novak	Schmitz
Benson	Dieterich	Knaak	Olson	Storm
Berg	Frank	Kroening	Pehler	Stumpf
Berglin	Frederick	Kronebusch	Peterson, D.C.	Taylor
Bernhagen	Frederickson	Lessard	Peterson, D.L.	Ulland
Bertram	Freeman	Luther	Petty	Vega
Brataas	Hughes	McQuaid	Pogemiller	Waldorf
Chmielewski	Isackson	Mehrkins	Purfeerst	Wegscheid

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. 892: A bill for an act relating to insurance; authorizing the establishment of joint self-insurance employee health plans; providing administrative, trust, bonding, investment, and reporting requirements; establishing a quarterly revenue fee; proposing new law coded as Minnesota Statutes, chapter 62H.

Senate File No. 892 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

Mr. Petty moved that the Senate do not concur in the amendments by the House to S.F. No. 892, and that a Conference Committee of 3 members be appointed by the Subcommittee 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 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. 50: A bill for an act relating to crimes; providing for new crimes relating to abuse of children; establishing willful and unlawful restraint as a crime; establishing malicious punishment as a crime; establishing neglect as a crime; providing penalties; amending Minnesota Statutes 1982, sections 260.315; 609.255; and 626.556, subdivision 12; proposing new law coded in Minnesota Statutes, chapter 609.

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

Clark, J.; Nelson, K. and Forsythe.

Senate File No. 50 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

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. 92: A bill for an act relating to towns, cities, and counties; requiring other government units to give notice to towns, cities, and counties of actions that affect land use or taxation; proposing new law coded in Minnesota Statutes, chapter 471.

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

Wenzel, Levi and Sparby.

Senate File No. 92 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 5, 1983

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 149.

H.F. No. 149: A bill for an act relating to natural resources; clarifying the hunting of certain animals with dogs; amending Minnesota Statutes 1982, section 98.46, subdivision 2.

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

Sviggum, Kahn and Beard have been appointed as such committee on the part of the House.

House File No. 149 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 May 5, 1983

Mr. Mehrkens moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 149, and that a Conference Committee of 3 members be appointed by the Subcommittee 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. 582.

H.F. No. 582: A bill for an act relating to corrections; clarifying the powers of the commissioner of corrections; limiting certain inmate functions; authorizing the use of necessary force to prevent escape; providing for the costs of transporting juvenile delinquents committed to the commissioner of corrections; providing for supervision of gross misdemeanor probations; removing archaic language; amending Minnesota Statutes 1982, sections 241.01, subdivision 3a; 241.23; 242.31, subdivisions 1 and 3; 243.17, subdivision 1; 243.52; 243.58; 243.62; 609.135, subdivision 1; and 624.714, subdivision 13.

And the House respectfully requests that a Conference Committee of three members be appointed thereon.

Kelly; Clark, J. and Bishop have been appointed as such committee on the part of the House.

House File No. 582 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 May 5, 1983

Mr. Pogemiller moved that the Senate accede to the request of the House

for a Conference Committee on H.F. No. 582, and that a Conference Committee of 3 members be appointed by the Subcommittee 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. 610.

H.F. No. 610: A bill for an act relating to financial institutions; industrial loan and thrift companies; regulated loans; enlarging the group of institutions which may utilize electronic fund transfer facilities; modifying the capital and reserve limitation on loans by industrial loan and thrift companies; permitting loan and thrifts and regulated lenders to take discount points in certain circumstances; authorizing loan and thrifts to receive savings accounts and savings deposits subject to certain prescribed conditions; regulating loan splitting; eliminating the receipt requirement for money orders; standardizing certain penalties; excepting loan and thrifts and regulated lenders from the licensing requirements for real estate brokers and salespersons; amending Minnesota Statutes 1982, sections 47.61, subdivision 4; 47.64, subdivision 1; 48.196; 53.03, subdivision 5; 53.04, subdivisions 3a and 5; 53.05; 53.07, subdivision 2; 53.10; 56.131, subdivision 3, and by adding a subdivision; 56.14; 56.19, subdivision 1; 80A.15, subdivision 1; and 82.18; repealing Minnesota Statutes 1982, section 56.19, subdivision 2.

And the House respectfully requests that a Conference Committee of three members be appointed thereon.

Berkelman, Rice and Metzen have been appointed as such committee on the part of the House.

House File No. 610 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 May 5, 1983

Mr. Wegscheid moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 610, and that a Conference Committee of 3 members be appointed by the Subcommittee 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. 653.

H.F. No. 653: A bill for an act relating to elections; making numerous procedural changes in the election law; removing or clarifying obsolete and inappropriate language; rearranging certain provisions; amending Minnesota Statutes 1982, sections 201.061, subdivision 3; 203B.11; 203B.12, subdivision 2; 204B.31; 204B.33; 204B.36, subdivision 2; 204C.08, subdivision 1; 204C.10, subdivision 1; 204C.12, subdivisions 3 and 4; 204C.24, subdivision 1; 204C.25; 204C.35; 204D.11, subdivision 5;

204D.13, subdivision 3; 205.17, subdivisions 3 and 4; 206.11; 206.19, subdivision 1; 210A.39; proposing new law coded in Minnesota Statutes, chapter 204C; repealing Minnesota Statutes 1982, section 204B.06, subdivision 3.

And the House respectfully requests that a Conference Committee of three members be appointed thereon.

Osthoff, Minne and Omann have been appointed as such committee on the part of the House.

House File No. 653 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 May 5, 1983

Mr. Hughes moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 653, and that a Conference Committee of 3 members be appointed by the Subcommittee 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 the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 360, 636, 916, 973 and 1067.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 5, 1983

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 1283.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 6, 1983

FIRST READING OF HOUSE BILLS

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

H.F. No. 360: A bill for an act relating to education; transferring authority for appointing the commissioner of education from the state board of education to the governor; amending Minnesota Statutes 1982, section 121.16.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 289, now on Special Orders.

H.F. No. 636: A bill for an act relating to local government; authorizing sewer and water commissions to obtain accountant services; permitting the sale of certain county property; amending Minnesota Statutes 1982, section 116A.24, subdivision 2.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 472, now on Special Orders.

H.F. No. 916: A bill for an act relating to economic development; creating a preference for Minnesota residents in the awarding of public contracts; creating a preference for Minnesota labor and materials; proposing new law coded in Minnesota Statutes, chapter 16.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 906, now on Special Orders.

H.F. No. 973: A bill for an act relating to commerce; securities and real estate; modifying the definition of "investment adviser"; clarifying the definitions of "trust account" and investment metal contract; defining and regulating investment adviser representatives; expanding the regulation of investment advisers; exempting certain persons from the definition of real estate broker; modifying real estate education requirements; providing for the suspension of a broker's or salesperson's license pending a hearing; clarifying the intent of certain language relating to the real estate education, research, and recovery fund; modifying an exemption from the registration and annual report requirements for social and charitable organizations; amending Minnesota Statutes 1982, sections 80A.02; 80A.04, subdivisions 2 and 3; 80A.07, subdivisions 1 and 3, and by adding a subdivision; 80A.09, subdivision 1; 80A.14, subdivisions 8, 9, 12, and by adding a subdivision; 82.17, subdivisions 4 and 6; 82.18; 82.22, subdivision 6; 82.27, subdivision 3; 82.34, subdivision 7; 309.515, subdivision 1; 309.53, subdivision 2, and by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 722, now on Special Orders.

H.F. No. 1067: A bill for an act relating to state government; authorizing the commissioner of the department of economic security to accept gifts; designating the commissioner as administrator of weatherization programs; providing for weatherization grants; regulating summer youth programs; providing financial assistance allocations for community action agencies; amending Minnesota Statutes 1982, sections 268.011, subdivision 2; 268.34; 268.37, subdivisions 2, 4, and 5; and 268.52, subdivision 2.

Referred to the Committee on Finance.

H.F. No. 1283: A bill for an act relating to the organization and operation of state government; appropriating money for education and related purposes to the department of education, higher education coordinating board, state university board, state community college board, University of Minnesota, and the Mayo medical foundation, with certain conditions; establishing a state board of vocational technical education; providing it and certain independent and intermediate school districts operating vocational technical schools with certain powers and duties; changing the authority and duties of the above named agencies, or one or more of them, or certain of their advisory councils with respect to governance, duration of existence, disposition of property, employment and compensation of personnel, tuition, institutional closings, gifts, appropriations, parking fees, scholarships, grants-in-aid, planning, hospital charges, and related educational matters; amending Minnesota Statutes 1982, sections 43A.18, subdivision 4; 120.17, subdivision 7a; 121.212, subdivision 2; 121.931, subdivision 7; 121.934, subdivision 2; 123.742, by adding a subdivision; 123.743; 124.48; 125.05, by adding a subdivision; 136.03; 136.034; 136.11, sub-

division 1; 136.144; 136.62, by adding a subdivision; 136.63, subdivision 1a; 136.67, by adding a subdivision; 136A.121; 136A.14; 136A.141; 136A.143; 136A.15; 136A.16; 136A.17; 136A.26; 136A.29, subdivisions 2 and 9; 136A.42; and 158.05; proposing new law coded in Minnesota Statutes, chapters 136 and 136A; proposing new law coded as Minnesota Statutes, chapter 135A; and 136C; repealing Minnesota Statutes 1982, sections 121.11, subdivision 1; 121.217; 121.902, subdivision 1a; 121.936, subdivision 6; 124.53; 136A.144; 136A.145; 136A.146; 136A.161; 136A.18; 136A.19; 136A.20; 136A.21; and 136A.22.

Mr. Waldorf moved that H.F. No. 1283 be laid on the table. The motion prevailed.

REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

Mr. Willet from the Committee on Finance, to which was re-referred

H.F. No. 102: A bill for an act relating to agricultural and residential real estate; requiring 60 days notice of default on a real estate mortgage, notice of termination of a real estate contract for deed, and eight weeks notice of commencement of a sale and foreclosure proceeding; providing that a court may order a delay in a foreclosure sale or contract termination under certain circumstances; limiting the right to maintain actions for deficiency judgments; amending Minnesota Statutes 1982, sections 47.20, by adding a subdivision; 559.21, by adding a subdivision; proposing new law coded in Minnesota Statutes, chapter 550; proposing new law coded as Minnesota Statutes, chapter 583.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1982, section 47.20, subdivision 8, is amended to read:

Subd. 8. [REQUIREMENTS.] A lender making a conventional loan shall comply with the following:

(1) The promissory note and mortgage evidencing a conventional loan shall be printed in not less than the equivalent of 8 point type, .075 inch computer type, or elite-size typewritten numerals, or shall be legibly handwritten.

(2) The mortgage evidencing a conventional loan shall contain a provision whereby the lender agrees to furnish the borrower with a conformed copy of the promissory note and mortgage at the time they are executed or within a reasonable time after recordation of the mortgage.

(3) The mortgage evidencing a conventional loan shall contain a provision whereby the lender, if it intends to foreclose, agrees to give the borrower written notice of any default under the terms or conditions of the promissory note or mortgage, by sending the notice by certified mail to the address of

the mortgaged property or ~~such other~~ *another* address as the borrower ~~may have designated~~ *designates* in writing to the lender. The lender need not give the borrower the notice required by this paragraph if the default consists of the borrower selling the mortgaged property without the required consent of the lender. The mortgage shall further provide that the notice shall contain the following provisions:

- (a) the nature of the default by the borrower,
- (b) the action required to cure the default,
- (c) a date, not less than ~~30~~ *60* days from the date the notice is mailed by which the default must be cured,
- (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by the mortgage and sale of the mortgaged premises, ~~and~~
- (e) that the borrower has the right to reinstate the mortgage after acceleration, and
- (f) that the borrower has the right to bring a court action to assert the nonexistence of a default or any other defense of the borrower to acceleration and sale.

Sec. 2. Minnesota Statutes 1982, section 550.18, is amended to read:

550.18 [NOTICE OF SALE.]

Before the sale of property on execution notice shall be given as follows:

(1) If the sale be of personal property, by giving ten days posted notice of the time and place thereof;

(2) If the sale ~~be is not~~ *is not* of farm real property, on execution or on judgment, by six weeks posted and published notice of the time and place thereof, describing the property with sufficient certainty to enable a person of common understanding to identify it;

(3) If the sale is of farm real property, on execution or on judgment, by 60 days posted and published notice of the time and place, describing the property with sufficient certainty to enable a person of common understanding to identify it.

An officer who sells without ~~such~~ *the* notice shall forfeit \$100 to the party aggrieved, in addition to his actual damages; ~~and~~ . A person who before the sale or the satisfaction of the execution, and without the consent of the parties, takes down or defaces the notice posted, shall forfeit \$50; ~~but~~ . The validity of the sale shall not be affected by either act, either as to third persons or parties to the action.

Sec. 3. Minnesota Statutes 1982, section 559.21, subdivision 1, is amended to read:

Subdivision 1. [DEFAULT; TERMINATION.] When default is made in the conditions of any contract for the conveyance of real estate or any interest in it executed after August 1, 1976, and prior to May 1, 1980, whereby the vendor has a right to terminate it, he may do so by serving upon the purchaser, his personal representatives or assigns, either within or without

the state, a notice specifying the conditions in which default has been made, and stating that the contract will terminate (1) 30 days after the service of the notice if the purchaser has paid less than 30 percent of the purchase price, exclusive of interest on it, and any mortgages or prior contracts for deed which are assumed by the purchaser, *or in cases of farm real estate property to terminate 60 days after service of notice*, (2) 45 days after service of the notice if the purchaser has paid 30 percent, or more, but less than 50 percent of the purchase price, exclusive of interest on it, and any mortgages or prior contracts for deed which are assumed by the purchaser, *or in cases of farm real estate property to terminate 60 days after service of notice*, (3) 60 days after service of the notice if the purchaser has paid 50 percent, or more, of the purchase price, exclusive of interest on it, and any mortgages or prior contracts for deed which are assumed by the purchaser, unless prior thereto the purchaser complies with the conditions and pays the costs of service, the mortgage registration tax, if actually paid by the vendor, together with an amount to apply on attorneys' fees actually expended or incurred, of \$75 when the amount in default is less than \$750, and of \$200 when the amount in default is \$750 or more; ~~provided, however, that~~ . No amount is required to be paid for attorneys' fees as ~~provided hereunder~~, unless some part of the conditions of default has existed at least 45 days prior to the date of service of the notice.

Sec. 4. Minnesota Statutes 1982, section 559.21, subdivision 1a, is amended to read:

Subd. 1a. [DEFAULT; TERMINATION.] When default is made in the conditions of any contract for the conveyance of real estate or any interest in it, executed on or prior to August 1, 1976, whereby the vendor has a right to terminate it, he may do so by serving upon the purchaser, his personal representatives or assigns, either within or without the state, a notice specifying the conditions in which default has been made, and stating that the contract will terminate 30 days after the service of the notice, *or in the case of farm real estate property that the contract will terminate 60 days after service of the notice*, unless prior thereto the purchaser complies with the conditions and pays the costs of service, together with an amount to apply on attorneys' fees actually expended or incurred, of \$50 when the amount in default is less than \$500, and of \$100 when the amount in default is \$500 or more; ~~provided, however, that~~ . No amount shall be required to be paid for attorneys' fees as ~~provided hereunder~~, unless some part of the conditions of default ~~shall have~~ *has* existed at least 45 days prior to the date of service of the notice. The notice must be given notwithstanding any provisions in the contract to the contrary, and shall be served ~~within~~ the state in the same manner as a summons in the district court, without the state, in the same manner, and without securing any sheriff's return of not found, making any preliminary affidavit, mailing a copy of the notice or doing any other preliminary act or thing whatsoever. Service of the notice without the state may be proved by the affidavit of the person making it, made before an authorized officer having a seal, and within the state by an affidavit or by the return of the sheriff of any county.

Sec. 5. Minnesota Statutes 1982, section 559.21, subdivision 2, is amended to read:

Subd. 2. [NOTICE; TIME OF TERMINATION.] When default is made in

the conditions of any contract for the conveyance of real estate or any interest ~~therein in it~~ executed on or after May 1, 1980, whereby the vendor has a right to terminate ~~the same it~~, he may do so by serving upon the purchaser, his personal representatives or assigns, either within or without the state, a notice specifying the conditions in which default has been made, and stating that the contract will terminate (1) 30 days after the service of the notice if the purchaser has paid less than ten percent of the purchase price, exclusive of interest ~~thereon on it~~, and any mortgages or prior contracts for deed which are assumed by the purchaser, ~~or in the case of farm real estate property that the contract will terminate 60 days after service of the notice~~, (2) 60 days after service of the notice if the purchaser has paid ten percent, or more, but less than 25 percent of the purchase price, exclusive of interest ~~thereon on it~~, and any mortgages or prior contracts for deed which are assumed by the purchaser, (3) 90 days after service of the notice if the purchaser has paid 25 percent, or more, of the purchase price, exclusive of interest ~~thereon on it~~, and any mortgages or prior contracts for deed which are assumed by the purchaser, unless prior thereto the purchaser complies with the conditions and makes all payments due and owing to the vendor under the contract through the date payment is made and pays the costs of service, the mortgage registration tax, if actually paid by the vendor, together with an amount to apply on attorneys' fees actually expended or incurred, of \$125 when the amount in default is less than \$750, and of \$250 when the amount in default is \$750 or more; ~~provided, however, that~~ . No amount is required to be paid for attorneys' fees ~~as provided hereunder~~, unless some part of the conditions of default has existed at least 45 days prior to the date of service of the notice.

Sec. 6. Minnesota Statutes 1982, section 580.09, is amended to read:

580.09 [FORECLOSURE FOR ~~INSTALMENTS~~ INSTALLMENTS; SALES; DISPOSITION OF PROCEEDS; REDEMPTION.]

Where a mortgage is given to secure the payment of money by ~~instalments~~ *installments*, each ~~instalment~~ *installment*, either for principal or interest, or both, as is due at any time, may be taken and deemed to be a separate and independent mortgage; ~~and such~~ . The mortgage for each ~~such instalment~~ *installment* may be foreclosed by advertisement or by action; ~~in the same manner and with like effect as if a separate mortgage were given for each of such instalments the installments~~, and ~~such the~~ foreclosure may be made and sale had subject to the ~~instalments~~ *installments* yet to become due upon the mortgage; ~~and~~ . A redemption from any such sale shall have the like effect as if the sale for ~~such instalment the installment~~ had been made upon an independent subsequent mortgage; ~~provided~~ . In such cases the attorney's fee on the foreclosure ~~so made~~ shall not exceed the amount permitted by law in case of a mortgage securing the amount of the debt then due on ~~such the~~ foreclosure. The proceeds of the sale shall be applied first in payment of the costs of the foreclosure sale, and of the ~~instalment~~ *installment* due, with interest ~~thereon on it~~, taxes and insurance premiums paid, if any, and then towards the payment of the residue of the sum secured by ~~such the~~ mortgage, and not due and payable at the time of ~~such the~~ sale; ~~and~~ . If ~~such the~~ residue does not bear interest, such application shall be made with rebate of the legal interest for the time during which the residue shall not be due and payable; ~~and~~ . The surplus, if any, shall be paid to the subsequent lienors, if any, in the order of their priority, and then to the owner of the equity of redemption, his legal representatives or assigns. In case of redemption from any sale herein authorized, at the option of the redemptioner, the whole amount re-

maintaining unpaid on the mortgage, with interest and other items, if any, which have become part of the amount secured by the lien of the mortgage, may be included in the amount paid on redemption and, in such event, the redemption so made shall have like effect as if the foreclosure sale had been made for the entire amount secured by the mortgage, including such additional items.

In the case of a mortgage given to secure the payment of money by installments on homestead property as defined in section 11, the mortgage is reinstated following any foreclosure proceeding and during the redemption period by payment by the redemptioner of the installments in default, the installments falling due during the redemption period, and the costs and fees, including insurance and delinquent taxes, specified in section 580.30, subdivision 1.

Before any sale herein authorized, the holder of the mortgage shall file with the sheriff a verified itemized statement in writing showing the entire amount remaining unpaid on the mortgage, including taxes and insurance premiums paid and other items which have become part of the amount secured, and the rate of interest to accrue on ~~same, which it~~. The statement shall be subject to public inspection and shall be read by the sheriff at the sale, immediately after reading the notice of sale. The certificate of sale shall set forth correctly, in addition to the amount of sale, the remaining amount still unpaid on and secured by the mortgage, subject to which the sale is made, and the rate of interest to accrue on ~~same it~~. If, during the time to redeem from the sale, any additional or other item, other than interest at the rate so stated in the certificate, ~~shall attach attaches to such the amount~~ subject to which the sale was made, or any change ~~shall occur occurs~~ in such amount or the rate of interest ~~thereon on it~~, the facts with respect thereto shall be set forth by affidavit, made and filed for record, and a copy furnished the sheriff, in accordance with the provisions of section 582.03, and the provisions of that section shall apply thereto.

Sec. 7. Minnesota Statutes 1982, section 580.23, subdivision 1, is amended to read:

Subdivision 1. [PROCEDURE.] When lands have been sold in conformity with the preceding sections of this chapter the mortgagor, his personal representatives or assigns, within six months after ~~such the sale~~, except as otherwise provided in subdivision 2, may redeem ~~such the lands~~, as hereinafter provided, (1) by paying the sum of money for which the same were sold, with interest from the time of sale at the rate provided to be paid on the mortgage debt and, if no rate be provided in the mortgage note, at the rate of six percent per annum, together with any further sums which may be payable pursuant to section 582.03, or (2) *in the case of a mortgage on homestead property as defined in section 11 given to secure payment of money by installments, by paying the installments in default, the installments falling due during the redemption period, and the costs and fees, including insurance and delinquent taxes, specified in section 580.30, subdivision 1.* Where the redemption period is as provided in this subdivision the mortgagee, or his successors, assigns, or personal representative, or any other purchaser ~~so purchasing at the sheriff's sale shall by purchasing the property at the sheriff's sale thereby waive his right to a deficiency judgment against the mortgagor.~~

Sec. 8. Minnesota Statutes 1982, section 580.30, is amended to read:

580.30 [MORTGAGES, WHEN REINSTATED.]

Subdivision 1. [BEFORE SALE.] In any proceedings for the foreclosure of a real estate mortgage, whether by action or by advertisement, if at any time before the sale of the premises under ~~such~~ the foreclosure the mortgagor, the owner, or any holder of any subsequent encumbrance or lien, or any one for them, shall pay or cause to be paid to the holder of the mortgage ~~so~~ being foreclosed, or to the attorney foreclosing ~~the same~~ it, or to the sheriff of the county, the amount actually due ~~thereon~~ on it and constituting the default actually existing in the conditions of the mortgage at the time of the commencement of the foreclosure proceedings, including insurance, delinquent taxes, if any, upon the premises, interest to date of payment, cost of publication and services of process or notices, attorney's fees not exceeding \$150 or one-half of the attorney's fees authorized by section 582.01, whichever is greater, together with other lawful disbursements necessarily incurred in connection with the proceedings by the party foreclosing, then, and in that event, the mortgage shall be fully reinstated and further proceedings in ~~such~~ the foreclosure shall be ~~thereupon~~ abandoned.

Subd. 2. [FARM REAL PROPERTY AFTER FORECLOSURE.] A mortgage to homestead property as defined in section 11 given to secure payment of money by installments, is reinstated following foreclosure but during the redemption period by payment by the redemptioner of the installments in default, the installments falling due during the redemption period, and the costs and fees, including insurance and delinquent taxes, specified in section 580.30, subdivision 1.

Sec. 9. Minnesota Statutes 1982, section 581.10, is amended to read:

581.10 [REDEMPTION BY MORTGAGOR, CREDITOR.]

The mortgagor, or those claiming under him, within the time specified in section 580.23 after the date of the order of confirmation, may redeem the premises sold, or any separate portion ~~thereof~~ of them, (1) by paying the amount bid therefor, with interest ~~thereon~~ on it from the time of sale at the rate provided to be paid on the mortgage debt, not to exceed eight percent per annum, and, if no rate ~~to be~~ is provided in the mortgage, at the rate of six percent, together with any further sum which may be payable pursuant to section 582.03, or (2) in the case of a mortgage on homestead property as defined in section 11 given to secure payment of money by installments, by paying the installments in default, the installments falling due during the redemption period, and the costs and fees, including insurance and delinquent taxes, specified in section 580.30, subdivision 1. Creditors having a lien may redeem in the order and manner specified in section 580.24, but no creditor shall be entitled to redeem unless within ~~such~~ the specified redemption period he files with the clerk notice of his intention to redeem.

Sec. 10. [583.01] [LEGISLATIVE FINDINGS.]

The legislature finds that the number of unemployed persons in this state has reached the highest level since the Depression of the 1930's; that farm commodity prices are at the lowest levels in over 40 years; that the number of mortgage loans currently in default due to the unemployment of the principal wage earner has reached critical levels; and that by reason of these condi-

tions and the high rates of interest on mortgage loans, many of the citizens of this state will be unable for extended periods of time, to meet payments of taxes, interest, and principal of mortgages on their properties and are, therefore, threatened with loss of their real property through mortgage foreclosure, contract termination, and judicial sales. The legislature further finds that these conditions have resulted in an emergency of a nature that justifies and validates legislation for the extension of the time of redemption from mortgage foreclosure and execution sales and other relief of a similar character.

Sec. 11. [583.02] [DEFINITIONS.]

Subdivision 1. [TERMS.] As used in sections 10 to 21, the terms defined in this section have the meanings given them.

Subd. 2. [HOMESTEAD.] "Homestead" means residential or agricultural real estate, a portion or all of which is entitled to receive homestead credit under section 273.13, subdivision 15a.

Sec. 12. [583.03] [APPLICATION.]

Subdivision 1. [PROPERTY COVERED.] The provisions of sections 10 to 21 apply to judgments against, mortgages secured by, and contracts for deed conveying, homesteads within the meaning of section 11, including: (a) mortgages held by the United States or by any agency, department, bureau or instrumentality of the United States, as security or pledge of the mortgagor, its successors or assigns; and (b) mortgages held as security or pledge to secure payment of a public debt or to secure payment of the deposit of public funds.

Subd. 2. [GENERAL EXCLUSION.] The provisions of sections 10 to 21 do not apply to mortgages or contracts for deed made after the effective date of sections 10 to 21, nor to mortgages or contracts for deed made before the effective date of sections 10 to 21, which are renewed or extended after the effective date of sections 10 to 21 for a period longer than one year, nor to mortgages, judgments, or contracts for deed, regardless of when made, if a second or subsequent mortgage is made against the property after the effective date of sections 10 to 21, and the second or subsequent mortgagee commences foreclosure proceedings. No court shall allow a resale, stay, postponement, or extension of time that would cause any right to be lost or adversely affected by any statute of limitation.

Sec. 13. [583.04] [MORTGAGOR MAY APPLY TO DISTRICT COURT FOR RELIEF.]

In any proceedings commenced prior to the effective date of sections 10 to 21 for the foreclosure of a mortgage on a homestead by advertisement, in which a sale of the property has not been had, or in any proceedings commenced after the effective date of sections 10 to 21, the mortgagor, or the owner in possession of the mortgaged premises, or anyone claiming under the mortgage, or anyone liable for the mortgage debt, at any time after the issuance of the notice of the foreclosure proceedings, may petition the district court of the county where the foreclosure proceedings are pending, serving a summons and verified complaint requesting that the sale in foreclosure by advertisement be postponed and that the foreclosure, if any, proceed by action. If it appears to the court that the granting of the relief re-

quested would be equitable and just, the court may postpone the foreclosure proceedings by advertisement by ex parte order which may be served with or after service of the summons and complaint upon the party foreclosing or his attorney. At the time of hearing on the ex parte order, the court may then further postpone the sale, and the parties seeking to foreclose the mortgage shall proceed, if at all, to foreclose the mortgage by action. As a condition precedent to the postponement of the foreclosure sale by advertisement, the party serving the verified complaint shall file it and pay to the clerk for the person foreclosing the mortgage the actual costs incurred, not including attorney's fees, in the foreclosure proceeding before postponement. The filing of the verified complaint is deemed a waiver of publication of notice of postponement of the foreclosure sale. The sale, at a time which may be fixed by the court, is deemed to be a sale postponed in lieu of the time of sale specified in the published notice of mortgage foreclosure sale.

Sec. 14. [583.05] [COURT MAY ORDER RESALE.]

When a mortgage has been foreclosed by action, the court shall, upon receipt of the report of sale, cause notice of a hearing thereon to be served on the parties to the action who have appeared and fix the time and place of hearing on the report. Before granting an order confirming the sale, the court shall order a resale if it appears that the sale price is unreasonably and unfairly inadequate. If the sale is confirmed, the sheriff, or his deputy, shall execute and deliver, without delay, the proper certificate of sale which shall be recorded within 20 days after the confirmation. Upon hearing on the motion for an order confirming the sale in the foreclosure of mortgages by action, in case the evidence is insufficient to establish a fair and reasonable market or rental value of the property, the court may receive evidence, including evidence tending to establish the actual value of the property involved, for the purpose or purposes for which the property is or can be used. The court shall also receive evidence tending to show to what extent, if any, the property has decreased in market value by reason of the economic conditions existing at the time of or before the sale.

Sec. 15. [583.06] [COMPROMISES.]

If the parties to a foreclosure action agree in writing to a compromise settlement thereof, or of composition of the mortgage indebtedness, or both, the court shall have jurisdiction and may by its order confirm and approve the settlement or composition, or both, as the case may be.

Sec. 16. [583.07] [JURISDICTION OF COURT.]

The court has jurisdiction to postpone the termination of a contract for the conveyance of real estate; to postpone the enforcement of judgment by levy, execution, and sale or to order resale; and to postpone foreclosure of a mortgage secured by real estate. The inability of the mortgagor, judgment debtor, or contract vendee to make the payments under a contract for the conveyance of real estate, mortgage agreement, or judgment is a valid defense to levy, execution, sale, seizure, repossession, termination, and foreclosure under the remedies set forth in sections 10 to 21. The postponement and any other relief granted by the court shall not continue for more than one year from the date of the order.

Sec. 17. [583.08] [PERIOD OF REDEMPTION MAY BE EXTENDED.]

If, during the effective period of sections 10 to 21: (1) a mortgage on a homestead is foreclosed and the period of redemption has not expired; (2) an action to foreclose a mortgage on a homestead is commenced or is pending; (3) proceedings to foreclose a mortgage by advertisement are commenced or are pending; (4) a notice of termination of contract for deed is served; (5) the period of time during which a contract for deed can be reinstated expires; or (6) proceedings to enforce a judgment against real estate are commenced or are pending; the period of redemption or the period during which the contract for deed may be reinstated may be extended for up to one year. In such case the contract vendee, in the case of a contract for deed termination; the mortgagor, or owner in possession of the property, in the case of mortgage foreclosure proceedings; or the judgment debtor, in the case of levy, execution, or sale under judgment, shall petition the district court on not less than ten days' written notice to the contract vendor, mortgagee, or judgment creditor, or his attorney, and before the expiration of the period of redemption in the case of a mortgage, the expiration of the period during which the contract for deed can be reinstated, or the sale under judgment, for an order postponing repossession, levy, execution, sale, termination, or forfeiture. The petition must also request the court to determine the reasonable value of the income on the property, or, if the property has no income, then the reasonable rental value of the property subject to the contract for deed, mortgage, or judgment and must direct the contract vendee, mortgagor, or judgment debtor to pay all or a reasonable part of the income or rental value for the payment of taxes, insurance, interest, principal, or judgment indebtedness at the times and in the manner determined by the court. The court shall hear the petition and after the hearing shall make and file its order directing the payment by the contract vendee, mortgagor, or judgment debtor of an amount at the times and in the manner that the court determines just and equitable. In the case of contracts for deed, the court shall insure that the payment required by the contract vendee is sufficient to adequately maintain the vendor's standard of living. Upon service of the petition, the running of the period of redemption or reinstatement of contract for deed is tolled, repossession is postponed, and further proceedings under levy, execution, and sale are stayed until the court makes its order upon the petition. If the contract vendee, mortgagor, or judgment debtor defaults in the payments ordered, or commits waste, his right to redeem from the sale, cure the default on the contract for deed, or postpone seizure and sale terminates 30 days after the default. Thereafter holders of subsequent liens may redeem in the order and manner provided by law beginning 30 days after the filing of notice of the default with the clerk of district court; the right to possession ceases; and the contract vendor or party acquiring title to the homestead is entitled to immediate possession of the premises. If default is claimed because of waste, the 30-day period shall not begin to run until the filing of an order of the court finding the waste. No action shall be maintained for a deficiency judgment until the period of redemption as allowed by section 580.23, or as extended under the provisions of sections 10 to 21 has expired.

Notwithstanding the provisions of section 580.23, at the end of any extended period ordered by the court pursuant to this section, the mortgagor, his personal representatives, or assigns may redeem the lands by payment of the installments in default and the installments falling due during the redemption period together with any sums which may be payable pursuant to section 582.03.

Sec. 18. [583.09] [COURT MAY REVISE AND ALTER TERMS.]

Upon the application of either party before the expiration of the extended

period of redemption, reinstatement of contract for deed, or payment on judgment as provided in sections 10 to 21 and upon the presentation of evidence that the terms fixed by the court are no longer just and reasonable, the court may revise and alter the terms, in the manner the changed circumstances and conditions require. The revision or alteration of the terms shall not extend the postponement or other relief beyond one year from the date of the initial order.

Sec. 19. [583.10] [TRIAL TO BE HELD WITHIN 30 DAYS.]

The trial of any action, hearing, or proceeding provided for in sections 10 to 21 must be held within 30 days after the filing of the petition. The order therein must be made and filed within five days after the trial. Review by the supreme court may be had by certiorari, if application for the writ is made within 15 days after notice of the order. The writ is returnable within 30 days after the filing of the order.

Sec. 20. [583.11] [LIMITATIONS.]

No postponement or extension shall be ordered under conditions which would substantially diminish or impair the value of the contract or obligation of the person against whom the relief is sought without reasonable allowance to justify the exercise of the police power authorized in sections 10 to 21, or which would cause irreparable harm or undue hardship to any mortgagee, contract vendor, judgment creditor, or their successors or assigns.

Sec. 21. [583.12] [INCONSISTENT LAWS SUSPENDED.]

Every law, to the extent that it is inconsistent with sections 10 to 21 is suspended during the effective period of sections 10 to 21.

Sec. 22. [REPEALER.]

Sections 10 to 21 are repealed effective July 1, 1984, but any postponement or other relief ordered by a court continues to be valid for the period ordered by the court.

Sec. 23. [EFFECTIVE DATE.]

Sections 1 to 21 are effective the day following final enactment. Section 22 is effective July 1, 1984."

Delete the title and insert:

"A bill for an act relating to agricultural and residential real estate; requiring 60 days notice of default on a farm real estate mortgage notice of termination of a farm real estate contract for deed and notice of a commencement of a sale and foreclosure proceeding; providing that a mortgage on farm real estate is reinstated during the redemption period upon payment of installments in default and due during the period of redemption; providing for relief in certain cases from inequitable foreclosure of mortgages, termination of contracts for the conveyance of real estate, and execution sales of real property during an emergency declared by the legislature; postponing certain realty sales and extending the period of redemption of real property during an emergency; providing for possession during the extended period; limiting the right to maintain actions for deficiency judgments; amending Minnesota Statutes 1982, sections 47.20, subdivision 8; 550.18; 559.21, subdivisions 1, 1a, and 2; 580.09; 580.23, subdivision 1;

580.30; and 581.10; proposing new law coded as Minnesota Statutes, chapter 583."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Willet from the Committee on Finance, to which was re-referred

S.F. No. 883: A bill for an act relating to transportation; modifying the definition of truck-tractor to include the power unit of automobile carriers; adjusting the motor vehicle registration tax on certain trailers; requiring proof of payment of the federal heavy use tax on heavy trucks; increasing the maximum allowable width on vehicles from 8 to 8-1/2 feet; modifying vehicle length requirements to allow longer semitrailers and vehicle combinations; modifying the gross weight seasonal increase to include all axle combinations; modifying the distance a peace officer may require a vehicle to travel to a scale and defining a suitable place for unloading an overweight vehicle; modifying the civil penalty for overweight vehicles; increasing width requirement on loads of baled hay before flashing amber lights are required; amending Minnesota Statutes 1982, sections 168.011, subdivision 12; 168.013, subdivision 1d, and by adding a subdivision; 169.01, subdivision 7; 169.80, subdivision 2; 169.81, subdivisions 2 and 3; 169.825, subdivision 11; 169.85; 169.862; 169.871, subdivision 1; and 169.872, by adding a subdivision; repealing Minnesota Statutes 1982, sections 169.80, subdivision 2a; and 169.81, subdivisions 3a, 3b, and 7.

Reports the same back with the recommendation that the bill be amended as follows:

Page 12, delete lines 9 to 24 and insert:

"(a) If the total gross excess weight is not more than ~~3,000~~ 1,000 pounds, one cent per pound for each pound in excess of the legal limit;

(b) If the total gross excess weight is more than ~~3,000~~ 1,000 pounds but not more than ~~4,000~~ 3,000 pounds, \$10 plus five cents per pound for each pound in excess of ~~the legal limit~~ 1,000 pounds;

(c) If the total gross excess weight is more than ~~4,000~~ 3,000 pounds but not more than ~~6,000~~ 5,000 pounds, \$110 plus ~~45~~ ten cents per pound for each pound in excess of ~~the legal limit~~ 3,000 pounds; ~~or~~

(d) If the total gross excess weight is more than ~~6,000~~ 5,000 pounds but not more than 7,000 pounds, \$310 plus ~~30~~ 15 cents per pound for each pound in excess of ~~the legal limit~~ 5,000 pounds;

(e) If the total gross excess weight is more than 7,000 pounds, \$610 plus 20 cents per pound for each pound in excess of 7,000 pounds."

Page 12, line 25, strike "section" and insert "subdivision"

Page 12, line 29, before the period, insert "under this subdivision"

Page 12, line 35, delete "169.872" and insert "169.871"

Page 13, line 10, delete "section" and insert "subdivision"

Page 13, line 14, before the period, insert "under this subdivision"

Page 13, line 24, delete “11”

Page 13, line 26, after the period, insert “Section 11 is effective July 1, 1983.”

Amend the title as follows:

Page 1, line 22, after the first semicolon, insert “and”

Page 1, line 22, before the second semicolon, insert “, and by adding a subdivision”

Page 1, lines 22 and 23, delete “and 169.872, by adding a subdivision;”

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Willet from the Committee on Finance, to which was re-referred

S.F. No. 695: A bill for an act relating to public welfare; requiring new procedures for determining nursing home payment rates; requiring a moratorium on licensure or certification of new beds with certain exceptions; providing for an interagency board for quality assurance; appropriating money; amending Minnesota Statutes 1982, sections 144A.10, subdivision 6; 256B.091, subdivisions 1, 2, 4, and 8; 256B.41; 256B.47; and 256B.48; proposing new law coded in Minnesota Statutes 1982, chapters 144A and 256B; repealing Minnesota Statutes 1982, sections 256B.42; 256B.43; 256B.44; 256B.45; and 256B.46; and 12 MCAR 2.049.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

“Section 1. [144A.071] [MORATORIUM ON CERTIFICATION OF NURSING HOME BEDS.]

Subdivision 1. [FINDINGS.] The legislature finds that medical assistance expenditures are increasing at a much faster rate than the state's ability to pay them; that reimbursement for nursing home care and ancillary services comprises over half of medical assistance costs, and, therefore, controlling expenditures for nursing home care is essential to prudent management of the state's budget; that construction of new nursing homes, the addition of more nursing home beds to the state's long-term care resources, and increased conversion of beds to skilled nursing facility bed status inhibits the ability to control expenditures; that Minnesota already leads the nation in nursing home expenditures per capita and has the fifth highest number of beds per capita elderly; and that in the absence of a moratorium the increased numbers of nursing homes and nursing home beds will consume resources that would otherwise be available to develop a comprehensive long-term care system that includes a continuum of care. Unless action is taken, this expansion of bed capacity and changes of beds to a higher classification of care are likely to accelerate with the repeal of the certificate of need program effective March 15, 1984. The legislature also finds that Minnesota's dependence on institutional care for elderly persons is due in part to the dearth of alternative services in the home and community.

The legislature declares that a moratorium on medical assistance certifi-

cation of new nursing home beds and on changes in certification to a higher level of care is necessary to control nursing home expenditure growth and enable the state to meet the needs of its elderly by providing high quality services in the most appropriate manner along a continuum of care.

Subd. 2. [MORATORIUM.] Notwithstanding the provisions of the Certificate of Need Act, sections 145.832 to 145.845, or any other law to the contrary, the commissioner of health, in coordination with the commissioner of public welfare, shall deny each request by a nursing home or boarding care home, except an intermediate care facility for the mentally retarded, for addition of new certified beds or for a change or changes in the certification status of existing beds except as provided in subdivision 3. The total number of certified beds in the state in the skilled level and in the intermediate levels of care shall remain at or decrease from the number of beds certified at each level of care on the effective date of this section, except as allowed under subdivision 3. "Certified bed" means a nursing home bed or a boarding care bed certified by the commissioner of health for the purposes of the medical assistance program, under United States Code, title 42, sections 1396 et seq.

The commissioner of public welfare, in coordination with the commissioner of health, shall deny any request to issue a license under sections 245.781 to 245.812 and 252.28 to a nursing home or boarding care home, if that license would result in an increase in the medical assistance reimbursement amount.

Subd. 3. [EXCEPTIONS.] The commissioner of health, in coordination with the commissioner of welfare, may approve the addition of a new certified bed or change in the certification status of an existing bed under the following conditions:

(a) To replace a bed decertified after the effective date of this section or to address an extreme hardship situation, in a particular county that has fewer nursing home beds than 60 beds per 1,000 elderly individuals. In allowing replacement of a decertified bed, the commissioners shall ensure that the number of added or recertified beds does not exceed the total number of decertified beds in the state in that level of care. An extreme hardship situation can only be found after the county documents the existence of unmet medical needs that cannot be addressed by any other alternatives; or

(b) To certify a new bed in a facility that commenced construction before the effective date of this section. For the purposes of this section, "commenced construction" means that all of the following conditions were met: the final working drawings and specifications were approved by the commissioner of health; the construction contracts were let; a timely construction schedule was developed, stipulating dates for beginning, achieving various stages, and completing construction; all zoning and building permits were secured; and significant alteration of the site was made and continues in accordance with the construction schedule.

A nursing home or boarding care home that holds a current certificate of need or waiver issued in accordance with the provisions of sections 145.832 to 145.845, may request the commissioner of public welfare to reimburse the facility for a portion of its expenses incurred and paid by the facility after issuance of the certificate of need and up to the effective date of this section in preparation for the commencement of construction. The maximum amount of

money reimbursed to the facility shall not exceed \$25,000. Reimbursement shall be limited to expenses incurred for preparation of architectural and engineering plans and specifications or to obtain financing for the project. Reimbursement shall not be provided to recover costs of expenses incurred by the controlling persons or employees of a controlling person of the facility as defined in section 144A.01, subdivision 4, or for any costs which are tax deductible expenses.

No request for reimbursement submitted to the commissioner of public welfare 30 days after the effective date of this section shall be accepted. All requests for reimbursement shall be submitted along with documentary evidence, such as contracts or receipts that specifically identify the purpose for which the expense was incurred, the individual or organization providing the service, the date the expense was incurred, and the amount incurred and paid by the facility. The amount of money reimbursed to the facility shall be the amount incurred multiplied by 66 percent.

The certificate of need or waiver becomes null and void upon acceptance of the reimbursement from the commissioner of public welfare;

(c) To completely replace a currently operating facility of fewer than 80 beds, that has obtained a certificate of need but has not commenced construction before the effective date of this section, if the replacement will not result in more total certified beds or more certified beds in any level of care than if the original facility had continued to operate;

(d) To certify beds in a new nursing home that is needed in order to meet the special dietary needs of its residents, if: the nursing home proves to the commissioner's satisfaction that the needs of its residents cannot otherwise be met; elements of the special diet are not available through most food distributors; and proper preparation of the special diet requires incurring various operating expenses, including extra food preparation or serving items, not incurred to a similar extent by most nursing homes; or

(e) When the change in certification status results in a decrease in the reimbursement amount.

Subd. 4. [MONITORING.] The commissioner of health, in coordination with the commissioner of public welfare, shall implement mechanisms to monitor and analyze the effect of the moratorium in the different geographic areas of the state. The commissioner of health shall submit to the legislature, no later than January 15, 1984, and annually thereafter, an assessment of the impact of the moratorium by geographic area, with particular attention to service deficits or problems and a corrective action plan.

Sec. 2. Minnesota Statutes 1982, section 144A.10, subdivision 4, is amended to read:

Subd. 4. [CORRECTION ORDERS.] Whenever a duly authorized representative of the commissioner of health finds upon inspection of a nursing home, that the facility or a controlling person or an employee of the facility is not in compliance with sections 144.651, 144A.01 to 144A.17, or 626.557 or the rules promulgated thereunder, a correction order shall be issued to the facility. The correction order shall state the deficiency, cite the specific rule or statute violated, state the suggested method of correction, and specify the time allowed for correction. ~~The commissioner of health by~~

rule shall establish a schedule of allowable time periods for correction of nursing home deficiencies. If the commissioner finds that the nursing home had uncorrected violations and that two or more of the uncorrected violations create a risk to resident care, safety, or rights, the commissioner shall notify the commissioner of public welfare who shall review reimbursement to the nursing home to determine the extent to which the state has paid for substandard care.

Sec. 3. Minnesota Statutes 1982, section 144A.10, subdivision 6, is amended to read:

Subd. 6. [FINES.] A nursing home which is issued a notice of noncompliance with a correction order shall be assessed a civil fine in accordance with a schedule of fines promulgated by rule of established by the commissioner of health before March 31, 1984. In establishing the schedule of fines, the commissioner shall consider the potential for harm presented to any resident as a result of noncompliance with each statute or rule. The fine shall be assessed for each day the facility remains in noncompliance and until a notice of correction is received by the commissioner of health in accordance with subdivision 7. No fine for a specific violation may exceed \$250 \$1,000 per day of noncompliance.

Sec. 4. Minnesota Statutes 1982, section 144A.10, is amended by adding a subdivision to read:

Subd. 6a. [SCHEDULE OF FINES.] The commissioner of health shall propose for adoption the schedule of fines by publishing it in the state register and allowing a period of 60 days from the publication date for interested persons to submit written comments on the schedule. Within 60 days after the close of the comment period, and after considering any comments received, the commissioner shall adopt the schedule in final form.

The schedule of fines is exempt from the definition of "rule" in section 14.02, subdivision 4, and has the force and effect of law upon compliance with section 14.38, subdivision 7. The effective date of the schedule of fines is five days after publication, as provided in section 14.38, subdivision 8. The provisions of any rule establishing a schedule of fines for noncompliance with correction orders issued to nursing homes remain effective with respect to nursing homes until repealed, modified, or superseded by the schedule established in accordance with this subdivision.

Sec. 5. [144A.31] [INTERAGENCY BOARD FOR QUALITY ASSURANCE.]

Subdivision 1. [INTERAGENCY BOARD.] The commissioners of health and public welfare shall establish, by July 1, 1983, an interagency board of representatives of their respective departments who are knowledgeable and employed in the areas of long term care, geriatric care, long term care facility inspection, or quality of care assurance. The number of interagency board members shall not exceed seven; three members each to represent the commissioners of health and public welfare and one member to represent the commissioner of public safety in the enforcement of fire and safety standards in nursing homes. The commissioner of public welfare or a designee shall chair and convene the board. The board may utilize the expertise and time of other individuals employed by either department as needed. The board may

recommend that the commissioners contract for services as needed. The board shall meet as often as necessary to accomplish its duties, but at least monthly. The board shall establish procedures, including public hearings, for allowing regular opportunities for input from residents, nursing homes, and other interested persons.

Subd. 2. [INSPECTIONS.] No later than January 1, 1984, the board shall develop and recommend implementation and enforcement of an effective system to ensure quality of care in each nursing home in the state. Quality of care includes evaluating, using the resident's care plan, whether the resident's ability to function is optimized and should not be measured solely by the number or amount of services provided.

The board shall assist the commissioner of health in ensuring that inspections and reinspections of nursing homes are conducted with a frequency and in a manner calculated to most effectively and appropriately fulfill its quality assurance responsibilities and achieve the greatest benefit to nursing home residents. The commissioner of health shall require a higher frequency and extent of inspections with respect to those nursing homes that present the most serious concerns with respect to resident health, treatment, comfort, safety, and well-being. These concerns include but are not limited to: complaints about care, safety, or rights; situations where previous inspections or reinspections have resulted in correction orders related to care, safety, or rights; instances of frequent change in administration in excess of normal turnover rates; and situations where persons involved in ownership or administration of the nursing home have been indicted for, charged with, or convicted of engaging in criminal activity. A nursing home that presents none of these concerns or any other concern or condition established by the board that poses a risk to resident care, safety, or rights shall be inspected once every two years for compliance with key requirements as determined by the board.

The board shall develop and recommend to the commissioners mechanisms beyond the inspection process to protect resident care, safety, and rights, including but not limited to coordination with the office of health facility complaints and the nursing home ombudsman program.

Subd. 3. [METHODS FOR DETERMINING RESIDENT CARE NEEDS.] The board shall develop and recommend to the commissioners definitions for levels of care and methods for determining resident care needs in preparation for eventually developing methods to adjust payments for resident care based on the mix of resident needs in a nursing home. The methods for determining resident care needs shall include assessments of ability to perform activities of daily living and assessments of medical and therapeutic needs.

Subd. 4. [ENFORCEMENT.] The board shall develop and recommend for implementation effective methods of enforcing quality of care standards. When it deems necessary, and when all other methods of enforcement are not appropriate, the board shall recommend to the commissioner of health closure of all or part of a nursing home and revocation of the license. The board shall develop, and the commissioner of public welfare shall implement, a resident relocation plan that instructs the county in which the nursing home is located of procedures to ensure that the needs of residents in nursing homes about to be closed are met. The county shall ensure placement in

swing beds in hospitals, placement in unoccupied beds in other nursing homes, utilization of home health care on a temporary basis, foster care placement, or other appropriate alternative care. In preparing for relocation, the county shall ensure that residents and their families or guardians are involved in planning the relocation.

Subd. 5. [REPORTS.] The commissioners of health and public welfare shall report to the legislature no later than January 15, 1984, on their proposals and progress on implementation of the methods required under subdivisions 2, 3, and 4. The commissioners shall recommend changes in or additions to legislation necessary or desirable to fulfill their responsibilities. The commissioners shall report annually to the legislature, beginning in January, 1985, on the implementation and enforcement of the provisions of this section.

Subd. 6. [DATA.] The interagency board may have access to data from the commissioners of health, public welfare, and public safety for carrying out its duties under this section. The commissioner of health and the commissioner of public welfare may each have access to data on persons, including data on vendors of services, from the other to carry out the purposes of this section. If the interagency board, the commissioner of health, or the commissioner of public welfare receives data on persons, including data on vendors of services, that is collected, maintained, used or disseminated in an investigation, authorized by statute and relating to enforcement of rules or law, the board or the commissioner shall not disclose that information except:

(a) Pursuant to section 13.05;

(b) Pursuant to statute or valid court order; or

(c) To a party named in a civil or criminal proceeding, administrative or judicial, for preparation of defense.

Data described in this subdivision is classified as public data upon its submission to a hearing examiner or court in an administrative or judicial proceeding.

Sec. 6. Minnesota Statutes 1982, section 256B.091, subdivision 1, is amended to read:

Subdivision 1. [PURPOSE.] It is the purpose of this section to prevent inappropriate nursing home or boarding care home placement by establishing a program of preadmission screening teams for all medical assistance recipients and any individual who would become eligible for medical assistance within 90 180 days of admission to a licensed nursing home or boarding care home participating in the program. Further, it is the purpose of this section and the program to gain further information about how to contain costs associated with inappropriate nursing home or boarding care home admissions. The commissioners of public welfare and health shall seek to maximize use of available federal and state funds and establish the broadest program possible within the appropriation available. The commissioner of public welfare shall promulgate temporary rules in order to implement this section by September 1, 1980.

Sec. 7. Minnesota Statutes 1982, section 256B.091, subdivision 2, is

amended to read:

Subd. 2. [SCREENING TEAMS; ESTABLISHMENT.] Each county agency designated by the commissioner of public welfare to participate in the program shall contract with the local board of health organized under section 145.911 to 145.922 or other public or non-profit agency to establish a screening team to assess, prior to admission to a nursing home or a boarding care home licensed under section 144A.02 or sections 144.50 to 144.56, that is certified for medical assistance as a skilled nursing facility, intermediate care facility level I, or intermediate care facility level II, the health and social needs of medical assistance recipients and individuals who would become eligible for medical assistance within 90 / 180 days of nursing home or boarding care home admission. Each local screening team shall be composed of a public health nurse from the local public health nursing service and a social worker from the local community welfare agency. Each screening team shall have a physician available for consultation and shall utilize individuals' attending physicians' physical assessment forms, if any, in assessing needs. The individual's physician shall be included on the screening team if the physician chooses to participate. If the individual is being discharged from an acute care facility, a discharge planner from that facility may be present, at the facility's request, during the screening team's assessment of the individual and may participate in discussions but not in making the screening team's recommendations under subdivision 3, clause (e). If the assessment procedure or screening team recommendation results in a delay of the individual's discharge from the acute care facility, the facility shall not be denied medical assistance reimbursement or incur any other financial or regulatory penalty of the medical assistance program that would otherwise be caused by the individual's extended length of stay ; 50 percent of the cost of this reimbursement or financial or regulatory penalty shall be paid by the state and 50 percent shall be paid by the county. Other personnel as deemed appropriate by the county agency may be included on the team. The county agency may contract with an acute care facility to have the facility's discharge planners perform the functions of a screening team with regard to individuals discharged from the facility and in those cases the discharge planners may participate in making recommendations under subdivision 3, clause (e). No member of a screening team shall have a direct or indirect financial or self-serving interest in a nursing home or non-institutional referral such that it would not be possible for the member to consider each case objectively.

Sec. 8. Minnesota Statutes 1982, section 256B.091, subdivision 4, is amended to read:

Subd. 4. [SCREENING OF PERSONS.] Prior to nursing home or boarding care home admission, screening teams shall assess the needs of all persons receiving medical assistance and of all persons who would be eligible for medical assistance within 90 / 180 days of admission to a nursing home or boarding care home, except patients transferred from other nursing homes or patients who, having entered acute care facilities from nursing homes, are returning to nursing home care. Any other interested person may be assessed by a screening team upon payment of a fee based upon a sliding fee scale.

Sec. 9. Minnesota Statutes 1982, section 256B.091, subdivision 8, is

amended to read:

Subd. 8. [ALTERNATIVE CARE GRANTS.] The commissioner shall provide grants to counties participating in the program to pay costs of providing alternative care to individuals screened under subdivision 4. Payment is available under this subdivision only for individuals (1) for whom the screening team would recommend nursing home admission if alternative care were not available; (2) who are receiving medical assistance or who would be eligible for medical assistance within 90 180 days of admission to a nursing home; and (3) who need services that are not available at that time in the county through other public assistance.

Grants may be used for payment of costs of providing services such as, but not limited to, foster care for elderly persons, day care whether or not offered through a nursing home, nutritional counseling, or medical social services, which services are provided by a licensed health care provider, a home health service eligible for reimbursement under Titles XVIII and XIX of the federal Social Security Act, or by persons employed by or contracted with by the county board or the local welfare agency. The county agency shall ensure that a plan of care is established for each individual in accordance with subdivision 3, clause (e)(2). The plan shall include any services prescribed by the individual's attending physician as necessary and follow up services as necessary. The county agency shall provide documentation to the commissioner verifying that the individual's alternative care is not available at that time through any other public assistance or service program and shall provide documentation in each individual's plan of care that the most cost effective alternatives available have been offered to the individual. Grants to counties under this subdivision are subject to audit by the commissioner for fiscal and utilization control.

The commissioner shall establish a sliding fee schedule for requiring payment for the cost of providing services under this subdivision to persons who are eligible for the services but who are not yet eligible for medical assistance. The sliding fee schedule is not subject to chapter 14.

The commissioner shall apply for a waiver for federal financial participation to expand the availability of services under this subdivision. The commissioner shall provide grants to counties from the non-federal share, unless the commissioner obtains a federal waiver for medical assistance payments, of medical assistance appropriations. ~~The state expenditures for this section shall not exceed \$1,800,000 for the biennium ending June 30, 1983.~~ A county agency may use grant money to supplement but not supplant services available through other public assistance or service programs and shall not use grant money to establish new programs for which public money is available through sources other than grants provided under this subdivision. A county agency shall not use grant money to provide care under this subdivision to an individual if the anticipated cost of providing this care would exceed the average payment, as determined by the commissioner, for the level of nursing home care that the recipient would receive if placed in a nursing home. The non-federal share may be used to pay up to 90 percent of the start-up and service delivery costs of providing care under this subdivision. Each county agency that receives a grant shall pay 10 percent of the costs.

The commissioner shall promulgate temporary rules in accordance with

sections 14.29 to 14.36, to establish required documentation and reporting of care delivered.

Sec. 10. Minnesota Statutes 1982, section 256B.41, is amended to read:

256B.41 [INTENT.]

Subdivision 1. [AUTHORITY.] The ~~state agency commissioner~~ shall by ~~rule~~ establish a ~~formula~~, by rule, procedures for ~~establishing payment determining rates for care of residents of nursing homes which qualify as vendors of medical assistance, and for implementing the provisions of sections 256B.41, 256B.47, 256B.48, and sections 11, 12, 15, and 16. The procedures shall be based on methods and standards that the commissioner finds are adequate to provide for the costs that must be incurred for the care of residents in efficiently and economically operated nursing homes and shall specify the costs that are allowable for establishing payment rates through medical assistance.~~

Subd. 2. [FEDERAL REQUIREMENTS.] It is the intent of the legislature to establish certain limitations on the state agency in setting standards for nursing home rate setting for the care of recipients of medical assistance pursuant to this chapter. It is not the intent of the legislature to repeal or change any existing or future rule promulgated by the state agency relating to the setting of rates for nursing homes unless the rule is clearly in conflict with sections ~~256B.41 to 256B.48~~. If any provision of sections 256B.41 to, 256B.47, and 256B.48 and sections 11, 12, 15, and 16, is determined by the United States government to be in conflict with existing or future requirements of the United States government with respect to federal participation in medical assistance, the federal requirements shall prevail.

Sec. 11. [256B.421] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For the purposes of sections 256B.41, 256B.47, 256B.48, and sections 11, 12, 15, and 16, the following terms and phrases shall have the meaning given to them.

Subd. 2. [ACTUAL ALLOWABLE HISTORICAL OPERATING COST PER DIEM.] "Actual allowable historical operating cost per diem" means the per diem payment for actual costs, including operating costs, allowed by the commissioner for the most recent reporting year.

Subd. 3. [COMMISSIONER.] "Commissioner" means the commissioner of public welfare.

Subd. 4. [FINAL RATE.] "Final rate" means the rate established after any adjustment by the commissioner, including but not limited to adjustments resulting from cost report reviews and field audits.

Subd. 5. [GENERAL AND ADMINISTRATIVE COSTS.] "General and administrative costs" means all allowable costs for administering the facility, including but not limited to: salaries of administrators, assistant administrators, medical directors, accounting personnel, data processing personnel, and all clerical personnel; board of directors fees; business office functions and supplies; travel; telephone and telegraph; advertising; licenses and permits; membership dues and subscriptions; postage; insurance, except as included as a fringe benefit under subdivision 14; professional services such as legal, accounting and data processing services;

central or home office costs; management fees; management consultants; employee training, other than clerical, nurse, or nursing assistant training; and business meetings and seminars. These costs shall be included in general and administrative costs in total, without direct or indirect allocation to other cost categories.

In a nursing home of 60 or fewer beds, part of an administrator's salary may be allocated to other cost categories to the extent justified in records kept by the nursing home. Central or home office costs representing services of required consultants in areas including, but not limited to, dietary, pharmacy, social services, or activities may be allocated to the appropriate department, but only if those costs are directly identified by the nursing home.

Subd. 6. [HISTORICAL OPERATING COSTS.] "Historical operating costs" means the allowable operating costs incurred by the facility during the reporting year immediately preceding the rate year for which the payment rate becomes effective, after the commissioner has reviewed those costs and determined them to be allowable costs under the medical assistance program, and after the commissioner has applied appropriate limitations such as the ten percent limit on administrative costs.

Subd. 7. [NURSING HOME.] "Nursing home" means a facility licensed under chapter 144A or a boarding care facility licensed under sections 144.50 to 144.56.

Subd. 8. [OPERATING COSTS.] "Operating costs" means the day to day costs of operating the facility in compliance with licensure and certification standards. Operating cost categories are: nursing, including nurses and nursing assistants training; dietary; laundry and linen; housekeeping; plant operation and maintenance; other care-related services; general and administration; payroll taxes; real estate taxes and special assessments; and fringe benefits, including clerical training.

Subd. 9. [PAYMENT RATE.] "Payment rate" means the rate determined under section 12.

Subd. 10. [PRIVATE PAYING RESIDENT.] "Private paying resident" means a nursing home resident who is not a medical assistance recipient and whose payment rate is not established by another third party, including the veterans administration or medicare.

Subd. 11. [RATE YEAR.] "Rate year" means the fiscal year for which a payment rate determined under section 12 is effective, from July 1 to the next June 30.

Subd. 12. [REPORTING YEAR.] "Reporting year" means the period from October 1 to September 30, immediately preceding the rate year, for which the nursing home submits reports required under section 256B.48, subdivision 2.

Subd. 13. [ACTUAL RESIDENT DAY.] "Actual resident day" means a billable, countable day as defined by the commissioner.

Subd. 14. [FRINGE BENEFITS.] "Fringe benefits" means workers' compensation insurance, group health insurance, group life insurance, retirement benefits or plans, and uniform allowances.

Subd. 15. [PAYROLL TAXES.] "Payroll taxes" means the employer's

share of FICA taxes and state and federal unemployment compensation taxes.

Sec. 12. [256B.431] [RATE DETERMINATION.]

Subdivision 1. [IN GENERAL.] The commissioner shall determine prospective payment rates for resident care costs. In determining the rates, the commissioner shall group nursing homes according to different levels of care until July 1, 1985, and after that date, mix of resident needs, and geographic location, as defined by the commissioner. Until groups are established according to mix of resident needs, the commissioner shall group all convalescent and nursing care units attached to hospitals into one group for purposes of determining reimbursement for operating costs. On or before June 1, 1983, the commissioner shall mail notices to each nursing home of the rates to be effective from July 1 of that year to June 30 of the following year. In subsequent years, the commissioner shall provide notice to each nursing home on or before May 1 of the rates effective for the following rate year. If a statute enacted after May 1 affects the rates, the commissioner shall provide a revised notice to each nursing home as soon as possible.

Until groups are established according to mix of resident needs, the commissioner shall exclude from any group any nursing home whose residents' average length of stay is less than 180 days, and any nursing home that is licensed and rendering services under the provisions of 12 MCAR 2.080 on or before March 15, 1983. For rate years beginning July 1, 1983, and July 1, 1984, a nursing home excluded from groups under this paragraph shall receive as its operating cost payment rate its actual allowable historical operating cost per diem, increased by six percent.

Subd. 2. [OPERATING COSTS.] (a) The commissioner shall establish, by rule, procedures for determining per diem reimbursement for operating costs based on actual resident days. The commissioner shall disallow any portion of the general and administration cost category, exclusive of fringe benefits and payroll taxes, that exceeds

10 percent for nursing homes with more than 100 certified beds in total,

12 percent for nursing homes with fewer than 101 but more than 40 certified beds in total, and

15 percent for nursing homes with 40 or fewer certified beds in total,

of the expenditures in all operating cost categories except fringe benefits, payroll taxes, and general and administration.

(b) For the rate year beginning July 1, 1983, and ending June 30, 1984, the prospective operating cost payment rate for each nursing home shall be determined by the commissioner based on the most recently audited and available cost reports of allowed historical operating costs received by December 31, 1982. To determine the allowed historical operating cost, the commissioner shall update the historical per diem shown in those cost reports to June 30, 1983, using a ten percent annual rate of increase after applying the general and administrative cost limitation described in paragraph (a) and after adjusting for rate limitations in effect before the effective date of this section. The commissioner shall calculate the 60th percentile of actual allowable historical operating cost per diems for each group of nursing homes

established under subdivision 1.

(1) Within each group, each nursing home whose actual allowable historical operating cost per diem as determined under this paragraph (b) is at or above the 60th percentile shall receive the 60th percentile increased by six percent plus 80 percent of the difference between its actual allowable operating cost per diem and the 60th percentile.

(2) Within each group, each nursing home whose actual allowable historical operating cost per diem is below the 60th percentile shall receive that actual allowable historical operating cost per diem increased by six percent.

For the rate year beginning July 1, 1984, and ending June 30, 1985, the prospective operating cost payment rate for each nursing home shall be determined by the commissioner based on actual allowable historical operating costs incurred during the reporting year preceding the rate year. The commissioner shall analyze and evaluate each nursing home's report of allowable operating costs incurred by the nursing home during the reporting year immediately preceding the rate year. The actual allowable historical operating costs, after the commissioner's analysis and evaluation, shall be added together and divided by the number of actual resident days to compute the actual allowable historical operating cost per diem. The commissioner shall calculate the 60th percentile of actual allowable historical operating cost per diems for each group of nursing homes established under subdivision 1.

(3) Within each group, each nursing home whose actual allowable historical operating cost per diem is at or above the 60th percentile of payment rates shall receive the 60th percentile increased by six percent plus 70 percent of the difference between its actual allowable historical operating cost per diem and the 60th percentile.

(4) Within each group, each nursing home whose actual allowable historical operating cost per diem is below the 60th percentile shall receive that actual allowable historical operating cost per diem increased by six percent.

(c) For subsequent years, the commissioner shall:

(1) Contract with an econometric firm with recognized expertise in and access to national economic change indices that can be applied to the appropriate cost categories when determining the operating cost payment rate;

(2) Establish the 60th percentile of actual allowable historical operating cost per diems for each group of nursing homes established under subdivision 1 based on cost reports of allowable operating costs in the previous reporting year. The commissioner shall analyze and evaluate each nursing home's report of allowable operating costs incurred by the nursing home during the reporting year immediately preceding the rate year for which the payment rate becomes effective. The allowable historical operating costs, after the commissioner's analysis and evaluation, shall be added together and divided by the actual number of resident days in order to compute the actual allowable historical operating cost per diem;

(3) Establish a composite index for each group by determining the weighted average of all economic change indicators applied to the operating cost categories in that group.

(4) Within each group, each nursing home shall receive the 60th percentile increased by the composite index calculated in paragraph (c)(3).

The commissioner shall include the reported actual real estate tax liability of each proprietary nursing home as an operating cost of that nursing home. The commissioner shall include a reported actual special assessment for each nursing home as an operating cost of that nursing home. Total real estate tax liability and actual special assessments paid for each nursing home (i) shall be divided by actual resident days in order to compute the operating cost payment rate for this operating cost category, but (ii) shall not be used to compute the 60th percentile.

(d) The commissioner shall allow the nursing home to keep, as an efficiency incentive, the difference between the nursing home's operating cost payment rate established for that rate year and the actual historical operating costs incurred for that rate year, if the latter amount is smaller. If a nursing home's actual historic operating costs are greater than the prospective payment rate for that rate year, there shall be no retroactive cost settle-up. If an annual cost report or field audit indicates that the expenditures for direct resident care have been reduced in amounts large enough to indicate a possible detrimental effect on the quality of care, the commissioner shall notify the commissioner of health and the interagency board for quality assurance. If a field audit reveals that unallowable expenditures have been included in the nursing home's historical operating costs, the commissioner shall disallow the expenditures and recover the entire overpayment. The commissioner shall establish, by rule, procedures for assessing an interest charge on any outstanding balance resulting from an overpayment or underpayment.

(e) The commissioner may negotiate, with a nursing home that is eligible to receive medical assistance payments, a payment rate of up to 125 percent of the allowed payment rate to be paid for a period of up to three months for individuals who have been hospitalized for more than 100 days, who have extensive care needs based on nursing hours actually provided or mental or physical disability, or need for respite care for a specified and limited time period, and based on an assessment of the nursing home's resident mix as determined by the commissioner of health.

Subd. 3. [PROPERTY-RELATED COSTS.] Property-related costs shall be reimbursed to each nursing home at the level recognized in the final rate effective March 1, 1983, adjusted for rate limitations in effect before the effective date of this section. Property-related costs include: depreciation, interest, earnings or investment allowance, lease, or rental payments. No adjustments shall be made as a result of sales or reorganizations of provider entities.

Adjustments for the cost of repairs, replacements, renewals, betterments, or improvements to existing buildings, and building service equipment shall be allowed if:

(i) The cost incurred is reasonable, necessary, and ordinary;

(ii) The net cost is greater than \$5,000. "Net cost" means the actual cost, minus proceeds from insurance, salvage, or disposal;

(iii) The nursing home's property-related costs per diem is equal to or less

than the average property-related costs per diem within its group; and

(iv) The adjustment is shown in depreciation schedules submitted to and approved by the commissioner.

Annual per diem shall be computed by dividing total property-related costs by 96 percent of the nursing home's certified capacity days for nursing homes with more than 60 beds and 94 percent of the nursing home's certified capacity days for nursing homes with 60 or fewer beds. For a nursing home whose residents' average length of stay is 180 days or less, the commissioner may waive the 96 percent factor and divide the nursing home's property-related costs by the actual resident days to compute the nursing home's annual property-related per diem. The commissioner shall promulgate temporary and permanent rules to recapture excess depreciation upon sale of a nursing home.

Subd. 4. [SPECIAL RATES.] A newly-constructed nursing home or one with a capacity increase of 50 percent or more may, upon written application to the commissioner, receive an interim payment rate calculated pursuant to the statutes and rules in effect on May 1, 1983, to be effective from the first day a medical assistance recipient resides in the home or for the added beds. The interim payment rate shall not be in effect for more than 12 months. The commissioner shall establish, by temporary and permanent rules, procedures for determining the interim rate and for making a retroactive cost settle-up after the first year of operation, and may limit the interim rate and the settle-up. The commissioner shall establish by rule procedures for determining payment rates for nursing homes which provide care under a lesser care level than the level for which the nursing home is certified.

Subd. 5. [ADJUSTMENTS.] When resolution of appeals or on-site field audits of the records of nursing homes within a group result in adjustments exceeding one cent per resident per day in all nursing homes within the group in any reporting year, the payment rate for each nursing home in the following rate year in that group shall be increased or decreased by the adjustment amount.

Sec. 13. Minnesota Statutes 1982, section 256B.47, is amended to read:

256B.47 [RATE LIMITS NONALLOWABLE COSTS; NOTICE OF INCREASES TO PRIVATE PAYING RESIDENTS.]

Subdivision 1. [NONALLOWABLE COSTS.] The state agency shall by rule establish separate overall limitations on the costs for items which directly relate to the provision of patient care to residents of nursing homes and those which do not directly relate to the provision of care. The state agency may also by rule, establish limitations for specific cost categories which do not directly relate to the provision of patient care. The state agency shall reimburse nursing homes for the costs of nursing care in excess of any state agency limits on hours of nursing care if the commissioner of health issues a correction order pursuant to section 144A.10, subdivision 4, directing the nursing home to provide the additional nursing care. All costs determined otherwise allowable shall be subject to these limitations.

Subd. 2. The following costs shall not be recognized as allowable to the extent that these costs cannot be demonstrated by the nursing home to the state agency to be directly related to the provision of patient care: (1) political con-

tributions; (2) salaries or expenses of a lobbyist, as defined in section 10A.01, subdivision 11, for lobbying activities; (3) advertising designed to encourage potential residents to select a particular nursing home; (4) assessments levied by the ~~health department commissioner of health~~ for uncorrected violations; and (5) legal and related fees for unsuccessful challenges to decisions by state agencies; and (6) ~~dues paid to a nursing home or hospital association.~~ The state agency shall promulgate rules establishing standards which shall distinguish between any patient-care related components and non-patient-care related components of these costs, where applicable. For purposes of these rules, the state agency shall exercise emergency powers and establish emergency rules pursuant to section 15.0412, subdivision 5, before September 1, 1977. The state agency commissioner shall by rule exclude the costs of any other items which it determines are not directly related to the provision of patient resident care.

Subd. 3. On or before January 1, 1977 the state agency shall by rule establish a procedure affording notice of the approved rate for medical assistance recipients to nursing homes within 120 days after the close of the fiscal year of the nursing home.

Subd. 4. 2. [NOTICE TO RESIDENTS.] No increase in nursing home rates for private paying residents shall be effective unless the nursing home notifies the resident or person responsible for payment of the increase in writing 30 days before the increase takes effect.

A nursing home may adjust its rates without giving the notice required by this subdivision when the purpose of the rate adjustment is to: (a) reflect a necessary change in the level of care provided to a resident; or (b) retroactively or prospectively equalize private pay rates with rates charged to medical assistance recipients as required by section 256B.48, subdivision 1, clause (a) and applicable federal law.

Subd. 5. The commissioner shall promulgate rules no later than August 1, 1980, to amend the current rules governing nursing home reimbursement, in accordance with sections 14.01 to 14.70, to allow providers to allocate their resources in order to provide as many nursing hours as necessary within the total cost limitations of the per diem already granted. *If the state fails to set rates as required by section 12, the time required for giving notice is decreased by the number of days by which the state was late in setting the rates.*

Sec. 14. Minnesota Statutes 1982, section 256B.48, is amended to read:

256B.48 [CONDITIONS FOR PARTICIPATION.]

Subdivision 1. [PROHIBITED PRACTICES.] No A nursing home shall be *is not* eligible to receive medical assistance payments unless it *agrees in writing that it will refrain refrains* from:

(a) Charging nonmedical assistance residents rates for similar services which exceed by more than ten percent those rates which are approved by the state agency for medical assistance recipients. For nursing homes charging non-medical assistance residents rates less than ten percent more than those rates which are approved by the state agency for medical assistance recipients, the maximum differential in rates between nonmedical assistance residents and medical assistance recipients shall not exceed that differential which was in effect on April 13, 1976. If a nursing home has exceeded this differential since April 13, 1976, it shall return the amount collected in excess of the allowable differential stated by this subdivision to the nonmedical assistance resident, or that person's representative, by July 1, 1977. Effective July 1, 1978, no nursing home

shall be eligible for medical assistance if it charges nonmedical assistance recipients. Charging private paying residents rates for similar services which exceed those which are approved by the state agency for medical assistance recipients; ~~provided, however, that as determined by the prospective desk audit rate, except under the following circumstances:~~ the nursing home may (1) charge nonmedical assistance private paying residents a higher rate for a private room, and (2) charge for special services which are not included in the daily rate if medical assistance patients residents are charged separately at the same rate for the same services in addition to the daily rate paid by the state agency commissioner. A nursing home that charges a private paying resident a rate in violation of this clause is subject to an action by the state of Minnesota or any of its subdivisions or agencies for civil damages. A private paying resident or the resident's legal representative has a cause of action for civil damages against a nursing home that charges the resident rates in violation of this clause. The damages awarded shall include three times the payments that result from the violation, together with costs and disbursements, including reasonable attorneys' fees or their equivalent. A private paying resident or the resident's legal representative, the state, subdivision or agency, or a nursing home may request a hearing to determine the allowed rate or rates at issue in the cause of action. Within 15 calendar days after receiving a request for such a hearing, the commissioner shall request assignment of a hearing examiner under sections 14.48 to 14.56 to conduct the hearing as soon as possible or according to agreement by the parties. The hearing examiner shall issue a report within 15 calendar days following the close of the hearing. The prohibition set forth in this clause shall not apply to facilities licensed as boarding care facilities which are not certified as skilled or intermediate care facilities level I or II for reimbursement through medical assistance;

(b) Requiring an applicant for admission to the home, or the guardian or conservator of the applicant, as a condition of admission, to pay an admission fee any fee or deposit in excess of \$100, loan any money to the nursing home, or promise to leave all or part of the applicant's estate to the home; and

(c) Requiring any resident of the nursing home to utilize a vendor of health care services who is a licensed physician or pharmacist chosen by the nursing home;

(d) Requiring any applicant to the nursing home, or the applicant's guardian or conservator, as a condition of admission, to assure that the applicant is neither eligible for nor will seek public assistance for payment of nursing home care costs;

(e) Requiring any vendor of medical care as defined by section 256B.02, subdivision 7, who is reimbursed by medical assistance under a separate fee schedule, to pay any portion of his fee to the nursing home except as payment for renting or leasing space or equipment of the nursing home or purchasing support services, if those agreements are disclosed to the commissioner; and

(f) Refusing, for more than 24 hours, to accept a resident returning to his same bed or a bed certified for the same level of care, in accordance with a physician's order authorizing transfer, after receiving inpatient hospital services.

The prohibitions set forth in clause (b) shall not apply to a retirement home with more than 325 beds including at least 150 licensed nursing home beds and which:

(1) is owned and operated by an organization tax-exempt under section 290.05, subdivision 1, clause (i); and

(2) ~~at the time of admission places accounts for all of the applicant's assets which are required to be assigned to the home in a trust account from which so that only expenses for the cost of care of the applicant may be deducted charged against the account; and~~

(3) agrees in writing at the time of admission to the home to permit the applicant, or his guardian, or conservator, to examine the records relating to the ~~individual's trust applicant's~~ account upon request, and to receive an audited statement of the expenditures ~~from charged against~~ his individual account upon request; and

(4) agrees in writing at the time of admission to the home to permit the applicant to withdraw from the home at any time and to receive, upon withdrawal, ~~all of the unexpended funds remaining in the balance of his individual trust account; and~~

(5) ~~was in compliance with provisions (1) to (4) as of June 30, 1976.~~

Subd. 2. [REPORTING REQUIREMENTS.] ~~Effective July 1, 1976, no A nursing home shall be is not~~ eligible to receive medical assistance payments unless it ~~agrees in writing to:~~

(a) ~~Provide~~ No later than December 31 of each year, it provides the state agency commissioner with its most recent (1) balance sheet and statement of revenues and expenses, including a statement of the rate or rates charged to private paying residents, as audited by a certified public accountant licensed by this state or by a public accountant as defined in section 412.222; (2) statement of ownership for the nursing home; and (3) a separate audited balance sheet and statement of revenues and expenses for each nursing home if more than one nursing home or other business operation is owned by the same owner; a governmentally owned nursing home may comply with the auditing requirements of this clause by submitting an audit report prepared by the state auditor's office. *The commissioner shall audit cost reports as required by section 256B.27, subdivision 2a;*

(b) *No later than December 31 of each year, it provides to the commissioner the information and supporting documents that the commissioner requires for determining payment rates. The commissioner shall prescribe, by rule, the information necessary for determining payment rates;*

(b) ~~Provide~~ (c) *It provides the state agency commissioner with copies of leases, purchase agreements and other related documents related to the lease or purchase of the nursing home; and*

(c) ~~Provide to the state agency upon request copies of leases, purchase agreements, or similar documents for to the purchase or acquisition of equipment, goods and services which are claimed as allowable costs.~~

Subd. 3. [INCOMPLETE OR INACCURATE REPORTS.] The state agency commissioner may reject any annual cost report filed by a nursing

home pursuant to this chapter if ~~it~~ *the commissioner* determines that the report or the information required in subdivision 2, clause (a) has been filed in a form that is incomplete or inaccurate. In the event that a report is rejected pursuant to this subdivision, ~~the state agency may~~ *commissioner shall* make payments to a nursing home at ~~the its most recently established rate determined for its prior fiscal year, or at an interim rate established by the state agency,~~ until the information is completely and accurately filed.

Subd. 4. [EXTENSIONS.] The commissioner may grant a 15-day extension of the reporting deadline to a nursing home for good cause. To receive such an extension, a nursing home shall submit a written request by December 1. The commissioner will notify the nursing home of the decision by December 15.

Subd. 5. [FALSE REPORTS.] If a nursing home knowingly supplies inaccurate or false information in a required report that results in an overpayment, the commissioner shall: (a) immediately adjust the nursing home's payment rate to recover the entire overpayment within the rate year; or (b) terminate the commissioner's agreement with the nursing home; or (c) prosecute under applicable state or federal law; or (d) use any combination of the foregoing actions.

Sec. 15. [256B.50] [APPEALS.]

A nursing home may appeal a decision arising from the application of standards or methods pursuant to sections 10 and 256B.47 if the appeal, if successful, would result in a change to the nursing home's payment rate. To appeal, the nursing home shall notify the commissioner of its intent to appeal within 30 days and submit a written appeal request within 60 days of receiving notice of the payment rate determination or decision. The appeal request shall specify each disputed item, the reason for the dispute, an estimate of the dollar amount involved for each disputed item, the computation that the nursing home believes is correct, the authority in statute or rule upon which the nursing home relies for each disputed item, the name and address of the person or firm with whom contacts may be made regarding the appeal, and other information required by the commissioner. The appeal shall be heard by a hearing examiner according to sections 14.48 to 14.56, or upon agreement by both parties according to a modified appeals procedure established by the commissioner and the hearing examiner. In any proceeding under this section, the appealing party must demonstrate by a preponderance of the evidence that the commissioner's determination is incorrect. Regardless of any rate appeal, the rate established shall be the rate paid and shall remain in effect until final resolution of the appeal or subsequent desk or field audit adjustment, notwithstanding any provision of law or rule to the contrary. To challenge the validity of rules established by the commissioner pursuant to sections 256B.41, 256B.47, 256B.48, and sections 11, 12, 15, and 16, a nursing home shall comply with section 14.44.

Sec. 16. [256B.502] [TEMPORARY RULES.]

The commissioners of health and public welfare shall promulgate temporary and permanent rules necessary to implement sections 1 to 17 in accordance with sections 14.01 to 14.38. Notwithstanding the provisions of section 14.35, temporary rules promulgated to implement sections 1 to 17 shall be effective for up to 360 days after July 1, 1983, and may be continued in

effect for two additional periods of 180 days each if the commissioner gives notice of continuation of each additional period by publishing notice in the state register and mailing the same notice to all persons registered with the commissioner to receive notice of rulemaking proceedings in connection with sections 1 to 17. The temporary rules promulgated in accordance with this section shall not be effective 720 days after their effective date without following the procedures in sections 14.13 to 14.20. The commissioner shall report to the legislature by January 1, 1985, on likely groups and shall establish groups of nursing homes based on the mix of resident care needs, and on geographic area, by July 1, 1985.

Sec. 17. [PROPERTY COST REIMBURSEMENT RECOMMENDATION.]

The commissioner of public welfare shall recommend to the legislature no later than January 1, 1984, a method for determining payment rates for property-related costs. The method shall be designed to:

(i) simplify the administrative procedures for determining payment rates for property-related costs;

(ii) minimize discretionary or appealable decisions;

(iii) eliminate any incentives to sell nursing homes;

(iv) recognize legitimate costs of preserving and replacing property;

(v) recognize the existing costs of outstanding indebtedness;

(vi) address the current value of, if used directly for patient care, land improvements, buildings, attached fixtures, and equipment;

(vii) establish an investment per bed limitation; and

(viii) reward efficient management of capital assets.

The commissioner shall also recommend a plan for implementing the recommended method, including proposals for phasing in the implementation.

Sec. 18. [LEGISLATIVE STUDY COMMISSION ON LONG TERM HEALTH CARE FUNDING ALTERNATIVES.]

Subdivision 1. A legislative study commission is created to study and report on alternatives to medical assistance funding for providing long term health care services to the citizens of Minnesota. The study commission shall consider use of alternatives such as private insurance, private annuities, health maintenance organizations, preferred provider organizations, medicare, and other alternatives the commission deems worthy of study.

Subd. 2. The commission shall consist of six members of the house of representatives appointed in the usual manner and six members of the senate appointed by the subcommittee on committees.

Subd. 3. The commission shall report its findings and recommendations to the governor and the legislature not later than January 1, 1985.

Subd. 4. The commission shall hold meetings and hearings at the times and places it designates to accomplish the purposes set forth in this section. It shall select a chairperson and other officers from its membership as it deems necessary.

Subd. 5. The commission shall make use of existing legislative facilities and staff of the house and senate research departments and senate counsel, but it may also request the legislative coordinating commission to supply it with additional necessary staff, office space, and administrative services. All additional personnel shall be hired and supervised by the directors of the house and senate research departments and senate counsel. The commission shall have full authority to contract for expert services and opinions relevant to the purposes of this section.

Sec. 19. [REPEALER.]

Minnesota Statutes 1982, sections 256B.42; 256B.43; 256B.44; 256B.45; and 256B.46 are repealed effective July 1, 1983. 12 MCAR, Section 2.049 is repealed effective on the effective date of the first temporary rule promulgated to implement section 12.

Sec. 20. [APPROPRIATION.]

The approved complement of the department of health increased by one-half position for the interagency board. \$3,156,000 for fiscal year 1984 and \$2,206,000 for fiscal year 1985 are appropriated from the general fund to the commissioner of public welfare for the state's costs of implementing sections 1 to 19 for the biennium ending June 30, 1985, in the following areas:

<i>Staff</i>	<i>\$316,000</i>
<i>Contracting for professional services</i>	<i>390,500</i>
<i>Implementing the new rate system</i>	<i>126,000</i>
<i>Office operation</i>	<i>71,300</i>
<i>Reimbursement of certain nursing homes under the moratorium</i>	<i>750,000</i>
<i>Research of property-related reimbursement systems</i>	<i>330,000</i>
<i>Preadmission screening/alternative care</i>	<i>3,975,775.</i>

Remaining amounts necessary to fund these areas shall be obtained from federal and county sources. The approved complement of the department of public welfare is increased by five and one-half full-time positions; the one-half full-time position is for the interagency board.

Sec. 21. [EFFECTIVE DATE.]

Sections 1 to 20 are effective the day following enactment, for establishing procedures for determining payment rates to become effective for the biennium beginning July 1, 1983, and thereafter. The amendments to section 256B.48, subdivision 1, apply to causes of action arising from charges made on or after the effective date of section 14."

Amend the title as follows:

Page 1, line 4, delete "licensure or" and after "certification" insert "or welfare licensure"

Page 1, line 8, delete "subdivision" and insert "subdivisions 4," and after "6" insert ", and by adding a subdivision"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Johnson, D.J. from the Committee on Taxes and Tax Laws, to which was referred

S.F. No. 11: A bill for an act relating to taxation; exempting certain leasehold interests in property owned by Independent School District No. 692, Babbitt, from the property tax.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, after line 6, insert:

“ARTICLE 1: INCOME TAX

Section 1. Minnesota Statutes 1982, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term “net income” means the gross income, as defined in subdivision 20, less the *following* deductions ~~allowed by section 290.09 (and for individuals, section 290.21)~~ to the extent allowed by section 290.18, subdivision 1:

(a) For corporations, the deductions allowed by section 290.09;

(b) For individuals, the deductions allowed in section 10, without regard to section 290.18, subdivision 1, section 11, and section 290.09; and

(c) For estates and trusts, the deduction allowed by section 10, without regard to section 290.18, subdivision 1.

Sec. 2. Minnesota Statutes 1982, section 290.01, subdivision 20, is amended to read:

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

The term “gross income” in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f, and with the modification that the federal deduction for personal exemptions for trusts and estates shall not be allowed.

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

The provisions of section 4 of P.L. 95-458, sections 131, 133, 134, 141, 152, 156, 157, 405, and 543 of P.L. 95-600, and section 2 of P.L. 96-608 (relating to pensions, individual retirement accounts, deferred compensation plans, the sale of a residence and to conservation payments to farmers) including the amendments made to these sections in P.L. 96-222 shall be effective at the same time that these provisions became effective for federal income tax purposes.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1979, shall be in effect for taxable years beginning after December 31, 1979.

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

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1981, shall be in effect for taxable years beginning after December 31, 1981. *The Payment-in-Kind Tax Treatment Act of 1983, Public Law Number 98-4 shall be effective at the same time it becomes effective for federal income tax purposes.*

References to the Internal Revenue Code of 1954 in subdivisions 20a, 20b, 20c, and 20e shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

Sec. 3. Minnesota Statutes 1982, section 290.01, subdivision 20a, as amended by Laws 1982, Third Special Session chapter 1, article V, section 1, is amended to read:

Subd. 20a. [MODIFICATIONS INCREASING FEDERAL ADJUSTED GROSS INCOME.] There shall be added to federal adjusted gross income:

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

(2) ~~A business casualty loss if the taxpayer elected to deduct the loss on the current year's federal income tax return but had deducted the loss on the previous year's Minnesota income tax return;~~

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

(5) (4) 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 the reimbursed expenditure resulted in a tax benefit;

(6) (5) 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 the previous taxable year. The amount of the federal income tax overpayment shall be reported only to the extent that the amount resulted in a reduction of the tax imposed by this chapter.

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, combined, or separate Minnesota income tax returns. In the case of combined or 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 combined or separate Minnesota income tax return for such previous taxable year;

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

(8) (7) The amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954 to the extent of the credit under section 38 of the Internal Revenue Code of 1954 that was previously allowed as a deduction under subdivision 20b, clause (7);

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

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

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

(12) (11) To the extent deducted in computing the taxpayer's federal adjusted gross income for the taxable year, losses recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

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

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

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

~~(16)~~ (15) To the extent not included in the taxpayer's federal adjusted gross income, the amount of any gain, from the sale or other disposition of property having a lower adjusted basis for Minnesota income tax purposes than for federal income tax purposes. This modification shall not exceed the difference in basis. If the gain is considered a long term capital gain for federal income tax purposes, the modification shall be limited to 40 percent of the portion of the gain. This modification is limited to property that qualified for the energy credit contained in section 290.06, subdivision 14, and to property acquired in exchange for the release of the taxpayer's marital rights contained in section 290.14, clause (7);

~~(17)~~ (16) The amount of any loss from a source outside of Minnesota which is not allowed under section 290.17 including any capital loss or net operating loss carryforwards or carrybacks resulting from the loss;

~~(18)~~ (17) The amount of a distribution from an individual housing account which is to be included in gross income as required under section 290.08, subdivision 25;

~~(19)~~ (18) To the extent deducted in computing the taxpayer's federal adjusted gross income, interest, taxes and other expenses which are not allowed under section 290.10, clause (9) or (10);

~~(20)~~ (19) To the extent excluded from federal adjusted gross income, in the case of a city manager or city administrator who elects to be excluded from the public employees retirement association and who makes contributions to a deferred compensation program pursuant to section 353.028, the amount of contributions made by the city manager or administrator which is equal to the amount which would have been the city manager's or administrator's employee contribution pursuant to section 353.27, subdivision 2, if he were a member of the public employees retirement association;

~~(21)~~ (20) The deduction for two-earner married couples provided in section 221 of the Internal Revenue Code of 1954;

~~(22)~~ (21) Interest on all-savers certificates which is excluded under section 128 of the Internal Revenue Code of 1954;

~~(23)~~ (22) Losses from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax;

~~(24)~~ (23) Expenses and depreciation attributable to property subject to Laws 1982, Chapter 523, Article 7, Section 3 which has not been registered;

~~(25)~~ (24) The amount of contributions to an individual retirement account, simplified employee pension plan, or self-employed retirement plan which is allowed under sections 311 and 312 of Public Law Number 97-34 to the extent those contributions were not an allowable deduction prior to the enactment of that law;

~~(26)~~ (25) To the extent deducted in computing federal adjusted gross income, living expenses of a member of congress in excess of that allowable under section 290.09, subdivision 2, clause (a)(3); and

(27) (26) To the extent not included in the taxpayer's federal adjusted gross income, the amount of any contributions to a qualified pension plan, designated as employee contributions but which the employing unit picks up and which are treated as employer contributions pursuant to section 414(h)(2) of the Internal Revenue Code of 1954.

Sec. 4. Minnesota Statutes 1982, section 290.01, subdivision 20b, as amended by Laws 1982, Third Special Session chapter 1, article V, section 2, is amended to read:

Subd. 20b. [MODIFICATIONS REDUCING FEDERAL ADJUSTED GROSS INCOME.] There shall be subtracted from federal adjusted gross income:

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

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to 40 per centum of the portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Income from the performance of personal or professional services which is subject to the reciprocity exclusion contained in section 290.081, clause (a);

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

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

(6) To the extent included in federal adjusted gross income, or the amount reflected as the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue

Code of 1954. The maximum amount of this subtraction shall be \$11,000 less the amount by which the individual's federal adjusted gross income, plus the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, exceeds \$17,000. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$11,000; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000;

(7) The amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954 but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(8) To the extent included in the taxpayer's federal adjusted gross income for the taxable year, gain recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

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

(10) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed before January 1, 1986 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60;

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

(12) The amount of any income earned for personal services rendered outside of Minnesota prior to the date when the taxpayer became a resident of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause (6);

(13) In the case of wages or salaries paid or incurred on or after January 1, 1977, the amount of any credit for employment of certain new employees under sections 44B and 51 to 53 of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(14) In the case of work incentive program expenses paid or incurred on or after January 1, 1979, the amount of any credit for expenses of work incentive programs under sections 40, 50A and 50B of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable

against the production or receipt of income included in the measure of the tax imposed by this chapter;

(15) Unemployment compensation to the extent includible in gross income for federal income tax purposes under section 85 of the Internal Revenue Code of 1954;

(16) To the extent included in federal adjusted gross income, severance pay that may be treated as a lump sum distribution under the provisions of section 290.032, subdivision 5;

(17) The amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

(18) Minnesota exempt-interest dividends as provided by subdivision 27;

~~(19) A business casualty loss which the taxpayer elected to deduct on the current year's Minnesota income tax return but did not deduct on the current year's federal income tax return;~~

~~(20)~~ To the extent included in federal adjusted gross income, in the case of a city manager or city administrator who elects to be excluded from the public employees retirement association and who makes contributions to a deferred compensation program pursuant to section 353.028, the amount of payments from the deferred compensation program equivalent to the amount of contributions taxed under subdivision 20a, clause ~~(20)~~ (19);

~~(21)~~ (20) Contributions to and interest earned on an individual housing account as provided by section 290.08, subdivision 25;

~~(22)~~ (21) Interest earned on a contract for deed entered into for the sale of property for agricultural use if the rate of interest set in the contract is no more than nine percent per year for the duration of the term of the contract. This exclusion shall be available only if (1) the purchaser is an individual who, together with his spouse and dependents, has a total net worth valued at less than \$150,000 and (2) the property sold under the contract is farm land as defined in section 41.52, subdivision 6 of no more than 1,000 acres that the purchaser intends to use for agricultural purposes. Compliance with these requirements shall be stated in an affidavit to be filed with the first income tax return on which the taxpayer claims the exclusion provided in this clause. Upon request accompanied by the information necessary to make the determination, the commissioner shall determine whether interest to be paid on a proposed transaction will qualify for this exclusion; the determination shall be provided within 30 days of receipt of the request, unless the commissioner finds it necessary to obtain additional information, or verification of the information provided, in which case the determination shall be provided within 30 days of receipt of the final item of information or verification. The exclusion provided in this clause shall apply to interest earned on contracts for deed entered into after December 31, 1981 and before July 1, 1983;

~~(23)~~ (22) The penalty on the early withdrawal of an all-savers certificate as provided in section 128(e) of the Internal Revenue Code of 1954 to the extent that the interest was included in income under subdivision 20a, clause ~~(22)~~ (21);

~~(24)~~ (23) Income from the business of mining as defined in section

290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax; and

(25) (24) To the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represent a return of designated employee contributions to the plan and which contributions were included in gross income pursuant to subdivision 20a, clause (27) (26).

Sec. 5. Minnesota Statutes 1982, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] (a) *Subject to the restrictions provided under paragraph (b), for taxable years beginning after December 31, 1980, the taxable net income brackets in subdivision 2c shall be adjusted for inflation. For the purpose of making the adjustment as provided in this subdivision all of the brackets provided in subdivision 2c shall be the adjusted brackets as they existed for taxable years beginning after December 31, 1979 and before January 1, 1981. The commissioner shall determine: (a) the percentage increase in the revised consumer price index for all urban consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States department of labor. He shall then determine the percent change from August, 1980, to, in 1981, August, 1981, and in each subsequent year, from August of the preceding year to August of the current year; and (b) the percentage increase in average Minnesota gross income from tax year 1980 to, in 1981, tax year 1981, and in each subsequent tax year between the previous tax year and the current tax year. The percent increases in Minnesota gross income shall be estimated using the best available data sources and reasonable forecasting procedures. The determination of the commissioner pursuant to this section shall not be considered a "rule" and shall not be subject to the administrative procedures act contained in chapter 14.*

The dollar amount in each taxable net income bracket for the prior year in subdivision 2c shall be multiplied by a figure calculated as one plus 100 percent of the consumer price index increase or 100 percent of the Minnesota gross income increase, whichever is smaller. The product of the calculation shall yield the inflation adjusted tax brackets for each succeeding year. If the product exceeds a whole dollar amount, it shall be rounded to the nearest whole dollar.

No later than October 1 of each year, the commissioner shall announce both percentage increases and the specific percentage that will be used to adjust the tax brackets, the maximum standard deduction amount, and the personal credit amounts.

(b) *For taxable years beginning after December 31, 1982, the taxable net income brackets, the personal credit amounts established pursuant to subdivisions 3f and 3g, and the maximum standard deduction provided under section 290.09, subdivision 15, shall be adjusted pursuant to paragraph (a) only if the commissioner of finance certifies by September 15 that the unobligated general fund balance on June 30, including the amount of the balance in the budget reserve account established pursuant to article 6, exceeds an amount equal to five percent of the total general fund expenditures and transfers, less dedicated revenue expenditures, for the current biennium.*

Sec. 6. Minnesota Statutes 1982, section 290.06, subdivision 2e, as amended by Laws 1982, Third Special Session chapter 1, article V, section 3, is amended to read:

Subd. 2e. [ADDITIONAL INCOME TAX.] In addition to the tax computed pursuant to subdivisions 2c and 2d or subdivision 3d, there is hereby imposed an additional income tax on individuals, estates, and trusts, other than those taxable as corporations. The additional tax shall be computed by applying the following rates to the tax computed pursuant to subdivision 3d or, in the case of an individual who does not qualify for the low income alternative tax and estates and trusts, the tax computed pursuant to subdivisions 2c and 2d and sections 290.032 and 290.091 less the credits allowed by sections 290.06, subdivisions 3e, 3f, 9, 9a, 11 and 14; and 290.081.

(1) For taxable years beginning after December 31, 1981, but before January 1, 1983, seven percent;

(2) For taxable years beginning after December 31, 1982, but before January 1, 1984, 1984 1985, 5 ten percent;

(3) For taxable years beginning after December 31, 1984, but before January 1, 1986, five percent.

On October 1, 1983 the commissioner of finance shall determine the amount of the state's unrestricted general fund balance at the close of the 1982-1983 biennium. If this amount is more than \$150,000,000, the commissioner shall reduce the rate of the surtax in effect for taxable years beginning after December 31, 1982 and before January 1, 1984, so that the amount of revenue raised by the surtax results in a fund balance of no more than \$150,000,000, provided that the rate so determined shall be rounded upward to the next one-tenth of one percent and no adjustment shall be required if the change in the rate of the surtax would be less than one-tenth of one percent.

Sec. 7. [ADJUSTMENT TO WITHHOLDING AND DECLARATIONS.]

For taxable years beginning after December 31, 1984, but before January 1, 1986, the commissioner of revenue shall adjust the withholding tables, notwithstanding section 290.92, subdivision 2a, so that the additional tax imposed by section 5 for the entire year is withheld and remitted by employers as if the additional tax were imposed at a rate of ten percent during the first six months of the taxable year.

For the same period, the commissioner shall require that declarations filed for the first six months of the taxable year by individuals shall include the additional tax imposed by section 5.

Sec. 8. Minnesota Statutes 1982, section 290.06, subdivision 11, is amended to read:

Subd. 11. [CONTRIBUTIONS TO POLITICAL PARTIES AND CANDIDATES.] ~~In lieu of the deduction provided by section 290.21, subdivision 3, clause (e).~~ A taxpayer may take a credit against the tax due under this chapter of 50 percent of his contributions to candidates for elective state or federal public office and to any political party. The maximum credit for an individual shall not exceed \$50 and, for a married couple filing jointly or filing a combined return, shall not exceed \$100. No credit shall be allowed under

this subdivision for a contribution to any candidate, other than a candidate for elective judicial office or federal office, who has not signed an agreement to limit his campaign expenditures as provided in section 10A.32, subdivision 3b. For purposes of this subdivision, a political party means a major political party as defined in section 200.02, subdivision 7.

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

Sec. 9. Minnesota Statutes 1982, section 290.06, subdivision 13, is amended to read:

Subd. 13. [GASOLINE AND SPECIAL FUEL TAX REFUND.] Subject to the provisions of section 296.18, a credit equal to the amount paid by the taxpayer during the taxable year as excise tax on gasoline bought and used for any purpose other than use in motor vehicles or, snowmobiles, or motorboats, or on special fuel bought and used for any purpose other than use in licensed motor vehicles may be deducted from any tax due under this chapter. Any amount by which the credit exceeds the tax due shall be refunded.

Sec. 10. Minnesota Statutes 1982, section 290.068, is amended by adding a subdivision to read:

Subd. 6. [ADDITIONAL CREDIT.] (a) *In addition to the credit allowed by subdivision 1, a credit shall be allowed against the tax imposed by this chapter for the taxable year equal to 12.5 percent of the amount of qualified research expenses paid or incurred for qualified research performed by a Minnesota-domiciled corporation for or on behalf of one or more of its wholly-owned subsidiary corporations which has in effect during the taxable year a valid election under section 936 of the Internal Revenue Code, including any expenses paid or incurred that are attributable to a wholly-owned subsidiary corporation by reason of paragraph (h) of section 936 for purposes of determining each corporation's combined taxable income.*

(b) *The maximum credit allowed by clause (a) for the taxable year shall be the excess of*

(1) *the total amount of tax imposed by this chapter on all members of the unitary group for the taxable year, over*

(2) *the sum of (A) the total amount of tax which would be imposed on the unitary group, if the corporation or corporations with valid elections under section 936 of the Internal Revenue Code were excluded from the unitary group, plus (B) the tax, if any, which would be imposed on the corporation or corporations with valid elections under section 936 of the Internal Revenue Code without regard to the other members of the unitary group.*

(c) (1) *If the amount of the credit determined under clause (a) for any taxable year exceeds the limitation provided in clause (b), the excess shall be a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried.*

(2) *The amount of the unused credit which may be added under subparagraph (1) for any preceding taxable year shall not exceed the amount by*

which the limitation provided by clause (b) for the taxable year exceeds the sum of

(i) the credit allowable under this subdivision for the taxable year, and

(ii) the amounts, which, by reason of subparagraph (1), are added to the amount allowable for the taxable year and which are attributable to taxable years preceding the taxable year in which an excess credit arises.

Sec. 11. Minnesota Statutes 1982, section 290.07, subdivision 1, is amended to read:

Subdivision 1. [ANNUAL ACCOUNTING PERIOD.] Net income and taxable net income shall be computed upon the basis of the taxpayer's annual accounting period. If a taxpayer has no annual accounting period, or has one other than a fiscal year, as heretofore defined, the net income and taxable net income shall be computed on the basis of the calendar year. Taxpayers shall employ the same accounting period on which they report, or would be required to report, their net income under the ~~federal income tax act~~ Internal Revenue Code. *The commissioner shall provide by rule for the determination of the accounting period for taxpayers who file a combined report under section 290.34, subdivision 2, when members of the group use different accounting periods for federal income tax purposes. Unless the taxpayer changes its accounting period for federal purposes, the due date of the return is not changed.*

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

Sec. 12. [290.088] [DEDUCTION FOR FEDERAL INCOME TAXES.]

Adjusted gross income for individuals, estates and trusts shall be computed by allowing to individuals, estates, and trusts a deduction from gross income for federal income taxes. The amount of the deduction is determined under section 290.18, subdivision 2.

Sec. 13. [290.089] [DEDUCTIONS FROM GROSS INCOME; INDIVIDUALS.]

Subdivision 1. [AMOUNT ALLOWED.] In computing the net income of individuals, an amount determined pursuant to subdivision 2 or 3 is allowed as a deduction.

Subd. 2. [ITEMIZED DEDUCTIONS.] Subject to the provisions of section 290.18, subdivision 1, an amount equal to the amount determined pursuant to section 63(f) of the Internal Revenue Code is allowed with the following adjustments:

(a) Add the amount paid to others not to exceed \$500 for each dependent in grades K to 6 and \$700 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter

363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(b) Add the amount of Minnesota and other states' estate or inheritance taxes which are allowed as a deduction under section 290.077, subdivision 4, on income in respect of a decedent;

(c) Subtract income taxes paid or accrued within the taxable year under this chapter;

(d) Subtract income taxes paid to any other state or to any province or territory of Canada if a credit is allowed for the taxes under section 290.081;

(e) If the deduction computed under section 164 of the Internal Revenue Code is not reduced by the amount of the credit or refund allowed under chapter 290A, subtract that amount;

(f) Subtract the amount of interest on investment indebtedness paid or accrued in a taxable year beginning before January 1, 1981, which is allowed under section 163(d) of the Internal Revenue Code to be carried over to a future taxable year;

(g) The amount of charitable contributions deducted under section 170 of the Internal Revenue Code that (i) exceeds the following limitations: (A) an overall limit of 30 percent of the taxpayer's Minnesota gross income which, for purposes of this paragraph, shall include the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code; and (B) the aggregate of contributions to organizations described in section 290.21, subdivision 3, clause (c) shall not exceed 20 percent of the taxpayer's Minnesota gross income; or (ii) was deducted as a carryover under section 170(d) of the Internal Revenue Code.

Subd. 3. [STANDARD DEDUCTION.] In lieu of the deductions provided in subdivision 2, an individual may claim or be allowed a standard deduction as follows:

(a) Subject to modification pursuant to clause (b), the standard deduction shall be an amount equal to ten percent of the adjusted gross income of the taxpayer, up to a maximum deduction of \$2,250.

In the case of a husband and wife, the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction.

(b) The maximum amount of the standard deduction shall be adjusted for inflation in the same manner as provided in section 290.06, subdivision 2d, for the expansion of the taxable net income brackets.

(c) The commissioner of revenue may establish a standard deduction tax table incorporating the rates set forth in section 290.06, subdivision 2c, and

the standard deduction. The tax of any individual taxpayer whose adjusted gross income is less than \$20,000 shall, if an election is made not to itemize nonbusiness deductions, be computed in accordance with tables prepared and issued by the commissioner of revenue. The tables shall be prepared to reflect the allowance of the standard deduction and the personal and dependent credits.

Subd. 4. [NON-FEDERAL ITEMIZERS.] An individual who does not itemize deductions for federal purposes but does itemize deductions for Minnesota purposes shall compute that person's deductions for Minnesota as if that person had itemized their deductions for federal purposes under the provisions of subdivision 2.

Subd. 5. [DIVISION OF DEDUCTIONS.] In the case of a husband and wife who filed a joint federal income tax return but filed separate Minnesota income tax returns, the amount of the itemized deductions that shall be allowed shall be the same amount that was allowed on their joint federal income tax return and as modified by subdivision 2. The deductions shall be divided between them based on who incurred and paid the amount which qualifies as a deduction. Amounts which qualify as a deduction and which are paid from joint funds may be divided between the spouses as they elect.

Subd. 6. [DEDUCTION FOR JOINT FILERS.] In the case of married taxpayers who file a joint return, an additional deduction shall be allowed in an amount equal to ten percent of the total gross income of the spouses. The deduction under this subdivision shall not exceed \$1,000, provided that, if the combined gross income of the spouses is over \$25,000, the maximum credit provided under this subdivision shall be reduced by 20 percent of the amount by which the gross income exceeds \$25,000.

Subd. 7. [INTERNAL REVENUE CODE REFERENCES.] The Internal Revenue Code referred to in any of the subdivisions of this section means the Internal Revenue Code of 1954, as amended through January 15, 1983.

Sec. 14. Minnesota Statutes 1982, section 290.09, subdivision 1, is amended to read:

Subdivision 1. [LIMITATIONS.] (a) Except as provided in this subdivision, the following deductions from gross income shall only be allowed to corporations in computing net income; provided that any item which was deducted in arriving at gross income under the provisions of section 290.01, subdivisions 20 to 20f, shall not be again deducted under this section. The provisions of subdivisions 2, clause (c), 28, and 29 shall also apply to individuals, estates, and trusts to the extent provided in those subdivisions.

(b) Property taxes may not be deducted under this section if

(1) The taxes are attributable to a trade or business carried on by an individual; or

(2) The taxes are expenses for the production of income which are paid or incurred by an individual; and which are not allowed as a deduction under section 164 of the Internal Revenue Code of 1954, as amended through December 31, 1981.

(c) Interest and depreciation attributable to rental residential property may not be deducted under this section if the property does not comply with the

requirements of Laws 1982, chapter 523, article 7, section 3.

Sec. 15. Minnesota Statutes 1982, section 290.09, subdivision 2, is amended to read:

Subd. 2. [TRADE OR BUSINESS EXPENSES; EXPENSES FOR PRODUCTION OF INCOME.] (a) In General. There shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including

(1) A reasonable allowance for salaries or other compensation for personal services actually rendered;

(2) Traveling expenses (including amounts expended for meals and lodging other than amounts which are lavish or extravagant under the circumstances) while away from home in the pursuit of a trade or business; and

(3) Rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity. For purposes of the preceding sentence, the place of residence of a member of congress within the state shall be considered his home, but amounts expended by such members within each taxable year for living expenses shall not be deductible for income tax purposes in excess of \$3,000.

(b) Expenses for Production of Income. In the case of an individual, there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year.

(1) For the production or collection of income;

(2) For the management, conservation, or maintenance of property held for the production of income; or

(3) In connection with the determination, collection, or refund of any tax.

(c) Actual campaign expenditures in an amount not to exceed one-third of the salary of the office sought, for the year the election is held, by the candidate, but no less than \$100, not reimbursed, which have been personally paid by a candidate for public office;

(d) No deduction shall be allowed under this subdivision for any contribution or gift which would be allowable as a deduction under section 290.21 were it not for the percentage limitations set forth in such section;

(e) (c) All expense money paid by the legislature to legislators;

(f) The provisions of section 280A (disallowing certain expenses in connection with the business use of the home and rental of vacation homes) of the Internal Revenue Code of 1954, as amended through December 31, 1981, shall be applicable in determining the availability of any deduction under this subdivision.

(g) (d) Entertainment, amusement, or recreation expenses shall be allowed under this subdivision only to the extent that they qualify as a deduction under section 274 of the Internal Revenue Code of 1954, as amended through December 31, 1981.

Sec. 16. Minnesota Statutes 1982, section 290.09, subdivision 3, as

amended by Laws 1982, Third Special Session chapter 1, article VII, section 1, is amended to read:

Subd. 3. [INTEREST.] (a) All interest paid or accrued within the taxable year on indebtedness, except as hereinafter provided.

(b) Interest paid or accrued within the taxable year on indebtedness incurred or continued to purchase or carry obligations or securities the income from which is excludable from gross income under sections 290.01, subdivisions 20 to 20f or section 290.08, or shares of a regulated investment company which during the taxable year of the holder thereof distributes Minnesota exempt interest dividends as defined in section 290.01, subdivision 27, or on indebtedness described in section 264(a)(2) and (3), (b) and (c) (relating to life insurance) of the Internal Revenue Code of 1954, as amended through December 1, 1982 shall not be allowed as a deduction.

(c) If personal property or educational services are purchased under a contract the provisions of section 163(b) of the Internal Revenue Code of 1954, as amended through December 1, 1982 shall apply.

(d) A cash basis taxpayer may elect to deduct interest as it accrues on a reverse mortgage loan as defined in section 47.58, subdivision 1, rather than when it is actually paid. This election must be made, if at all, in the first taxable year in which it is available to the cash basis taxpayer and, if made, shall be binding on the taxpayer for each subsequent taxable year until maturity of the loan.

(e) In the case of a taxpayer other than a corporation, the amount of interest on investment indebtedness allowable as a deduction shall be allowed and limited as set forth in section 163(d) of the Internal Revenue Code of 1954, as amended through December 1, 1982. The limitation prescribed in section 163(d)(1)(A) for married individuals who file separate returns shall also apply to married individuals who file separately on one return.

(f) A taxpayer may not deduct interest on indebtedness incurred or continued to purchase or carry obligations or shares, or to make deposits or other investments; the interest on which is described in section 116(e) of the Internal Revenue Code of 1954, as amended through December 1, 1982 to the extent such interest is excludable from gross income under section 116 of the Internal Revenue Code of 1954 as amended through December 1, 1982. Interest and carrying costs in the case of straddles shall be treated as provided in section 263(g) of the Internal Revenue Code of 1954, as amended through December 1, 1982. The deduction of original issue discount shall be allowed as provided in section 163(e) of the Internal Revenue Code of 1954, as amended through December 1, 1982.

(g) (e) No deduction shall be allowed for interest on any registration-required obligation unless the obligation is in registered form as provided in section 163(f) of the Internal Revenue Code of 1954, as amended through December 1, 1982.

Sec. 17. Minnesota Statutes 1982, section 290.09, subdivision 4, is amended to read:

Subd. 4. [TAXES.] Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter and income or fran-

chise taxes paid to any other state or to any province or territory of Canada for which a credit is allowed under section 290.081; (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; (c) inheritance, gift and estate taxes except as provided in section 290.077, subdivision 4; (d) cigarette and tobacco products excise tax imposed on the consumer; (e) that part of Minnesota property taxes for which a credit or refund is claimed and allowed under chapter 290A; (f) federal income taxes (including the windfall profit tax on domestic crude oil), by corporations, national and state banks; (g) mortgage registry tax; (h) real estate transfer tax; (i) federal telephone tax; (j) federal transportation tax; and (k) (d) 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, 1981. 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.

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.

Property taxes shall be allowed as a deduction to the same taxpayer and in the same manner as provided in section 164 of the Internal Revenue Code of 1954, as amended through December 31, 1981, notwithstanding the provisions of section 272.31.

Sec. 18. Minnesota Statutes 1982, section 290.09, subdivision 5, is amended to read:

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

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

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

(1) Losses incurred in a trade or business;

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

(3) Losses of property not connected with a trade or business, if such losses arise from fire, storm, shipwreck, or other casualty, or from theft to the extent they are deductible pursuant to the provisions of section 165 (e) (3) of the Internal Revenue Code of 1954, as amended through December 31, 1981. No loss described in this paragraph shall be allowed if, at the time of the filing of the return, such loss has been claimed for inheritance or estate tax purposes.

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

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

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

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

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

(A) A share of stock in a corporation;

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

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

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

(A) At least 80 percent of each class of its stock is owned directly by the taxpayer, and

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

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

(A) attributable to a disaster which occurs during the period following the close of the taxable year and on or before the time prescribed by law for filing the income tax return for the taxable year (determined without regard to any extension of time); and

(B) occurring in an area subsequently determined by the President of the United States to warrant assistance by the Federal Government under the provisions of the Federal Disaster Relief Act of 1974, at the election of the

~~taxpayer, may~~ shall be deducted for the taxable year immediately preceding the taxable year in which the disaster occurred. ~~Such election may be made~~ This provision shall apply only if a ~~similar~~ an election has been made under the provisions of section ~~465(h)~~ 165(i) of the Internal Revenue Code of 1954, as amended through December 31, ~~1981~~ 1982, for federal income tax purposes. ~~Such~~ The deduction allowed in the preceding taxable year shall not be in excess of so much of the loss as would have been deductible in the taxable year in which the casualty occurred ~~exceed the uncompensated amount determined on the basis of the facts existing at the date the taxpayer claims the loss.~~ If an election is made under this paragraph, the casualty resulting in the loss will be deemed to have occurred in the taxable year for which the deduction is claimed.

(2) The commissioner is authorized to prescribe regulations providing the time and manner of making an election to claim a disaster loss under this clause.

(i) (h) [ELECTION.] In lieu of the deduction allowed by (a) or (h) (g) any loss not compensated for by insurance or otherwise:

(1) Attributable to storm or other natural causes or fire, may, at the election of the taxpayer, be claimed as a deduction in the taxable year in which said loss is sustained or in the preceding taxable year.

(2) In the event that under the provisions of this paragraph, a taxpayer claims the same disaster loss deduction or a net operating loss deduction resulting from the inclusion of a casualty loss in the calculation of such deduction in different taxable years for state and federal purposes, appropriate modifications shall be allowed or required for taxable years affected in order to prevent duplication or omission of such deduction.

(3) The commissioner is authorized to prescribe regulations providing the time and manner to make an election to claim a loss under the provisions of this paragraph and for the filing of an amended return or claim for refund.

Sec. 19. Minnesota Statutes 1982, section 290.091, is amended to read:

290.091 [MINIMUM TAX ON PREFERENCE ITEMS.]

In addition to all other taxes imposed by this chapter there is hereby imposed, a tax which, in the case of a resident individual, shall be equal to 40 percent of the amount of the taxpayer's minimum tax liability for tax preference items pursuant to the provisions of sections 55 to 58 and 443(d) of the Internal Revenue Code of 1954 as amended through December 31, 1981. For purposes of the tax imposed by this section, the following modifications shall be made:

(1) Capital gain as defined in section 57(a) of the Internal Revenue Code shall not include that portion of any gain occasioned by sale, transfer or the granting of a perpetual easement pursuant to any eminent domain proceeding or threat thereof as described in section 290.13, subdivision 5. This modification shall apply to the years in which the gain or reduction in loss is actually included in federal adjusted gross income even though amounts received pursuant to the eminent domain proceedings were received in prior years.

(2) In the case of a corporate taxpayer, percentage depletion shall not be a

preference item.

(3) ~~In the case of a corporate taxpayer, the capital gain preference item shall not include the timber preference income defined in section 57(e)(1) of the Internal Revenue Code.~~

(4) The preference item of reserves for losses on bad debts shall not include reserves allowable under section 593 of the Internal Revenue Code, but which are not allowable under section 290.09, subdivision 6, clause (c).

(5) ~~In the case of an individual, the preference item of adjusted itemized deductions does not include any deduction for charitable contributions in excess of the limitations contained in section 290.21, subdivision 3, including any carryover amount allowed for federal purposes.~~

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

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

In the case of a resident individual, having preference items which could not be taken to reduce income from sources outside the state pursuant to section 290.17, subdivision 1, or any other taxpayer the tax shall equal 40 percent of that federal liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

The tax benefit rule contained in section 58(h) of the Internal Revenue Code is applied to the Minnesota minimum tax only to the extent that it determines if there is a federal minimum tax. No separate tax benefit rule is allowable for the Minnesota minimum tax.

For property placed in service after December 31, 1980, the preference items contained in section 57 (a)(12) of the Internal Revenue Code of 1954, as amended through December 31, 1981, shall not apply.

Sec. 20. Minnesota Statutes 1982, section 290.14, is amended to read:

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

Except as otherwise provided in this chapter, the basis for determining the gain or loss from the sale or other disposition of property acquired on or after January 1, 1933, shall be the cost to the taxpayer of such property, with the following exceptions:

(1) If the property should have been included in the last inventory, it shall be the last inventory value thereof;

(2) If the property was acquired by gift, it shall be the same as it would be if it were being sold or otherwise disposed of by the last preceding owner not acquiring it by gift; if the facts required for this determination cannot be ascertained, it shall be the fair market value as of the date, or approximate

date, of acquisition by the last preceding owner, as nearly as the requisite facts can be ascertained by the commissioner;

(3) If the property was acquired by gift through an inter vivos transfer in trust, it shall be the same as it would be if it were being sold or otherwise disposed of by the grantor;

(4) Except as otherwise provided in this clause, the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged or otherwise disposed of before the decedent's death by the person, be the fair market value of the property at the date of decedent's death or, in the case of an election under section 2032 (relating to alternate valuation) of the Internal Revenue Code of 1954, as amended through December 31, 1981, its valuation at the applicable valuation date prescribed by that section, or in the case of an election under section 2032A (relating to valuation of farm real property) of the Internal Revenue Code of 1954, as amended through December 31, 1981, its value determined by that section.

For the purposes of the preceding paragraph, the following property shall be considered to have been acquired from or to have passed from the decedent:

(a) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent;

(b) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before his death to revoke the trust;

(c) Property transferred by the decedent during his lifetime in trust to pay the income for life to or on the order or direction of the decedent with the right reserved to the decedent at all times before his death to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust;

(d) Property passing without full and adequate consideration under a general power of appointment exercised by the decedent by will;

(e) In the case of a decedent's dying after December 31, 1956, property acquired from the decedent by reason of death, form of ownership, or other conditions (including property acquired through the exercise or non-exercise of a power of appointment), if by reason thereof the property is required to be included in determining the value of the decedent's gross estate for Minnesota inheritance or estate tax purposes. In this case, if the property is acquired before the death of the decedent, the basis shall be the amount determined under the first paragraph of this clause reduced by the amount allowed to the taxpayer as deductions in computing taxable net income under this chapter or prior Minnesota income tax laws for exhaustion, wear and tear, obsolescence, amortization, and depletion on the property before the death of the decedent. The basis shall be applicable to the property commencing on the death of the decedent. This paragraph shall not apply to annuities and property described in paragraphs (a), (b), (c) and (d) of this clause.

This clause shall not apply to property which constitutes a right to receive

an item of income in respect of a decedent under section 290.077.

(5) If substantially identical property was acquired in the place of stocks or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under *section 11* or section 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as that provided in section 1091 of the Internal Revenue Code of 1954, as amended through December 31, 1981.

(6) Neither the basis nor the adjusted basis of any portion of real property shall, in the case of a lessor of the property, be increased or diminished on account of income derived by the lessor in respect of the property and excludable from gross income under section 290.08, subdivision 14.

If an amount representing any part of the value of real property attributable to buildings erected or other improvements made by a lessee in respect of the property was included in gross income of the lessor for any taxable year beginning before January 1, 1943, the basis of each portion of the property shall be properly adjusted for the amount included in gross income.

(7) If the property was acquired by the taxpayer as a transfer of property in exchange for the release of the taxpayer's marital rights, the basis of the property shall be the same as it would be if it were being sold or otherwise disposed of by the person who transferred the property to the taxpayer.

(8) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1981 (relating to the rollover of gain on sale of principal residence) shall be the same as the basis for federal income tax purposes. The basis shall be increased by the amount of gain realized on the sale of a principal residence outside of Minnesota, while a nonresident of this state, which gain was not recognized because of the provisions of section 1034.

Sec. 21. Minnesota Statutes 1982, section 290.16, subdivision 9, is amended to read:

Subd. 9. [PROPERTY USED IN TRADE OR BUSINESS.] (1) ~~For the purposes of this subdivision, the term "property used in the trade or business" means property used in the trade or business of a character which is subject to the allowance for depreciation provided in section 290.09, subdivision 7, held for more than one year, and real property used in the trade or business, held for more than one year, which is not (A) property of a kind which would properly be includible in the inventory of the taxpayer if on hand at the close of the taxable year, or (B) property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business. Such term also includes livestock, regardless of age, held by the taxpayer for draft, breeding or dairy purposes, and held by him for 12 months or more from the date of acquisition. Such term does not include poultry.~~

(2) ~~If, during the taxable year, the recognized gains upon sale or exchanges of the provisions of section 1231 of the Internal Revenue Code of 1954, as amended through January 15, 1983, shall apply to property used in the trade or business, plus the recognized gains from the compulsory or and involuntary conversion (as a result of destruction in whole or in part, theft or seizure, or an exercise of the power of requisition or condemnation or the threat or imminence thereof) of property used in the trade or business and capital assets~~

held for more than one year into other property or money; exceed the recognized losses from such sales, exchanges, and conversions; such gains and losses shall be considered as gains and losses from sales or exchanges of capital assets held for more than one year. If such gains do not exceed such losses, such gains and losses shall not be considered as gains and losses from sales or exchanges of capital assets conversions. For the purposes of this paragraph:

(A) in determining under this paragraph whether gains exceed losses, the gains and losses described therein shall be included only if and to the extent taken into account in computing net income, except that subdivisions 4 and 5 shall not apply.

(B) Losses (including losses not compensated for by insurance or otherwise) upon the destruction, in whole or in part, theft or seizure, or requisition or condemnation of property used in the trade or business or capital assets held for more than one year shall be considered losses from a compulsory or involuntary conversion.

In the case of any involuntary conversion (subject to the provisions of this clause but for this sentence) arising from fire, storm, shipwreck, or other casualty, or from theft, of any property used in the trade or business or as any capital asset held for more than one year, this clause shall not apply to such conversion (whether resulting in gain or loss) if during the taxable year the recognized losses from such conversions exceed the recognized gains from such conversions. A taxpayer may elect to apply the provisions of section 631(a) and (b) of the Internal Revenue Code of 1954, as amended through January 15, 1983, to determine gain or loss in the case of timber.

To the extent section 1238 of the Internal Revenue Code of 1954, as amended through January 15, 1983, applies, gain from the sale or exchange of property, to the extent that the adjusted basis of such property is less than the adjusted basis without regard to the provisions of section 168 of the Internal Revenue Code of 1954, as in effect before its repeal by the Tax Reform Act of 1976, shall be considered as gain from the sale or exchange of property which is neither a capital asset nor property described in this subdivision shall be determined under that section.

Sec. 22. Minnesota Statutes 1982, section 290.17, subdivision 2, is amended to read:

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

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

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

manner.

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

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

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

(3) Income derived from carrying on a trade or business, including in the case of a business owned by natural persons the income imputable to the owner for his services and the use of his property therein, shall be assigned to this state if the trade or business is conducted wholly within this state, and to other states if conducted wholly without this state. This provision shall not apply to business income subject to the provisions of clause (1);

(4) When a trade or business is carried on partly within and partly without this state, the entire income derived from such trade or business, including income from intangible property employed in such business and including,

in the case of a business owned by natural persons, the income imputable to the owner for his services and the use of his property therein, shall be governed, except as otherwise provided in sections 290.35 and 290.36, by the provisions of section 290.19, notwithstanding any provisions of this section to the contrary. This shall not apply to business income subject to the provisions of clause (1), nor shall it apply to income from the operation of a farm which is subject to the provisions of clause (2). For the purposes of this clause, a trade or business located in Minnesota is carried on partly within and partly without this state if tangible personal property is sold by such trade or business and delivered or shipped to a purchaser located outside the state of Minnesota.

If the trade or business carried on wholly or partly in Minnesota is part of a unitary business, the entire income of that unitary business shall be subject to apportionment under section 290.19 *except for business income subject to the provisions of clause (1) and farm income subject to the provisions of clause (2)*. The term "unitary business" shall mean a ~~number of~~ business activities or operations which are of mutual benefit, dependent upon, or contributory to one another, individually or as a group. Unity shall be presumed whenever there is unity of ownership, operation, and use, evidenced by centralized management or executive force, centralized purchasing, advertising, accounting, or other controlled interaction *but the absence of any of these centralized activities will not necessarily evidence a nonunitary business*. Unity of ownership will not be deemed to exist ~~unless the corporation owns more than 50 percent of the voting stock of the other corporation~~ when a corporation is involved *unless that corporation is a member of a group of two or more corporations more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group*.

The entire income of a unitary business, ~~including all income from each activity, operation or division,~~ shall be subject to apportionment as provided in section 290.19. None of the income of a unitary business shall be considered as derived from any particular source and none shall be allocated to any particular place except as provided by the applicable apportionment formula.

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

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

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

(5) In the case of a nonresident who is liable for payment of a penalty for having withdrawn funds from an individual housing account established pursuant to section 290.08, subdivision 25, the amount so withdrawn and for which a deduction was allowed shall be an item of income assignable to this state, and the penalty tax of ten percent shall remain an additional liability of that taxpayer.

(6) For purposes of this section, amounts received by a non-resident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer fireman's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954, as amended through December 31, 1981, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

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

Sec. 23. Minnesota Statutes 1982, section 290.18, subdivision 1, is amended to read:

Subdivision 1. [TAXABLE NET INCOME.] (a) *For resident individuals, taxable net income shall be the same as net income.*

(b) *For all other taxpayers, the taxable net income shall, except insofar as section 290.19 is applicable, be computed by deducting from the gross income assignable to this state under section 290.17 deductions of the kind permitted by ~~section~~ sections 2, 290.09, and section 62 of the Internal Revenue Code of 1954, as amended through January 15, 1983, in accordance with the following provisions:*

(1) Such deductions shall be allowed to the extent that they are connected with and allocable against the production or receipt of such gross income assignable to this state;

(2) That proportion of such deductions, so far as not connected with and allocable against the production or receipt of such gross income assignable to this state and so far as not connected with and allocable against the production or receipt of gross income assignable to other states or countries and so far as not entering into the computation of the net income assignable to this state under section 290.19, shall be allowed which the taxpayer's gross income from sources within this state, as determined under section 290.17, subdivision 2, clauses (1), (2), (3), (5), and (7), bears to his gross income from all sources, including that entering into the computations provided for by section 290.19; provided that taxes of the kind deductible under section 290.09, subdivision 4, shall, so far as within the description of deductions deductible under this clause, be deductible in their entirety if paid to the state of Minnesota, or any of its subdivisions authorized to impose such taxes, and thereupon be excluded in making the computation of deductions, as in this clause provided.

Sec. 24. Minnesota Statutes 1982, section 290.18, subdivision 4, is

amended to read:

Subd. 4. [TAXABLE NET INCOME ADJUSTMENT FACTOR.] For the taxable year beginning after December 31, 1980 and before January 1, 1982, the commissioner of revenue shall adjust taxable net income by multiplying the taxable net income of each individual, estate and trust by a fraction, the numerator of which is one plus the predicted rate of growth in average Minnesota gross income between tax year 1980 and tax year 1981. The denominator of the adjustment fraction shall be one plus the product of (a) the predicted rate of growth in average Minnesota gross income as determined above, and (b) the difference between the ratio of Minnesota gross income to Minnesota adjusted gross income and the product of the ratio of federal taxes paid to Minnesota adjusted gross income and an estimate of average federal income tax elasticity relating percent changes in federal adjusted gross income to percent changes in net federal income tax liabilities.

For each taxable year beginning after December 31, 1981, *except a year when no inflation adjustment is made pursuant to section 290.06, subdivision 2d, paragraph (b)*, the commissioner of revenue shall adjust taxable net income by multiplying the taxable net income of each individual, estate, and trust by an adjustment factor determined by multiplying the previous year's adjustment factor by the current year adjustment factor as defined above using data appropriate to the current year.

The data used shall reflect the most current aggregate tax statistics collected and tabulated by the department of revenue. The estimate of the percentage increase in Minnesota gross income shall be based on the best available data sources and reasonable forecasting procedures. The estimate of federal income tax elasticity shall reflect the best available sources of information, including the judgment of the United States Internal Revenue Service and the United States Treasury, Office of Tax Analysis. The determination of the commissioner pursuant to this section shall not be considered a "rule" and shall not be subject to the administrative procedures act contained in chapter 14.

No later than October 1 of each tax year, the commissioner shall announce the adjustment factor to be applied to taxable net income, including its separate components, and the estimate of federal elasticity.

Sec. 25. Minnesota Statutes 1982, section 290.21, subdivision 1, is amended to read:

Subdivision 1. The following deductions shall be allowed *only to corporations and shall be deductions from gross income in computing net income for individuals, and from a corporation's taxable net income for corporations.*

Sec. 26. Minnesota Statutes 1982, section 290.21, subdivision 3, is amended to read:

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

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

(b) to or for the use of any community chest, corporation, organization,

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

(c) to a fraternal society, order, or association, operating under the lodge system located in and carrying on substantially all of their activities within this state if such contributions or gifts are to be used exclusively for the purposes specified in subdivision 3(b), or for or to posts or organizations of war veterans or auxiliary units or societies of such posts or organizations, if they are within the state and no part of their net income inures to the benefit of any private shareholder or individual,

(d) to or for the use of the United States of America for exclusively public purposes, and to or for the use of any community chest, corporation, trust, fund, association, or foundation, organized and operated exclusively for any of the purposes specified in subdivision 3(b) and (c) no part of the net earnings of which inures to the benefit of any private shareholder or individual, but not carrying on substantially all of their activities within this state, in an amount equal to the ratio of Minnesota taxable net income to total net income, ~~provided, however, that for an individual taxpayer, the deduction shall be allowed in an amount equal to the ratio of the taxpayer's gross income assignable to Minnesota to the taxpayer's gross income from all sources,~~

~~(e) to a major political party, as defined in section 200.02, subdivision 7, or a political candidate, as defined in section 210A.01, or a political cause when sponsored by any party or association or committee, as defined in section 210A.01, in a maximum amount not to exceed the following:~~

~~(1) contributions made by individual natural persons, \$100;~~

~~(2) contributions made by a national committeeman, national committeewoman, state chairman, or state chairwoman of a major political party, as defined in section 200.02, subdivision 7, \$1,000;~~

~~(3) contributions made by a congressional district committeeman or committeewoman of a major political party, as defined in section 200.02, subdivision 7, \$350;~~

~~(4) contributions made by a county chairman or a county chairwoman of a major political party, as defined in section 200.02, subdivision 7, \$150;~~

~~(f) in the case of an individual, the total deduction allowable hereunder shall not exceed 30 percent of the taxpayer's Minnesota gross income as follows:~~

~~(i) the aggregate of contributions made to organizations specified in (a), (b) and (d) shall not exceed ten percent of the taxpayer's Minnesota gross income;~~

~~(ii) the total deduction under this subparagraph for any taxable year shall not exceed 20 percent of the taxpayer's Minnesota gross income. For purposes of this subparagraph, the deduction under this section shall be computed without regard to any deduction allowed under subparagraph (i) but shall take into account any contributions described in subparagraph (i) which are in excess of the amount allowable as a deduction under subparagraph (i). For purposes of~~

paragraph (f) the term Minnesota gross income shall also include the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1981;

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

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

(i) (g) in the case of a contribution or property placed in trust as described in section 170(f)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1981, a deduction shall be allowed under this subdivision to the extent that a deduction is allowable for federal income tax purposes.

(j) amounts paid to maintain certain students as members of the taxpayer's household shall be allowed as a deduction as provided in section 170(g) of the Internal Revenue Code of 1954, as amended through December 31, 1981. No other deduction shall be allowed under this subdivision for these amounts and the limitations contained in clause (f) shall not apply to these amounts.

Sec. 27. Minnesota Statutes 1982, section 290.23, subdivision 5, is amended to read:

Subd. 5. {DISTRIBUTABLE NET INCOME, INCOME, BENEFICIARY; DEFINED.} (1) For purposes of sections 290.22 through 290.25, the term "distributable net income" means the same as that term is defined in section 643(a) of the Internal Revenue Code of 1954, as amended through December 31, 1981 with the following modification:

There shall be included any tax-exempt interest to which section 290.01, subdivision 20b, clause (1) applies, reduced by any amounts which would be deductible in respect of disbursements allocable to such interest but for the provisions of sections 290.09, subdivision 3, and section 290.10(9) (relating to disallowance of certain deductions).

If the estate or trust is allowed a deduction under section 642(c) of the Internal Revenue Code of 1954, as amended through December 31, 1981, the amount of the modification shall be reduced to the extent that the amount of income which is paid, permanently set aside, or to be used for the purposes specified in that section of the Internal Revenue Code is deemed to consist of items specified in the modification. For this purpose, such amount shall (in the absence of specific provisions in the governing instrument) be deemed to consist of the same proportion of each class of items of income of the estate or trust as the total of each class bears to the total of all classes.

(2) The term "income," and the term "beneficiary" have the same

meaning as those terms are defined in section 643(b) and (c) of the Internal Revenue Code of 1954, as amended through December 31, 1981.

Sec. 28. Minnesota Statutes 1982, section 290.31, subdivision 2, is amended to read:

Subd. 2. [INCOME AND CREDITS OF PARTNER.] (1) In determining his income tax, each partner shall take into account separately his distributive share of the partnership's

(a) gains and losses from sales or exchanges of capital assets held for not more than one year,

(b) gains and losses from sales or exchanges of capital assets held for more than one year,

(c) gains and losses from sales or exchanges of property described in section ~~290.16, subdivision 9(1) and (2)~~ 1231 of the Internal Revenue Code of 1954, as amended through January 15, 1983 (relating to certain property used in a trade or business and involuntary conversions),

(d) charitable contributions ~~(as defined in section 290.21, subdivision 3) as defined in section 170(c) of the Internal Revenue Code of 1954, as amended through January 15, 1983,~~

(e) dividends with respect to which there is provided a ~~deduction under section 290.21, an exclusion under section 116 or a deduction under sections 241 to 247 of the Internal Revenue Code of 1954, as amended through January 15, 1983,~~

(f) other items of income, gain, loss, deduction, or credit, to the extent provided by regulations prescribed by the commissioner, and

(g) taxable net income or loss, exclusive of items requiring separate computation under other subparagraphs of this paragraph (1).

(2) The character of any item of income, gain, loss, deduction, or credit included in a partner's distributive share under paragraphs (a) through (f) of paragraph (1) shall be determined as if such item were realized directly from the source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.

(3) In any case where it is necessary to determine the gross income of a partner for purposes of this chapter, such amount shall include his distributive share of the gross income of the partnership.

Sec. 29. Minnesota Statutes 1982, section 290.31, subdivision 3, is amended to read:

Subd. 3. [PARTNERSHIP COMPUTATIONS.] The taxable net income of a partnership shall be computed in the same manner as in the case of an individual except that

(1) the items described in subdivision 2(1) shall be separately stated, and

(2) the following deductions shall not be allowed to the partnership:

(a) the deduction for taxes provided in section ~~290.09, subdivision 4~~ 164(a) of the Internal Revenue Code of 1954, as amended through January 15, 1983, with respect to taxes, described in section 901 of the Internal

Revenue Code of 1954, as amended through December 31, 1981, paid or accrued to foreign countries and to possessions of the United States,

(b) the deduction for charitable contributions provided in section 290.21, subdivision 3 or section 170 of the Internal Revenue Code of 1954, as amended through January 15, 1983,

(c) the net operating loss deduction provided in section 290.095,

(d) the additional itemized deductions for individuals provided in ~~section 290.09, subdivisions 40 and 47~~ sections 211 to 223 of the Internal Revenue Code of 1954, as amended through January 15, 1983, and,

(e) the deduction for depletion under section 290.09, subdivision 8 with respect to oil and gas wells.

Any election affecting the computation of taxable net income derived from a partnership shall be made by the partnership except as provided in section 703(b) of the Internal Revenue Code of 1954, as amended through December 31, 1981.

Sec. 30. Minnesota Statutes 1982, section 290.34, subdivision 2, is amended to read:

Subd. 2. [AFFILIATED OR RELATED CORPORATIONS, COMBINED REPORT.] When a corporation which is required to file an income tax return is affiliated with or related to any other corporation through stock ownership by the same interests or as parent or subsidiary corporations, or has its income regulated through contract or other arrangement, the commissioner of revenue may permit or require such combined report as, in his opinion, is necessary in order to determine the taxable net income of any one of the affiliated or related corporations. For purposes of computing either the arithmetic average or weighted apportionment formulas under section 290.19, subdivision 1 for each corporation involved, the numerator of the fraction shall be that corporation's sales, property, and payroll in Minnesota and the denominator shall be the total sales, payroll, and property of all the corporations shown on the combined report. The combined report shall reflect the income of the entire unitary business as provided in section 290.17, subdivision 2, clause (4). The combined report shall reflect income only from corporations created or organized in the United States or under the laws of the United States or of any state, *the District of Columbia, the commonwealth of Puerto Rico, any possession of the United States, or any political subdivision of any of the foregoing*. All intercompany transactions between companies which are contained on the combined report shall be eliminated. This subdivision shall not apply to insurance companies whose income is determined under section 290.35 or to investment companies whose income is determined under section 290.36.

Sec. 31. Minnesota Statutes 1982, section 290.39, subdivision 2, is amended to read:

Subd. 2. [SEPARATE COMPUTATIONS ON A SINGLE RETURN.] Notwithstanding the provisions of section 290.61, a husband and wife may elect to compute their Minnesota income tax separately on a single return, in which event:

(a) if the sum of the payments by either spouse, including withheld and

estimated taxes, exceeds the amount of tax of such spouse as computed separately, the excess may be applied by the commissioner to the credit of the other spouse if the sum of the payments by such other spouse, including withheld and estimated taxes, is less than the amount of the tax of such other spouse as computed separately;

(b) if the sum of the payments made by both spouses with respect to the taxes of both as computed separately, including withheld and estimated taxes, exceeds the total of the taxes due, refund of the excess may be made payable to both spouses or may be credited against any liability in respect of Minnesota income tax on the part of either spouse;

(c) if the sum of the payments made by both spouses with respect to the taxes of both as computed separately, including withheld and estimated taxes, is less than the total of the taxes due, the liability for the unpaid tax shall be joint and several; provided that a spouse may be relieved of liability in those cases contained in section 6013(e) of the Internal Revenue Code of 1954 as amended through December 31, 1981 (for purposes of computing the 25 percent test contained in that section, the amount of gross income stated in the return shall include the total gross income of both spouses);

(d) if the standard deduction provided for by section ~~290.09, subdivision 11~~, *subdivision 3*, is not utilized, then the total of the Minnesota itemized deductions of a husband and wife may be taken by either or divided between them as they elect;

(e) the limitation on the deduction for investment interest prescribed in section 163(d) (1) (A) of the Internal Revenue Code of 1954 as amended through March 12, 1983, for married individuals who file separate returns shall also apply to married individuals who file separately on one return.

Sec. 32. Minnesota Statutes 1982, section 290.46, is amended to read:

290.46 [EXAMINATION OF RETURNS; ASSESSMENTS, REFUNDS.]

The commissioner shall, as soon as practicable after the return is filed, examine the same and make any investigation or examination of the taxpayer's records and accounts that he may deem necessary for determining the correctness of the return. The tax computed by him on the basis of such examination and investigation shall be the tax to be paid by such taxpayer. If the tax found due shall be greater than the amount reported as due on the taxpayer's return, the commissioner shall assess a tax in the amount of such excess and the whole amount of such excess shall be paid to the commissioner within 60 days after notice of the amount and demand for its payment shall have been mailed to the taxpayer by the commissioner. If the understatement of the tax on the return was false and fraudulent with intent to evade the tax, the installments of the tax shown by the taxpayer on his return which have not yet been paid shall be paid to the commissioner within 60 days after notice of the amount thereof and demand for payment shall have been mailed to the taxpayer by the commissioner. If the amount of the tax found due by the commissioner shall be less than that reported as due on the taxpayer's return, the excess shall be refunded to the taxpayer in the manner provided by section 290.50 (except that no demand therefor shall be necessary), if he has already paid the whole of such tax, or credited against any unpaid installment thereof; provided, that no refundment shall be made ex-

cept as provided in section 290.50.

If the commissioner examines returns of a taxpayer for more than one year, he may issue one order covering the several years under consideration reflecting the aggregate refund or additional tax due.

The notices and demands provided for by sections 290.46 to 290.48 shall be in such form as the commissioner may determine (including a statement) and shall contain a brief explanation of the computation of the tax and shall be sent by mail to the taxpayer at the address given in his return, or to his last known address.

In cases where there has been an overpayment of a self-assessed liability as shown on the return filed by the taxpayer, the commissioner may refund such overpayment to the taxpayer and no demand therefor shall be necessary; further, written findings by the commissioner, notice by mail to the taxpayer and certificate for refundment by the commissioner shall not be necessary and the provisions of section 270.10, in such case, shall not be applicable.

In the case of an individual, estate or trust, the commissioner may audit and adjust the taxpayer's computation of federal adjusted gross income (or federal taxable income for estates or trusts) to make it properly conform with the provisions of section 290.01, subdivision 20. *In the case of an individual, the commissioner may audit and adjust the taxpayer's computation of itemized deductions to make them properly conform with the provisions of section 11.*

Sec. 33. Minnesota Statutes 1982, section 290.92, subdivision 2a, is amended to read:

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

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

(3) [WITHHOLDING TABLES.] Unless the amount of tax to be withheld is determined as provided in subdivision 3, the amount of tax to be withheld for each individual shall be based upon tables to be prepared and distributed by the commissioner. The tables shall be computed for the several permissible withholding periods and shall take account of exemptions allowed under this section; and the amounts computed for withholding shall be such that the amount withheld for any individual during his taxable year shall approximate in the aggregate as closely as possible the tax which is levied and imposed under this chapter for that taxable year, upon his salary, wages, or compensation for personal services of any kind for the employer, and shall take into consideration the allowable deduction for federal income tax and the deduction allowable under section ~~290.09~~ 11, subdivision ~~45~~ 3, and the personal credits allowed against the tax.

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

period containing a number of days, including Sundays and holidays, equal to the number of days in the period with respect to which such wages are paid.

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

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

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

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

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

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

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

(8) [ADDITIONAL WITHHOLDING.] The commissioner is authorized to provide by rule for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests the changes. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this section.

(9) [TIPS.] In the case of tips which constitute wages, this subdivision shall be applicable only to such tips as are included in a written statement furnished to the employer pursuant to section 6053 of the Internal Revenue Code of 1954, as amended through December 31, 1981, and only to the extent that the tax can be deducted and withheld by the employer, at or after the time such statement is so furnished and before the close of the calendar year in which such statement is furnished, from such wages of the employee

(excluding tips, but including funds turned over by the employee to the employer for the purpose of such deduction and withholding) as are under the control of the employer; and an employer who is furnished by an employee a written statement of tips (received in a calendar month) pursuant to section 6053 of the Internal Revenue Code of 1954 as amended through December 31, 1981 to which subdivision 1 is applicable may deduct and withhold the tax with respect to such tips from any wages of the employee (excluding tips) under his control, even though at the time such statement is furnished the total amount of the tips included in statements furnished to the employer as having been received by the employee in such calendar month in the course of his employment by such employer is less than \$20. Such tax shall not at any time be deducted and withheld in an amount which exceeds the aggregate of such wages and funds as are under the control of the employer minus any tax required by other provisions of state or federal law to be collected from such wages and funds.

Sec. 34. Minnesota Statutes 1982, section 290A.03, subdivision 3, is amended to read:

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

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through ~~December 31, 1981~~ March 12, 1983; and

(b) the sum of the following amounts to the extent not included in clause (a):

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, Section 290.01, Subdivision 20a, Clauses (1), ~~(3), (9), (14), (15), and (21)~~ (2), (8), (13), (14), and (20);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

(iv) dividends and interest excluded from federal adjusted gross income under sections 116 or 128 of the Internal Revenue Code of 1954;

(v) cash public assistance and relief;

(vi) any pension or annuity (including railroad retirement benefits, all payments received under the federal social security act, supplemental security income, and veterans benefits), which was not exclusively funded by the claimant or spouse, or which was funded exclusively by the claimant or spouse and which funding payments were excluded from federal adjusted gross income in the years when the payments were made;

(vii) nontaxable interest received from the state or federal government or any instrumentality or political subdivision thereof;

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits; and

(xi) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise. In the case of an individual

who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

(2) "Income" does not include

(a) amounts excluded pursuant to the Internal Revenue Code, Sections 101(a), 102, 117, and 121;

(b) amounts of any pension or annuity which was exclusively funded by the claimant or spouse and which funding payments were not excluded from federal adjusted gross income in the years when the payments were made;

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

(d) relief granted under sections 290A.01 to 290A.20;

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

(f) federal adjusted gross income shall be reduced by wage or salary expense, or expense of work incentive programs which are not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954; or

(g) federal adjusted gross income shall be reduced by the amount of the penalty on the early withdrawal of an all-savers certificate as provided in section 128(e) of the Internal Revenue Code of 1954.

Sec. 35. Minnesota Statutes 1982, section 290A.16, is amended to read:

290A.16 [INCOME TAX DEDUCTION PROHIBITED.]

~~Notwithstanding section 290.09, subdivision 4,~~ The income tax deduction for property taxes paid shall not exceed the amount paid, reduced by the amount of credit allowed with respect to the tax pursuant to sections 290A.01 to 290A.20.

Sec. 36. Minnesota Statutes 1982, section 296.18, subdivision 1, is amended to read:

Subdivision 1. [GASOLINE OR SPECIAL FUEL USED IN OTHER THAN MOTOR VEHICLES.] Any person who shall buy and use gasoline for any purpose other than use in motor vehicles ~~or~~, snowmobiles, ~~or motorboats~~, or special fuel for any purpose other than use in licensed motor vehicles, and who shall have paid the excise tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be eligible to receive the credit provided in section 290.06, subdivision 13, in the amount of the tax paid by him. The taxpayer claiming this credit shall include with his income tax return information including the total amount of the gasoline so purchased and used by him other than in motor vehicles, or special fuel so purchased and used by him other than in licensed motor vehicles, and shall state when and for what purpose it was used. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft.

Sec. 37. Minnesota Statutes 1982, section 296.421, subdivision 5, is amended to read:

Subd. 5. [COMPUTATION OF UNREFUNDED TAX.] The amount of unrefunded tax shall be a sum equal to three-fourths of one percent of all revenues derived from the excise taxes on gasoline, except on gasoline used for aviation purposes, together with interest thereon and penalties for delinquency in payment, paid or collected pursuant to the provisions of sections 296.02 to 296.17, ~~from which shall be subtracted the total amount of money refunded for motor boat use pursuant to section 296.18.~~ The amount of such tax shall be computed for each six-month period commencing January 1, 1961, and shall be paid into the state treasury on November 1 and June 1 following each six-month period.

Sec. 38. [INSTRUCTIONS TO THE REVISOR.]

In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1954, as amended through March 12, 1983" for the words "Internal Revenue Code of 1954, as amended through December 31, 1981" or for the words "Internal Revenue Code of 1954, as amended through December 1, 1982" wherever the phrase occurs in chapter 290, except sections 290.01, subdivision 20, and 290.09, subdivisions 5 and 10.

Sec. 39. [REPEALER.]

(a) Minnesota Statutes 1982, sections 290.01, subdivision 23; 290.077, subdivision 2; 290.09, subdivisions 10, 15, 22, and 27; 290.21, subdivision 3a; and 290.501 are repealed.

(b) Minnesota Statutes 1982, section 290.06, subdivisions 9 and 9a, are repealed.

Sec. 40. [EFFECTIVE DATE.]

Sections 11, 22, and 30 are effective for taxable years beginning after June 30, 1981. Section 39, clause (b), is effective for taxable years beginning after December 31, 1982, provided that the carryover provisions shall continue to apply to credit amounts attributable to a taxable year beginning before January 1, 1983. The remainder of this article is effective for taxable years beginning after December 31, 1982.

ARTICLE 2: PROPERTY TAX

Section 1. Minnesota Statutes 1982, section 124.11, subdivision 2a, is amended to read:

Subd. 2a. (a) ~~Through the 1981-1982 school year, ninety percent of the estimated post-secondary vocational instructional aid shall be paid to each district in 12 equal monthly payments on the 15th of each month. The estimated aid payments shall be paid on the basis of the department of education's estimates of the current year's average daily membership adjusted for the latest available information in November, February and May. The final payment, adjusted to reflect the actual average daily membership, shall be made in September of the following fiscal year.~~

(b) ~~Beginning in~~ For the 1982-1983 school year, eighty-five percent of the estimated post-secondary vocational instructional aid shall be paid to each district in 12 equal monthly payments on the 15th of each month. The estimated aid payments shall be paid on the basis of the department of educa-

tion's estimates of the current year's average daily membership adjusted for the latest available information in November, February and May. The final payment, adjusted to reflect the actual average daily membership, shall be made in September of the following fiscal year.

Sec. 2. Minnesota Statutes 1982, section 124.11, subdivision 2b, is amended to read:

Subd. 2b. (a) ~~Through the 1981-1982 school year, post-secondary vocational supply aid and support services aid shall be paid to districts in equal installments on or before August 1, November 1, February 1, and May 1 of each year. Eighty percent of post-secondary vocational equipment aid and repair and betterment aid shall be paid to districts on or before August 1 of each year. The remaining 20 percent of post-secondary vocational equipment aid and repair and betterment aid shall be paid to districts by May 1 of each year.~~

(b) ~~Beginning in~~ For the 1982-1983 school year, the state shall pay to districts 25 percent of post-secondary vocational supply aid and support services aid by August 1, 20 percent by November 1, 20 percent by February 1, and 20 percent by May 1 of each school year. Eighty-five percent of post-secondary vocational equipment aid and repair and betterment aid shall be paid to districts by August 1 of each year. The final aid distribution shall be made by October 31 of the following fiscal year.

Sec. 3. [124.195] [PAYMENT OF AIDS AND CREDITS TO SCHOOL DISTRICTS.]

Subdivision 1. [APPLICABILITY.] This section applies to all aids or credits paid by the commissioner of education from the general fund of the state of Minnesota to school districts for the financing of elementary and secondary education. The procedures described in this section for making disbursements to schools will be used starting in fiscal year 1985.

Subd. 2. [DEFINITIONS.] (a) The term "other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 124.09, apportionments by the county auditor pursuant to section 124.10, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to sections 294.21 to 294.26 and chapter 298.

(b) The term "cumulative amount guaranteed" means the sum of the following:

(1) 85 percent of the estimated aid and credit entitlements paid according to subdivision 10; plus

(2) 100 percent of the entitlements paid according to subdivisions 8 and 9; plus

(3) the other district receipts; plus

(4) the final adjustment payment according to subdivision 6;

times the cumulative disbursement percentage.

Subd. 3. [PAYMENT DATES AND PERCENTAGES.] Beginning in fiscal year 1985 and thereafter, the commissioner of education shall pay to a school district on the dates indicated an amount computed as follows: the

cumulative amount guaranteed minus the sum of (a) the district's other district receipts through the current payment, and (b) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	<i>Payment date</i>	<i>Percentage</i>
Payment 1	First business day prior to July 15:	2.25
Payment 2	First business day prior to July 30:	4.50
Payment 3	First business day prior to August 15:	6.75
Payment 4	First business day prior to August 30:	9.0
Payment 5	First business day prior to September 15:	12.75
Payment 6	First business day prior to September 30:	16.5
Payment 7	First business day prior to October 15: the greater of (a) one-half of the final adjustment for the prior fiscal year or (b) the amount needed to provide 20.75 percent	
Payment 8	First business day prior to October 30: the greater of (a) one-half of the final adjustment for the prior fiscal year or (b) the amount needed to provide 25.0 percent	
Payment 9	First business day prior to November 15:	31.0
Payment 10	First business day prior to November 30:	37.0
Payment 11	First business day prior to December 15:	40.0
Payment 12	First business day prior to December 30:	43.0
Payment 13	First business day prior to January 15:	47.25
Payment 14	First business day prior to January 30:	51.5
Payment 15	First business day prior to February 15:	56.0
Payment 16	First business day prior to February 28:	60.5
Payment 17	First business day prior to March 15:	65.25
Payment 18	First business day prior to March 30:	70.0
Payment 19	First business day prior to April 15:	74.0
Payment 20	First business day prior to April 30:	78.0
Payment 21	First business day prior to May 15:	85.0
Payment 22	First business day prior to May 30:	95.0
Payment 23	First business day prior to June 15:	100.0

Subd. 4. [PAYMENT LIMIT.] *Subdivision 3 does not authorize the commissioner of education to pay to a school's operating funds an amount of state general fund cash that exceeds the sum of:*

(a) its estimated aid and credit entitlements for the current year according to subdivision 10;

(b) its actual aid entitlements according to subdivisions 8 and 9; and

(c) the final adjustment payment for the prior year.

Subd. 5. [COMMISSIONER'S ASSUMPTIONS.] *For purposes of determining the amount of state general fund cash to be paid to schools pursuant to subdivision 3, the commissioner of education shall:*

(a) assume that the payments to school districts by the county treasurer pursuant to section 276.10 are made in the following manner:

(1) 50 percent within seven business days of each deadline for payment of

ad valorem taxes; and

(2) 100 percent within 14 business days of each deadline for payment of ad valorem taxes;

(b) assume that the payments to school districts by county auditors pursuant to section 124.10, subdivision 2 are made at the end of the months indicated in that subdivision.

Subd. 6. [FINAL ADJUSTMENT PAYMENT.] For all aids and credits paid according to subdivision 10, the final adjustment payment shall include the amounts necessary to pay the district's full aid entitlement for the prior year based on actual data. This payment shall be used to correct all estimates used for the payment schedule in subdivision 3. The payment shall be made in two installments, during October, as specified in subdivision 3.

Subd. 7. [PAYMENTS TO SCHOOL NONOPERATING FUNDS.] Beginning in fiscal year 1985, state general fund payments to school nonoperating funds shall be made at 85 percent of the estimated entitlement during the fiscal year of the entitlement. This amount shall be paid in 12 equal monthly installments. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement shall be paid prior to October 31 of the following school year.

Subd. 8. [PAYMENT PERCENTAGE FOR REIMBURSEMENT AIDS.] The following aids shall be paid at 100 percent of the entitlement for the prior fiscal year: special education summer foundation aid according to section 124.201; abatement aid according to section 124.214, subdivision 2; special education residential aid according to section 124.32, subdivision 5; special education summer school aid, according to section 124.32, subdivision 10; veterans farm management aid, according to section 124.625; early retirement aid according to section 125.611; and extended leave and part-time teacher aids according to chapters 354 and 354A.

Subd. 9. [PAYMENT PERCENTAGE FOR CERTAIN AIDS.] The following aids shall be paid at 100 percent of the entitlement for the current fiscal year: school lunch aid, according to section 124.646; teacher institute aid; campus laboratory school aid; and high technology aids.

Subd. 10. [AID PAYMENT PERCENTAGE.] Except as provided in subdivisions 8 and 9, beginning in fiscal year 1985, all education aids and credits in chapters 121, 123, 124, 125, and 273.1392, except post-secondary vocational shall be paid at 85 percent of the estimated entitlement during the fiscal year of the entitlement. The amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement shall be paid as the final adjustment payment according to subdivision 6.

Sec. 4. [124.5628] [PAYMENT OF AVTI INSTRUCTIONAL AID.]

For the 1983-1984 school year, 85 percent of the estimated post-secondary vocational instructional aid entitlement for each district shall be paid during the fiscal year of entitlement in 12 uniform payments on the 15th of each month.

Beginning for the 1984-1985 school year, 85 percent of the estimated post-secondary vocational instructional aid entitlement for each district

shall be paid during the fiscal year of entitlement in 24 uniform payments.

The amount of entitlement, adjusted for actual data on tuition and fund balances, minus the payments made during the fiscal year of entitlement, shall be the final adjustment paid to each district in the fiscal year following entitlement.

Beginning in fiscal year 1985, all payments of post-secondary vocational instructional aid shall be made on the dates specified in section 3, subdivision 3.

Sec. 5. [PAYMENT SCHEDULES FOR 1984.]

The following sections are applicable for aids payments for the 1983-1984 school year: sections 124.11, subdivision 1a; 124.225, subdivision 12; 124.246, subdivision 5; 124.26, subdivision 5; 124.271, subdivision 6; 124.273, subdivision 5; 124.32, subdivision 9a; 124.572, subdivision 8a; 124.573, subdivision 6; and 124.574, subdivision 8.

Sec. 6. Minnesota Statutes 1982, section 124.2137, subdivision 1, is amended to read:

Subdivision 1. [TAX REDUCTIONS.] The county auditor shall reduce the tax for school purposes on all property receiving the homestead credit pursuant to section 273.13, subdivision 6, by an amount equal to 25 percent of the tax levy that would be produced by applying a rate of 18 mills imposed on up to 320 acres of the property. The county auditor shall reduce the tax for school purposes on the next 320 acres classified pursuant to section 273.13, subdivision 6 by an amount equal to 13 percent of the tax levy that would be produced by applying a rate of ten mills imposed on the property. The tax on all other agricultural lands classified pursuant to section 273.13, subdivision 6 shall be reduced by an amount equal to ten percent of the tax levy that would be produced by applying a rate of eight mills imposed on the property. The tax on the first 320 acres of agricultural land classified pursuant to section 273.13, subdivision 4 and all real estate devoted to temporary and seasonal residential occupancy for recreational purposes, but not devoted to commercial purposes, shall be reduced by an amount that would be produced by applying a rate of ten mills equal to 13 percent of the tax imposed on the property. The tax on timber land classified pursuant to section 273.13, subdivision 8a and agricultural land in excess of 320 acres classified pursuant to section 273.13, subdivision 4 shall be reduced by an amount equal to ten percent of the tax levy that would be produced by applying a rate of eight mills imposed on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review such the certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections. *The amount of the reduction provided under this subdivision on any agricultural property in a year shall not exceed \$2,000 and the reduction on seasonal residential recreational property in a year shall not exceed \$100.*

Sec. 7. Minnesota Statutes 1982, section 272.02, subdivision 1, is

amended to read:

Subdivision 1. Except as provided in other subdivisions of this section or in section 272.025 or section 273.13, subdivisions 17, 17b, 17c or 17d, all property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds;
- (2) All public schoolhouses;
- (3) All public hospitals;
- (4) All academies, colleges, and universities, and all seminaries of learning;
- (5) All churches, church property, and houses of worship;
- (6) Institutions of purely public charity except property assessed pursuant to section 273.13, subdivisions 17, 17b, 17c or 17d;
- (7) All public property exclusively used for any public purpose;
- (8) (a) Class 2 property of every household of the value of \$100, maintained in the principal place of residence of the owner thereof. The county auditor shall deduct ~~such~~ the exemption from the total valuation of ~~such~~ the property as equalized by the ~~revenue~~ commissioner of revenue assessed to ~~such~~ the household, and extend the levy of taxes upon the remainder only. The term "household" as used in this section is defined to be a domestic establishment maintained either (1) by two or more persons living together within the same house or place of abode, subsisting in common and constituting a domestic or family relationship, or (2) by one person.
- (b) During the period of his active service and for six months after his discharge therefrom, no member of the armed forces of the United States shall lose status of a householder under paragraph (a) which he had immediately prior to becoming a member of the armed forces.

In case there is an assessment against more than one member of a household the \$100 exemption shall be divided among the members assessed in the proportion that the assessed value of the Class 2 property of each bears to the total assessed value of the Class 2 property of all the members assessed. The Class 2 property of each household claimed to be exempt shall be limited to property in one taxing district, except in ~~those~~ cases where a single domestic establishment is maintained in two or more adjoining districts.

Bonds and certificates of indebtedness hereafter issued by the state of Minnesota, or by any county or city of the state, or any town, or any common or independent school district of the state, or any governmental board of the state, or any county or city thereof, shall hereafter be exempt from taxation; provided, that nothing herein contained shall be construed as exempting ~~such~~ the bonds from the payment of a tax thereon, as provided for by section 291.01, when any of ~~such~~ the bonds constitute, in whole or in part, any inheritance or bequest, taken or received by any person or corporation.

- (9) Farm machinery manufactured prior to 1930, which is used only for

display purposes as a collectors item;

(10) The taxpayer shall be exempted with respect to: all agricultural products, inventories, stocks of merchandise of all sorts, all materials, parts and supplies, furniture and equipment, manufacturers material, manufactured articles including the inventories of manufacturers, wholesalers, retailers and contractors; and the furnishings of a room or apartment in a hotel, rooming house, tourist court, motel or trailer camp, tools and machinery which by law are considered as personal property, and the property described in section 272.03, subdivision 1, clause (c), except personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures. Railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80 are not exempt.

(11) Containers of a kind customarily in the possession of the consumer during the consumption of commodities, the sale of which are subject to tax under the provisions of the excise tax imposed by ~~Extra Session Laws 1967,~~ chapter 32 297A;

(12) All livestock, poultry, all horses, mules and other animals used exclusively for agricultural purposes;

(13) All agricultural tools, implements and machinery used by the owners in any agricultural pursuit.

(14) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, other than real property used primarily as a solid waste disposal site.

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. ~~Any such~~ The equipment or device shall meet standards, regulations or criteria prescribed by the Minnesota Pollution Control Agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information or advice to the commissioner. If the commissioner determines that property qualifies for exemption, he shall issue an order exempting ~~such the~~ property from taxation. ~~Any such~~ The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota Pollution Control Agency remains in effect.

(15) Wetlands. For purposes of this subdivision, "wetlands" means land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes. "Wetlands" shall be land preserved in its natural condition, drainage of which would be *legal, feasible, and economically practical and would provide land suitable* for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. *"Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bot-*

toms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(16) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause and section 273.116. Upon receipt of an application for the exemption and credit provided in this clause and section 273.116 for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of his decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(17) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1980 1982, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(18) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

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

Sec. 8. Minnesota Statutes 1982, section 273.115, subdivision 1, is amended to read:

Subdivision 1. The county auditor shall annually reduce the tax liability of each owner of wetlands exempt from property taxation pursuant to section 272.02, subdivision 1, clause (15), by an amount equal to ~~three-fourths~~ *one-half* of one percent of the average level of estimated market value of an acre of tillable land in the township, city or unorganized territory in which the qualifying wetland is located, multiplied by the number of acres of wetlands he owns. Any excess of credit over tax liability shall not be paid to the property owner but shall be applied to the tax liability of the owner of the wetlands for any parcel he owns which is contiguous to the parcel containing the wetlands.

Sec. 9. Minnesota Statutes 1982, section 273.13, subdivision 6, is amended to read:

Subd. 6. [CLASS 3B.] Agricultural land, except as provided by class 1 hereof, ~~and~~ which is used for the purposes of a homestead shall constitute class 3b and shall be valued and assessed ~~for taxes payable in 1981 and thereafter~~ as follows: the first \$50,000 of market value shall be valued and assessed at 14 percent; the remaining market value shall be valued and assessed at 19 percent. Effective for taxes payable in 1982 and thereafter, the maximum amount of the market value of the homestead bracket subject to the 14 percent rate shall be adjusted by the commissioner of revenue as provided in section 273.1311. The property tax to be paid on class 3b property as otherwise determined by law less any reduction received pursuant to sections 124.213 and 273.135 shall be reduced by ~~58 50~~ percent of the tax ~~for taxes payable in 1981 and thereafter~~; provided that the amount of ~~said~~ the reduction shall not exceed \$650. Valuation subject to relief shall be limited to 240 acres of land, most contiguous surrounding, bordering, or closest to the house occupied by the owner as his dwelling place, and ~~such~~ other structures as ~~may be~~ included thereon utilized by the owner in an agricultural pursuit, provided that noncontiguous land shall constitute class 3b only if the homestead is classified as class 3b and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead. The first \$12,000 market value of each tract of real estate which is rural in character and devoted or adaptable to rural but not necessarily agricultural use, used for the purpose of a homestead shall be exempt from taxation for state purposes; except as specifically provided otherwise by law.

Agricultural land as used herein, and in section 124.2137, shall mean contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land and land included in federal farm programs.

Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, shall be considered as agricultural land, if it is not used primarily for residential purposes.

~~Effective for the 1981 assessment and in subsequent years.~~ The assessor shall determine and list separately on his records the market value of the homestead dwelling and the one acre of land on which that dwelling is located. If any farm buildings or structures are located on this homesteaded acre of land, their market value shall not be included in this separate determination.

Sec. 10. Minnesota Statutes 1982, section 273.13, subdivision 7, is amended to read:

Subd. 7. [CLASS 3C, 3CC.] All other real estate and class 2a property, except as provided by classes 1 and 3cc, which is used for the purposes of a homestead, shall constitute class 3c, and shall be valued and assessed ~~for taxes payable in 1981 and thereafter~~ as follows: the first \$25,000 of market value shall be valued and assessed at 16 percent; the next \$25,000 of market value shall be valued and assessed at 22 percent; and the remaining market value shall be valued and assessed at 28 percent. Effective for taxes payable

in 1982 and thereafter, the maximum amounts of the market value of the homestead brackets subject to the 16 percent and 22 percent rates shall be adjusted by the commissioner of revenue as provided in section 273.1311. The property tax to be paid on class 3c property as otherwise determined by law, less any reduction received pursuant to section 273.135 shall be reduced by ~~58 50~~ percent of the tax ~~for taxes payable in 1981 and thereafter imposed on the first \$65,000 of market value~~; provided that the amount of ~~said~~ the reduction shall not exceed \$650. The first \$12,000 market value of each tract of such real estate used for the purposes of a homestead shall be exempt from taxation for state purposes; except as specifically provided otherwise by law. Class 3cc property shall include real estate or manufactured homes used for the purposes of a homestead by (a) any blind person, if ~~such~~ the blind person is the owner thereof or if ~~such~~ the blind person and his or her spouse are the sole owners thereof; or (b) any person (hereinafter referred to as veteran) who: (1) served in the active military or naval service of the United States and (2) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair, and (3) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of such a deceased veteran for as long as the surviving spouse retains the special housing unit as his or her homestead; or (c) any person who: (1) is permanently and totally disabled and (2) is receiving (i) aid from any state as a result of that disability, or (ii) supplemental security income for the disabled, or (iii) workers' compensation based on a finding of total and permanent disability, or (iv) social security disability, or (v) aid under the Federal Railroad Retirement Act of 1937, 45 United States Code Annotated, Section 228b(a)5, or (vi) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; which aid is at least 90 percent of the total income of ~~such~~ the disabled person from all sources. Class 3cc property shall be valued and assessed ~~for taxes payable in 1981 and thereafter~~ as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first \$33,000 of market value shall be valued and assessed at five percent, the next \$17,000 of market value shall be valued and assessed at 14 percent, and the remaining market value shall be valued and assessed at 19 percent; and in the case of all other real estate and manufactured homes, the first \$33,000 of market value shall be valued and assessed at five percent, the next \$17,000 of market value shall be valued and assessed at 22 percent, and the remaining market value shall be valued and assessed at 28 percent. Effective for taxes payable in 1982 and thereafter, in the case of agricultural land including a manufactured home used for purposes of a homestead, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 14 percent rates; and for all other real estate and manufactured homes, the commissioner of revenue shall adjust, as provided in section 273.1311, the maximum amount of the market value of the homestead brackets subject to the five percent and 22 percent rates. Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings him an income. The property tax to be paid on class 3cc property as otherwise determined by law, less any

reduction received pursuant to section 273.135 shall be reduced by ~~58~~ 50 percent of the tax for ~~taxes payable in 1984 and thereafter imposed on the first \$65,000 of market value~~; provided that the amount of ~~said~~ the reduction shall not exceed \$650.

Sec. 11. Minnesota Statutes 1982, section 273.13, subdivision 9, is amended to read:

Subd. 9. [CLASS 4A, 4B, 4C, AND 4D.] (1) All property not included in the preceding classes shall constitute class 4a and shall be valued and assessed at 43 percent of the market value thereof, except as otherwise provided in this subdivision.

(2) Real property which is not improved with a structure and which is not utilized as part of a commercial or industrial activity shall constitute class 4b and shall be valued and assessed at 40 percent of market value.

(3) Commercial and industrial property, except as provided in this subdivision, shall constitute class 4c and shall be valued and assessed at ~~40~~ 34 percent of the first \$50,000 of market value ~~for taxes levied in 1983, payable in 1984 and 28 percent of the first \$50,000 of market value for taxes levied in 1984, payable in 1985 and thereafter~~, and 43 percent of the remainder, provided that in the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel shall qualify for the ~~40~~ 34 or 28 percent assessment, and in the case of other commercial or industrial property owned by one person or entity, only one parcel in each county shall qualify for the ~~40~~ 34 or 28 percent assessment.

(4) Industrial employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 4d and shall be valued and assessed at 20 percent of the first \$50,000 of market value and 21.5 percent of the remainder.

Sec. 12. Minnesota Statutes 1982, section 273.13, subdivision 14a, is amended to read:

Subd. 14a. [BUILDINGS AND APPURTENANCES ON LAND NOT OWNED BY OCCUPANT.] The property tax to be paid in respect of the value of all buildings and appurtenances thereto owned and used by the occupant as a permanent residence, which are located upon land subject to property taxes and the title to which is vested in a person or entity other than the occupant, for all purposes shall be reduced by ~~58~~ 50 percent of the amount of the tax in respect of ~~said~~ that value, ~~not in excess of \$65,000~~, as otherwise determined by law ~~for taxes payable in 1984 and thereafter~~, but not by more than \$650.

Sec. 13. Minnesota Statutes 1982, section 273.13, subdivision 17, is amended to read:

Subd. 17. [TITLE II OR STATE HOUSING FINANCE AGENCY PROPERTY USED FOR ELDERLY AND LOW AND MODERATE INCOME FAMILIES.] (a) *Except as provided in clause (b)*, a structure situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or regulations promulgated by the agency pursuant thereto and financed by a direct federal loan or

federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of ~~said~~ those acts and acts amendatory thereof shall, for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan, be assessed at 20 percent of the market value thereof, provided that the fair market value as determined by the assessor is based on the normal approach to value using normal unrestricted rents.

(b) In the case of a structure described in clause (a) with respect to which construction or substantial rehabilitation had not been commenced prior to January 1, 1984, the 20 percent assessment ratio shall apply only to that portion of the structure that is occupied by elderly persons or low and moderate income families as defined above.

Sec. 14. Minnesota Statutes 1982, section 273.13, subdivision 17b, is amended to read:

Subd. 17b. [VALUATION OF FARMERS HOME ADMINISTRATION PROPERTY IN MUNICIPALITIES OF UNDER 10,000.] (a) Notwithstanding any other provision of law, *except as provided in clause (b)*, any structure

(a) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration,

(b) located in a municipality of less than 10,000 population,

(c) financed by a direct loan or insured loan from the farmers home administration, and

(d) which qualifies under subdivision 17a, shall, for 15 years from the date of the completion of the original construction or for the original term of the loan, be assessed at five percent of the market value thereof, provided that the fair market value as determined by the assessor is based on the normal approach to value using normal unrestricted rents.

(b) A structure described in clause (a) with respect to which construction had not been commenced prior to January 1, 1984, shall be assessed at 20 percent of its market value, but only in proportion to its occupancy by elderly persons or low and moderate income families as defined above.

Sec. 15. Minnesota Statutes 1982, section 273.13, subdivision 17c, is amended to read:

Subd. 17c. [VALUATION OF LOWER INCOME HOUSING.] (a) *Except as provided in clause (b)*, a structure which is

~~(a)~~ (1) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended, and

~~(b)~~ (2) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel, shall, for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter, be assessed at 20 percent of

its market value. The market value determined by the assessor shall be based on the normal approach to value using normal unrestricted rents.

(b) In the case of a structure described in clause (a) with respect to which construction had not been commenced prior to January 1, 1984, the 20 percent assessment ratio shall apply only to that portion of the structure that is occupied by lower income families or elderly or handicapped persons as defined above.

Sec. 16. Minnesota Statutes 1982, section 273.1392, is amended to read:

273.1392 [PAYMENT; AIDS TO SCHOOL DISTRICTS.]

The amounts of homestead credit under section 273.13, subdivisions 6, 7, and 14a; wetlands credit and reimbursement under section 273.115; native prairie credit and reimbursement under section 273.116; *disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; taconite homestead credit under section 273.136; reimbursement under section 273.139; supplemental homestead credit under 273.1391; and metropolitan agricultural preserve credit reduction under section 473H.10,* shall be certified to the department of education by the department of revenue. The amounts so certified shall be paid according to the schedule for payment of foundation aids pursuant to section 124.11 for fiscal year 1984. ~~The sum sufficient to make the payments required by this section is appropriated from the general fund to the commissioner of education~~ *Beginning in fiscal year 1985, the amounts so certified shall be paid according to section 3.*

Sec. 17. Minnesota Statutes 1982, section 273.138, subdivision 2, is amended to read:

Subd. 2. *(a) Except as provided in paragraph (b), each county government, city and township except for counties that contain a city of the first class, shall receive reimbursement in 1978 1984 and subsequent years in an amount equal to based on the product of its total mill rate for taxes payable in the calendar year prior to the calendar year in which the aid is to be paid 1983,* times the total 1972 assessed value of real property exempted from taxation by section 272.02, subdivision 1 which was located within the territory of ~~such governmental unit the county,~~ times 1.25. For the purpose of this subdivision, the "total mill rate" of a county government, ~~city or township~~ *includes mill rates for taxes levied by such governmental unit the county* which were not levied on the entire taxable value of ~~such governmental unit the county.~~

(b) If the product computed pursuant to paragraph (a) is \$50,000 or more for a county, aid shall be paid to that county in an amount equal to 90 percent of the amount computed pursuant to paragraph (a). If the product is less than \$50,000, no aid will be paid.

Sec. 18. Minnesota Statutes 1982, section 273.138, subdivision 3, is amended to read:

Subd. 3. *(a) Except as provided in paragraph (b), each school district shall receive reimbursement in 1974 1984 and subsequent years in an amount equal to based on the product of its 1972 assessed value of real property exempted from taxation by Laws 1973, Chapter 650, Article XXIV, Section*

1, times the sum of its 1972 payable 1973 mill rates for the following levies:

(1) A levy to pay the principal and interest on bonded indebtedness, including the levy to pay the principal and interest on bonds issued pursuant to Minnesota Statutes 1971, Section 275.125, Subdivision 3, Clause (6) (c);

(2) A levy to pay the principal and interest on debt service loans, pursuant to Minnesota Statutes 1971, Section 124.42;

(3) A levy to pay the principal and interest on capital loans, pursuant to Minnesota Statutes 1971, Section 124.43;

(4) A levy to pay amounts required in support of a teacher retirement fund, pursuant to Minnesota Statutes 1971, Section 422.13;

(5) A levy for additional maintenance cost in excess of 30 mills times the adjusted assessed valuation of the school district, pursuant to Minnesota Statutes 1971, Section 275.125, Subdivision 3, Clause (4).

For the purpose of this subdivision, a school district mill rate for any of the forementioned levies which was not applied to the total taxable value of such school district shall be added to the forementioned sum of mill rates as if it had been applied to the entire taxable value of the school district.

(b) If the product computed pursuant to paragraph (a) is more than or equal to an amount equal to \$10 per pupil unit of the district, aid shall be paid to that school district in an amount equal to 90 percent of the amount computed pursuant to paragraph (a). If the product is an amount less than \$10 per pupil unit, no aid will be paid.

Sec. 19. Minnesota Statutes 1982, section 273.138, subdivision 6, is amended to read:

Subd. 6. If a county government, city or township is subject to the provisions of sections 275.50 to 275.56, the amount of aid calculated for such taxing district pursuant to subdivision 2 for 1976 shall be deducted from the taxing district's levy year 1975, taxes payable 1976 levy limit base determined pursuant to section 275.51, subdivision 3b and the amount of aid calculated for such taxing district pursuant to subdivision 2 for 1977 shall be deducted from the taxing district's levy year 1976, taxes payable 1977 levy limit base determined pursuant to section 275.51, subdivision 3e for the purpose of calculating the taxing district's levy limitation for taxes payable in 1976 or 1977 as the case may be. The amount of aid calculated for a school district pursuant to subdivision 3, clauses (2), (3), (4), (5) and (6) for 1975 or a subsequent year shall be deducted from the school district's maintenance levy limitation established pursuant to section 275.125, subdivision 2a, in determining the amount of taxes the school district may levy for general and special purposes for taxes payable in 1975 or a subsequent year.

Sec. 20. Minnesota Statutes 1982, section 275.50, subdivision 2, is amended to read:

Subd. 2. [GOVERNMENTAL SUBDIVISION.] "Governmental subdivision" means a county, home rule charter city, or statutory city, town or special taxing district determined by the department of revenue, except a town home rule charter or statutory city that has a population of less than 5,000 2,500 according to the most recent federal census, provided that the popula-

tion of an incorporated municipality located within the boundaries of a town is not included in the population of the town. The term does not include school districts or the metropolitan transit commission created pursuant to section 473.404.

Sec. 21. Minnesota Statutes 1982, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in 1982 1983 payable in 1983 1984 and subsequent years, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

(a) satisfy judgments rendered against the governmental subdivision by a court of competent jurisdiction in any tort action, or to pay the costs of settlements out of court against the governmental subdivision in a tort action when substantiated by a stipulation for the dismissal of the action filed with the court of competent jurisdiction and signed by both the plaintiff and the legal representative of the governmental subdivision, but only to the extent of the increase in levy for such judgments and out of court settlements over levy year 1970, taxes payable in 1971;

(b) pay the costs of complying with any written lawful order initially issued prior to January 1, 1977 by the state of Minnesota, or the United States, or any agency or subdivision thereof, which is authorized by law, statute, special act or ordinance and is enforceable in a court of competent jurisdiction, or any stipulation agreement or permit for treatment works or disposal system for pollution abatement in lieu of a lawful order signed by the governmental subdivision and the state of Minnesota, or the United States, or any agency or subdivision thereof which is enforceable in a court of competent jurisdiction. The commissioner of revenue shall in consultation with other state departments and agencies, develop a suggested form for use by the state of Minnesota, its agencies and subdivisions in issuing orders pursuant to this subdivision;

(c) pay the costs to a governmental subdivision for their minimum required share of any program otherwise authorized by law for which matching funds have been appropriated by the state of Minnesota or the United States, excluding the administrative costs of public assistance programs, to the extent of the increase in levy for the taxes payable year 1983 and subsequent years over the amount levied for the local share of the program for the taxes payable year 1971. This clause shall apply only to those programs or projects for which matching funds have been designated by the state of Minnesota or the United States on or before September 1, of the previous year and only when the receipt of these matching funds is contingent upon the initiation or implementation of the project or program during the year in which the taxes are payable or those programs or projects approved by the commissioner;

(d) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services, but not the administrative costs of public assistance programs or of county welfare systems. Except for the costs of general assistance medical care under section 256D.03 and the costs of hospital care pursuant to

section 261.21, the aggregate amounts levied pursuant to this clause are subject to a maximum increase of 18 percent over the amount levied for these purposes in the previous year;

(e) pay the costs of principal and interest on bonded indebtedness, or ~~effective for taxes levied in 1973 and years thereafter,~~ to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(f) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency;

(g) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(h) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(i) pay the amounts required to compensate for a decrease in manufactured homes property tax receipts to the extent that the governmental subdivision's portion of the total levy in the current levy year, pursuant to section 273.13, subdivision 3, as amended, is less than the distribution of the manufactured homes tax to the governmental subdivision pursuant to section 273.13, subdivision 3, in calendar year 1971;

(j) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission ~~in levy year 1971 or a subsequent levy year,~~ but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(k) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(l) pay the increased cost of municipal services as the result of an annexation or consolidation ordered by the Minnesota municipal board ~~in levy year 1971 or a subsequent levy year,~~ but only to the extent and for the levy years as provided by the board in its order pursuant to section 414.01, subdivision 15. Special levies authorized by the board shall not exceed 50 percent of the levy limit base of the governmental subdivision and may not be in effect for more than three years after the board's order;

(m) pay the increased costs of municipal services provided to new private industrial and nonresidential commercial development, to the extent that the extension of such services are not paid for through bonded indebtedness or

special assessments, and not to exceed the amount determined as follows. The governmental subdivision may calculate the aggregate of:

(1) The increased expenditures necessary in preparation for the delivering of municipal services to new private industrial and nonresidential commercial development, but limited to one year's expenditures one time for each such development;

(2) The amount determined by dividing the overall levy limitation established pursuant to sections 275.50 to 275.56, and exclusive of special levies and special assessments, by the total taxable value of the governmental subdivision, and then multiplying this quotient times the total increase in assessed value of private industrial and nonresidential commercial development within the governmental subdivision. For the purpose of this clause, the increase in the assessed value of private industrial and nonresidential commercial development is calculated as the increase in assessed value over the assessed value of the real estate parcels subject to such private development as most recently determined before the building permit was issued. In the fourth levy year subsequent to the levy year in which the building permit was issued, the increase in assessed value of the real estate parcels subject to such private development shall no longer be included in determining the special levy.

The aggregate of the foregoing amounts, less any costs of extending municipal services to new private industrial and nonresidential commercial development which are paid by bonded indebtedness or special assessments, equals the maximum amount that may be levied as a "special levy" for the increased costs of municipal services provided to new private industrial and nonresidential commercial development. In the levy year following the levy year in which the special levy made pursuant to this clause is discontinued, one-half of the amount of that special levy made in the preceding year shall be added to the permanent levy base of the governmental subdivision;

(n) recover a loss or refunds in tax receipts incurred in non-special levy funds resulting from abatements or court action in the previous year pursuant to section 275.48;

(o) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced for levy year 1977 and subsequent years by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(p) the amounts allowed under section 174.27 to establish and administer a commuter van program;

(q) pay the costs of financial assistance to local governmental units and

certain administrative, engineering, and legal expenses pursuant to Laws 1979, Chapter 253, Section 3;

(r) compensate for revenue lost as a result of abatements or court action pursuant to sections 270.07, 270.17 or 278.01 due to a reassessment ordered by the commissioner of revenue pursuant to section 270.16;

(s) pay the costs of implementing section 18.023, including sanitation and reforestation; and

(t) pay the total operating cost of a county jail as authorized in section 641.01. If the county government utilizes this special levy, then any amount levied by the county government in the previous year for operating its county jail and included in its previous year's levy limitation computed pursuant to section 275.51 shall be deducted from the current levy limitation.

Sec. 22. Minnesota Statutes 1982, section 275.50, is amended by adding a subdivision to read:

Subd. 8. [IMPLICIT PRICE DEFLATOR.] "Implicit price deflator" means the implicit price deflator for government purchases of goods and services for state and local government prepared by the bureau of economic analysis of the United States department of commerce for the 12 month period ending in June of the levy year.

Sec. 23. Minnesota Statutes 1982, section 275.51, is amended by adding a subdivision to read:

Subd. 3f. The property tax levy limitation for governmental subdivisions for taxes levied in 1983 and subsequent years shall be calculated as follows:

(a) The sum of the following amounts shall be computed:

(1) the property tax permitted to be levied in 1982 for taxes payable in 1983 pursuant to Minnesota Statutes 1982, section 275.51, subdivision 3e; plus

(2) the amount of any payments the governmental subdivision was certified to receive in 1983 pursuant to Minnesota Statutes 1982, sections 477A.011 to 477A.03; plus

(3) the amount of any payments to the governmental subdivision in 1983 pursuant to Minnesota Statutes 1982, sections 298.28 and 298.282; plus

(4) the difference between the amount paid to the governmental subdivision in 1983 pursuant to Minnesota Statutes 1982, section 273.138, and the amount payable under section 17 in 1984; plus

(5) the amount levied in 1982, payable in 1983 as a special levy under Minnesota Statutes 1982, section 275.51, subdivision 5, paragraph (d), for the administrative costs of social services.

(b) The sum computed in clause (a) shall be increased annually as provided in subdivision 3g to derive the levy limit base for successive years.

Sec. 24. Minnesota Statutes 1982, section 275.51, is amended by adding a subdivision to read:

Subd. 3g. [ADJUSTED LEVY LIMIT BASE.] For taxes levied in 1983 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to subdivision 3f, increased by:

(a) a percentage equal to the percentage growth in the implicit price deflator, or five percent, whichever is greater;

(b) a percentage equal to the greater of the percentage increases in population or in number of households, if any, for the most recent 12 month period for which data is available, using figures derived pursuant to section 275.53, subdivision 1b;

(c) one-half of the amount levied as a special levy in the previous year for paying the costs of municipal services provided to new private industrial and nonresidential commercial development pursuant to section 275.50, subdivision 5, clause (m), if the special levy is discontinued;

(d) the amount of any permanent increase in the levy limit base approved at a general or special election held during the twelve month period ending September 30 of the levy year, pursuant to section 275.58, subdivisions 1 and 2;

(e) for the taxes payable year 1984, one-half of the amount by which its levy limitation for taxes payable in 1981 calculated pursuant to sections 275.50 to 275.56 exceeded the amount that it actually levied subject to limitation for taxes payable in 1981; and

(f) for the taxes payable year 1984, the amount of any levy in excess of levy limitations, not to exceed \$150,000, that was approved as a temporary levy increase in a referendum held during 1982.

Sec. 25. Minnesota Statutes 1982, section 275.51, is amended by adding a subdivision to read:

Subd. 3h. [LEVY LIMITATION.] The levy limitation for a governmental subdivision shall be equal to the adjusted levy limit base determined pursuant to subdivision 3g, reduced by the total amount of local government aid that the governmental subdivision has been certified to receive in the taxes payable year pursuant to sections 477A.011 to 477A.014; and taconite taxes and aids pursuant to sections 298.28 and 298.282 and state reimbursements for wetlands and native prairie property tax exemptions provided in section 272.02, subdivision 1, clauses (15) and (16); and the payments in lieu of taxes to a county pursuant to section 477A.12 which are required to be used to provide property tax levy reduction to be paid in the calendar year in which property taxes are payable. As provided in section 298.28, subdivision 1, one cent per taxable ton of the amount distributed under section 298.28, subdivision 1, clause (4)(c) shall not be deducted from the levy limit base of the counties that receive that aid. The resulting figure is the amount of property taxes which a governmental subdivision may levy for all purposes other than those for which special levies and special assessments are made.

Sec. 26. Minnesota Statutes 1982, section 275.53, is amended by adding a subdivision to read:

Subd. 1b. [POPULATION AND HOUSEHOLD ESTIMATES.] For the purpose of determining the amount of tax that a governmental subdivision may levy in accordance with limitation established by this chapter, the population or the number of households of the governmental subdivision shall be that established by the last federal census, by a census taken pursuant to subdivision 2, or by an estimate made by the metropolitan council, or by the

state demographer made pursuant to section 116J.42, subdivision 7, which-ever is the most recent as to the stated date of count or estimate, up to and including July 1 of the current levy year.

Sec. 27. Minnesota Statutes 1982, section 276.09, is amended to read:

276.09 [SETTLEMENT BETWEEN AUDITOR AND TREASURER.]

On the ~~fifth 20th~~ day of ~~March, June, and November~~ *February, May and October* of each year, the county treasurer shall make full settlement with the county auditor of all receipts collected by him for all purposes, from the date of the last settlement up to and including each day mentioned. The county auditor shall, within 30 days after each settlement, send an abstract of same to the state auditor in the form prescribed by the state auditor. At each settlement the treasurer shall make complete returns of the receipts on the current tax list, showing the amount collected on account of the several funds included in the list.

For purposes of this section, "receipts" shall include all tax payments received by the county treasurer on or before the settlement date.

Sec. 28. Minnesota Statutes 1982, section 276.10, is amended to read:

276.10 [APPORTIONMENT AND DISTRIBUTION OF FUNDS.]

On the settlement day in ~~March, June, and November~~ *February, May and October* of each year, the county auditor and county treasurer shall distribute all undistributed funds in the treasury, apportioning them, as provided by law, and placing them to the credit of the state, town, city, school district, special district and each county fund. Within 20 days after the distribution is completed, the county auditor shall make a report of it to the state auditor in the form prescribed by the state auditor. The county auditor shall issue his warrant for the payment of moneys in the county treasury to the credit of the state, town, city, school district, or special districts on application of the persons entitled to receive them.

Sec. 29. Minnesota Statutes 1982, section 276.11, is amended to read:

276.11 [WHEN TREASURER SHALL PAY FUNDS.]

As soon as practical after each settlement in ~~March, June, and November~~ *February, May and October*, the county treasurer shall pay over to the state treasurer or the treasurer of any town, city, school district, or special district, on the warrant of the county auditor, all receipts arising from taxes levied by and belonging to the state, or to such municipal corporation, or other body, and deliver up all orders and other evidences of indebtedness of such municipal corporation or other body, taking triplicate receipts therefor. The treasurer shall file one of the receipts with the county auditor, and shall return one by mail on the day of its reception to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall preserve the receipt in the clerk's office. Upon written request of the state, a municipal corporation or other public body, the county treasurer shall, to the extent practicable, make partial payments of amounts collected periodically in advance of the next settlement and distribution. Accompanying each payment shall be a statement prepared by the county treasurer designating the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties thereon.

The county treasurer shall pay, upon written request of the state, a municipal corporation or other public body except school districts, at least 70 percent of the estimated collection within 30 days after the settlement date. Within 15 days after the settlement date, the county treasurer shall pay to the treasurer of the school districts at least 70 percent of the estimated collections arising from taxes levied by and belonging to the school district. The treasurer shall pay the balance of the amounts collected to the state or to a municipal corporation or other body within 60 days after the settlement date, provided, however, that after 45 days interest shall accrue at a rate of eight percent per annum to the credit of and shall be paid to the state, municipal corporation or other body. Interest shall be payable upon appropriation from the general revenue fund of the county and, if not paid, may be recovered by the state, municipal corporation, or other body, in a civil action.

Sec. 30. Minnesota Statutes 1982, section 278.01, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION OF VALIDITY.] Any person having any estate, right, title, or interest in or lien upon any parcel of land, who claims that such property has been partially, unfairly, or unequally assessed in comparison with other property in the city or county, or that the parcel has been assessed at a valuation greater than its real or actual value, or that the tax levied against the same is illegal, in whole or in part, or has been paid, or that the property is exempt from the tax so levied, may have the validity of his claim, defense, or objection determined by the district court of the county in which the tax is levied or by the tax court by serving two copies of a petition for such determination upon the county auditor and one copy each on the county treasurer and the county attorney and filing the same, with proof of service, in the office of the clerk of the district court before the ~~first~~ 15th day of ~~June~~ May of the year in which the tax becomes payable. The county auditor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be sent to the school board of the school district in which the property is located. A petition for determination under this section may be transferred by the district court to the tax court. An appeal may also be taken to the tax court under chapter 271 at any time following receipt of the valuation notice required by section 273.121 but prior to ~~June~~ + May 15 of the year in which the taxes are payable.

Sec. 31. Minnesota Statutes 1982, section 278.01, subdivision 2, is amended to read:

Subd. 2. [HOMESTEADS.] Any person having any estate, right, title or interest in or lien upon any parcel which is classified as homestead under the provisions of section 273.13, subdivisions 6, 6a, 7, 7b, 10 or 12, who claims that said parcel has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class, in that portion of the county in which that parcel is located, for which the commissioner is able to establish and publish a sales ratio study as determined by the applicable real estate assessment/sales ratio study published

by the commissioner of revenue, may have the validity of his claim, defense, or objection determined by the district court of the county in which the tax is levied or by the tax court by serving two copies of a petition for such determination upon the county auditor and one copy each on the county treasurer and the county attorney and filing the same, with proof of such service, in the office of the clerk of the district court before the ~~first 15th day of June~~ *May* of the year in which such tax becomes payable. The county auditor shall immediately forward one copy of the petition to the appropriate governmental authority in a home rule charter or statutory city or town in which the property is located if that city or town employs its own certified assessor. A copy of the petition shall also be sent to the school board of the school district in which the property is located. A petition for determination under this section may be transferred by the district court to the tax court.

Sec. 32. Minnesota Statutes 1982, section 278.03, is amended to read:

278.03 [PAYMENT OF TAX.]

If the proceedings instituted by the filing of the petition have not been completed before the ~~first 15th day of June~~ *May* next following the filing, the petitioner shall pay to the county treasurer 50 percent of the tax levied for such year against the property involved, unless permission to continue prosecution of the petition without such payment is obtained as herein provided. If the proceedings instituted by the filing of the petition have not been completed by the next ~~November 15~~ *October 15*, the petitioner shall pay to the county treasurer 50 percent of the unpaid balance of the taxes levied for the year against the property involved if the unpaid balance is \$2,000 or less and 80 percent of the unpaid balance if the unpaid balance is over \$2,000, unless permission to continue prosecution of the petition without payment is obtained as herein provided. The petitioner, upon ten days notice to the county attorney and to the county auditor, given at least ten days prior to the ~~first 15th day of June~~ *May* or the ~~first 15th day of November~~ *October*, may apply to the court for permission to continue prosecution of the petition without payment; and, if it is made to appear

(1) That the proposed review is to be taken in good faith;

(2) That there is probable cause to believe that the property may be held exempt from the tax levied or that the tax may be determined to be less than 50 percent of the amount levied; and

(3) That it would work a hardship upon petitioner to pay the taxes due,

the court may permit the petitioner to continue prosecution of the petition without payment, or may fix a lesser amount to be paid as a condition of continuing the prosecution of the petition.

Failure to make payment of the amount required when due shall operate automatically to dismiss the petition and all proceedings thereunder unless the payment is waived by an order of the court permitting the petitioner to continue prosecution of the petition without payment. The county treasurer shall, upon request of the petitioner, issue duplicate receipts for the tax payment, one of which shall be filed by the petitioner in the proceeding.

Sec. 33. Minnesota Statutes 1982, section 278.05, subdivision 5, is

amended to read:

Subd. 5. Any time after the filing of the petition and before the trial of the issues raised thereby, when the defense or claim presented is that the property has been partially, unfairly, or unequally assessed, or that the parcel has been assessed at a valuation greater than its real or actual value, or that a parcel which is classified as homestead under the provisions of section 273.13, subdivisions 6, 6a, 7, 7b, 10 or 12, has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class in that portion of the county in which the parcel is located, for which the commissioner is able to establish and publish a sales ratio study, the attorney representing the state, county, city or town in the proceedings may serve on the petitioner, or his attorney, and file with the clerk of the district court, an offer to reduce the valuation of any tract or tracts to a valuation set forth in the offer. If, within ten days thereafter, the petitioner, or his attorney, gives notice in writing to the county attorney, or the attorney for the city or town, that the offer is accepted, he may file the offer with proof of notice, and the clerk shall enter judgment accordingly. Otherwise, the offer shall be deemed withdrawn and evidence thereof shall not be given; and, unless a lower valuation than specified in the offer is found by the court, no costs or disbursements shall be allowed to the petitioner, but the costs and disbursements of the state, county, city or town, including interest at six percent on the tax based on the amount of the offer from and after the ~~first 15th~~ day of ~~November~~ *October* of the year the taxes are payable, shall be taxed in its favor and included in the judgment and when collected shall be credited to the county revenue fund, unless the taxes were paid in full before the ~~first 15th~~ day of ~~November~~ *October* of the year in which the taxes were payable, in which event interest shall not be taxable.

Sec. 34. Minnesota Statutes 1982, section 279.01, subdivision 1, is amended to read:

Subdivision 1. On ~~June first~~, *May 16* of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on non-homestead property. Thereafter, for both homestead and non-homestead property, on the ~~first 16th~~ day of each month, up to and including ~~November first~~ *October 16* following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed \$10, one-half thereof may be paid prior to ~~June first~~ *May 16*; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to ~~November first~~ *October 16* following, without penalty; but, if not so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on non-homestead property. Thereafter, for homestead property, on the ~~first 16th~~ day of each month up to and including ~~January + December 16~~ following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for non-homestead property, on the ~~first 16th~~ day of each month up to and including ~~January + December 16~~ following, an additional penalty of four percent for each month shall accrue and be charged on all

such unpaid taxes. If one-half of such taxes shall not be paid prior to ~~June first May 16~~, the same may be paid at any time prior to ~~November first October 16~~, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until ~~November first October 16~~ following; provided, also, that the same may be paid in installments as follows: One-fourth prior to ~~April first March 16~~; one-fourth prior to ~~June first May 16~~; one-fourth prior to ~~September first August 16~~; and the remaining one-fourth prior to ~~November first October 16~~, subject to the aforesaid penalties. Where the taxes delinquent after ~~November first October 16~~ against any tract or parcel exceed \$40, they may be paid in installments of not less than 25 percent thereof, together with all accrued penalties and costs, up to the next tax judgment sale, and after such payment, penalties, interest, and costs shall accrue only on the sum remaining unpaid. Any county treasurer who shall make out and deliver or countersign any receipt for any such taxes without including all of the foregoing penalties therein, shall be liable to the county for the amount of such penalties.

Sec. 35: Minnesota Statutes 1982, section 473F.08, subdivision 7a, is amended to read:

Subd. 7a. The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to subdivision 3, clause (a), within the county and the total tax on contribution value pursuant to subdivision 6, within the county. On or before ~~June 1~~ May 15 of each year, he shall certify the differences so determined to each county auditor. In addition, he shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 30 15 and November 30 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditors certification.

Sec. 36. [REPEALER.]

Minnesota Statutes 1982, sections 273.13, subdivision 15b; 273.139; 273.138, subdivisions 1 and 4; 275.09, subdivision 3; and 275.51, subdivisions 3e and 5, are repealed.

Sec. 37. [EFFECTIVE DATE.]

Except as otherwise specified, this article is effective for taxes levied in 1983, payable in 1984 and thereafter.

ARTICLE 3: LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 1982, section 116J.42, subdivision 7, is amended to read:

Subd. 7. The commissioner:

(1) Shall continuously gather and develop demographic data within the state;

(2) Shall design and test methods of research and data collection;

(3) Shall have the power to call upon any agency of the state or political subdivision for data as may be available, and the agencies and political subdivisions shall cooperate to the fullest extent possible;

(4) Shall periodically prepare population projections for designated regions and for the state and may periodically prepare projections for each county, or other political or geographic division;

(5) Shall review, comment, and prepare analysis of population estimates and projections made by state agencies, political subdivisions, other states, federal agencies or nongovernmental persons, institutions or commissions;

(6) Shall serve as the state liaison with the federal bureau of census, shall coordinate his activities with federal demographic activities to the fullest extent possible, and shall aid the legislature in preparing a census data plan and form for each decennial census;

(7) Shall compile an annual study of population estimates on the basis of county, regional or other political or geographic divisions as necessary to carry out the purposes of this subdivision and section 116J.43;

(8) Shall, on or before January 1 of each year, issue a report to the legislature containing an analysis of the demographic implications of the annual population study and population projections;

(9) Shall cause to be prepared maps of all counties in the state, all municipalities with a population of 10,000 or more, and any other municipalities as deemed necessary for census purposes, according to scale and detail recommended by the federal bureau of the census, with the maps of cities showing boundaries of precincts; and

(10) Shall annually prepare a ~~population~~ *an estimate of population and of the number of households* for each governmental subdivision for which the metropolitan council does not prepare an annual ~~population~~ estimate, and shall communicate the ~~estimate~~ *estimates* to the governing body of each governmental subdivision by May 1 of each year.

Sec. 2. Minnesota Statutes 1982, section 477A.011, is amended by adding a subdivision to read:

Subd. 3a. [NUMBER OF HOUSEHOLDS.] Number of households means the number of households established by the most recent federal census, by a special census conducted under contract with the United States bureau of the census, by an estimate made by the metropolitan council, or by an estimate of the state demographer made pursuant to section 116J.42, subdivision 7, whichever is the most recent as to the stated date of the count or estimate.

Sec. 3. Minnesota Statutes 1982, section 477A.011, subdivision 6, is amended to read:

Subd. 6. [CONSUMER PRICE INDEX IMPLICIT PRICE DEFLATOR INCREASE.] For any calendar year aid distribution, the ~~consumer price index implicit price deflator~~ increase means the percentage increase in the revised consumer price index for all urban consumers for the Minneapolis - St. Paul metropolitan area implicit price deflator for government purchases of goods and services for state and local government prepared by the bureau of economic analysis of the United States department of ~~labor~~ commerce for the

12 month period ending in June of the previous year.

Sec. 4. Minnesota Statutes 1982, section 477A.011, subdivision 7, is amended to read:

Subd. 7. [LOCAL REVENUE BASE.] For the 1982 1984 aid distribution, a municipality's local revenue base means its ~~local revenue base~~ for the sum of:

(a) (1) in the case of a municipality which had a local revenue base for the 1981 aid distribution, the 1981 aid distribution base calculated pursuant to Minnesota Statutes 1980, Section 477A.01, less any amount added to the local revenue base for the costs of principal and interest on bonded debt incurred for the purpose of providing capital replacement for streets, curbs, gutters, storm sewers, and bridges, ~~increased in the manner prescribed by clauses (a) and (b); and, for home rule charter and statutory cities but not towns, multiplied by a factor of 1.208, and multiplied by a factor equal to the estimated 1981 population divided by the 1980 census population, if the latter factor is greater than 1.0; or~~

For all subsequent calendar year aid distributions, a municipality's local revenue base means its local revenue base for the previous year aid distribution calculated pursuant to sections 477A.011 to 477A.014 increased by:

(a) a percentage equal to the consumer price index increase; and

(b) a percentage equal to the percentage increase in population over that used to compute the previous year aid distribution, if any.

The local revenue base for a statutory or home rule charter city or a town having the powers of a statutory city pursuant to section 368.01 or special law which has a population of 2,500 or more according to the most recent federal census and

(2) in the case of a municipality which ~~does did~~ not have a local revenue base for the previous year 1981 aid distribution shall be established by adding, the prior year's local government aid ~~received certified for 1983 pursuant to Minnesota Statutes 1980, Section 477A.01 or sections 477A.011 to 477A.014, and plus~~ the property tax levy, exclusive of levies for bonded indebtedness, in the preceding year and multiplying that sum by a percentage equal to the consumer price index increase ~~for taxes payable in 1983;~~

(b) except for the cities of Minneapolis and St. Paul, the amount received in calendar year 1983 pursuant to Minnesota Statutes 1982, section 273.138;

(c) the amount received in calendar year 1983 pursuant to Minnesota Statutes 1982, section 273.139, including any amount received by a district as defined in section 273.73, subdivision 9, which lies totally within the municipality; and

(d) the total amount of any revenues received from a gross earnings tax on privately owned public utilities in calendar year 1982.

For 1985 and all subsequent calendar year aid distributions the local revenue base means the adjusted local revenue base used in the previous year aid distribution.

Sec. 5. Minnesota Statutes 1982, section 477A.011, is amended by ad-

ding a subdivision to read:

Subd. 7a. [ADJUSTED LOCAL REVENUE BASE.] Adjusted local revenue base means the local revenue base increased by:

(a) a percentage equal to the implicit price deflator increase; and

(b) a percentage equal to the percentage increase in population over that used to compute the previous year aid distribution, if any, or a percentage equal to the percentage increase in number of households over that used to compute the previous year aid distribution, if any, whichever is higher.

For the purposes of the 1984 aid distribution, the 1981 estimates of population and number of households shall be considered as the estimates used in the previous year aid distribution.

Sec. 6. Minnesota Statutes 1982, section 477A.011, subdivision 10, is amended to read:

Subd. 10. [MAXIMUM INCREASE AID AMOUNT.] For any calendar year the 1984 aid distribution, a municipality's maximum increase aid amount shall mean the following percentage of its previous year aid:

(a) 12 percent if its previous year aid is greater than \$100 per capita;

(b) 15 percent if its previous year aid is greater than \$75 per capita but not greater than \$100 per capita;

(c) 17 percent if its previous year aid is greater than \$50 per capita but not greater than \$75 per capita;

(d) 20 percent if its previous year aid is not greater than \$50 per capita be 106 percent of the amount it was certified to receive in 1983 pursuant to sections 477A.011 to 477A.03, plus any amounts received in 1983 pursuant to Minnesota Statutes 1982, section 273.139, including any amount received by a district as defined in section 273.73, subdivision 9, which lies totally within the municipality; and, for all municipalities except the cities of Minneapolis and St. Paul, any amounts received in 1983 pursuant to Minnesota Statutes 1982, section 273.138.

For any subsequent calendar year aid distribution, a municipality's maximum aid amount shall be 106 percent of the amount received in the previous year pursuant to sections 477A.011 to 477A.03.

Sec. 7. Minnesota Statutes 1982, section 477A.012, is amended to read:

477A.012 [COUNTY GOVERNMENT DISTRIBUTIONS.]

In each calendar year 1984, every county government except that of a county containing a city of the first class shall receive a distribution equal to one-half of its previous year certified aid. In 1985, and thereafter, no aid will be distributed to counties pursuant to sections 477A.011 to 477A.03.

Sec. 8. Minnesota Statutes 1982, section 477A.013, subdivision 2, is amended to read:

Subd. 2. [MUNICIPALITIES OVER 2,500 POPULATION CITIES.] In each calendar year, each statutory and home rule charter city, and each town having the powers of a statutory city pursuant to section 368.01 or special law, which has a population of 2,500 or more according to the latest federal census

home rule charter or statutory city shall receive a distribution equal to the amount obtained by subtracting the product of 40 11 mills and multiplied by the municipality's city's equalized assessed value from the adjusted local revenue base.

This amount shall then be adjusted, so that it is neither less than the sum of its previous year aid and its minimum increase, nor greater than the sum of its previous year aid and its maximum increase.

Sec. 9. Minnesota Statutes 1982, section 477.013, is amended by adding a subdivision to read:

Subd. 3. [TOWNS.] In each calendar year, each town shall receive a distribution equal to the amount obtained by subtracting four mills multiplied by the town's equalized assessed value from the adjusted local revenue base.

Sec. 10. Minnesota Statutes 1982, section 477A.013 is amended by adding a subdivision to read:

Subd. 4. [AID LIMITATION.] The aid amount determined pursuant to subdivision 2 or 3 shall be limited so that it is not greater than the municipality's maximum aid amount.

Sec. 11. Minnesota Statutes 1982, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [LIMITATION ON APPROPRIATION; ~~PROPORTIONATE REDUCTION MUNICIPALITIES.~~] The amount appropriated under subdivision 1 for distributions to towns pursuant to section 477A.013 shall not exceed \$240,725,464 \$6,800,000 for calendar year 1982 and the amount appropriated for distribution to cities pursuant to section 477A.013 and section 12 shall not exceed \$270,561,978 \$244,000,000 for calendar year 1983 1984. If the limitations contained in this subdivision result in a reduction in the amounts determined pursuant to sections 477A.012 and section 477A.013, subdivision 2, each governmental unit home rule charter and statutory city receiving local government aid shall have its distribution proportionally reduced; but no local government unit shall receive less aid than its previous year aid in proportion to the amounts determined pursuant to section 477A.013, subdivision 2, before the limitation of section 477A.013, subdivision 4, is taken into account. If the limitations contained in this subdivision result in a reduction in the amounts determined pursuant to section 477A.013, subdivision 3, each town receiving local government aid shall have its distribution reduced in proportion to the amounts determined pursuant to section 477A.013, subdivision 3, before the limitation of section 477A.013, subdivision 4, is taken into account.

Sec. 12. [SUPPLEMENTAL APPROPRIATION.]

Subdivision 1. [MAXIMUM REDUCTION.] No home rule charter city or statutory city shall receive a distribution in calendar year 1984 pursuant to sections 477A.011 to 477A.03 that is less than the sum of the amounts received in 1983 pursuant to sections 477A.011 to 477A.03, 273.139, and 273.138, by more than an amount equal to one mill times the unit's equalized assessed value for the 1984 distribution.

No home rule charter city or statutory city shall receive a distribution in calendar year 1985 pursuant to sections 477A.011 to 477A.03 that is less

than the sum of the amounts received in 1984 pursuant to sections 477A.011 to 477A.03, 273.139, and 273.138, by more than an amount equal to one-half mill times the unit's equalized assessed value for the 1985 distribution.

No home rule charter city or statutory city shall receive a distribution in calendar year 1986 pursuant to sections 477A.011 to 477A.03 that is less than the sum of the amounts received in 1985 pursuant to sections 477A.011 to 477A.03, 273.139, and 273.138, by more than an amount equal to one-half mill times the unit's equalized assessed value for the 1986 distribution.

Subd. 2. [PAYMENTS.] Of the \$244,000,000 appropriated for distribution to cities, an amount not to exceed \$9,500,000 may be used for the purposes of this section. Payments shall be made in the manner prescribed in section 477A.015. In the event that this appropriation is not sufficient, all home rule charter or statutory cities receiving aid pursuant to this section shall have their aid proportionally reduced.

Sec. 13. [REPEALER.]

Minnesota Statutes 1982, sections 477A.011, subdivisions 4, 5, 8, and 9; and 477A.013, subdivision 1, are repealed.

Sec. 14. [EFFECTIVE DATE.]

Sections 1 to 13 are effective January 1, 1984.

ARTICLE 4: PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1982, section 290A.03, subdivision 8, is amended to read:

Subd. 8. [CLAIMANT.] "Claimant" means a person, other than a dependent, who filed a claim authorized by sections 290A.01 to 290A.20 and who was domiciled in this state during the calendar year for which the claim for relief was filed. In the case of a claim ~~relating to rent constituting property taxes under section 290A.04, subdivision 2e,~~ the claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim. "Claimant" shall not include a resident of a nursing home, intermediate care facility, or long term residential facility ~~whose rent constituting property taxes is for whom the facility's charges~~ are paid pursuant to the supplemental security income program under Title XVI of the social security act, the Minnesota supplemental aid program under sections 256D.35 to 256D.41, the medical assistance program pursuant to Title XIX of the social security act, or the general assistance medical care program pursuant to section 256D.03, Subdivision 3. If only a portion of the ~~rent constituting property taxes is~~ charges are paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04, *subdivision 2e,* shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3 reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program or the general assistance medical care program and the denominator of which is income as defined in subdivision 3 plus vendor payments under the medical assistance program or the general assistance medical care program, to de-

termine the allowable refund pursuant to this chapter. In the case of a claim ~~for rent constituting property taxes under section 290A.04, subdivision 2e, of a part year resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue and his decision shall be final. If a homestead property owner was a part year resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.~~

If a homestead is occupied by two or more renters, who are not husband and wife, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be his household income for purposes of computing the amount of credit to be allowed.

Sec. 2. Minnesota Statutes 1982, section 290A.03, subdivision 12, is amended to read:

Subd. 12. [GROSS RENT.] "Gross rent" means rental *actually paid in cash or its equivalent in any calendar year solely for the right of occupancy, at arms-length, of a the claimant's Minnesota homestead in the calendar year, exclusive of charges for any utilities, services, furniture, or furnishings furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not. If the landlord and tenant have not dealt with each other at arms-length and the commissioner determines that the gross rent charged was excessive, he may adjust the gross rent to a reasonable amount for purposes of sections 290A.01 to 290A.20.*

If the landlord does not supply the charges for any utilities, furniture, or furnishings furnished by him, or if the charges appear to be incorrect the commissioner may apply a percentage determined from samples of similar gross rents paid solely for the right of occupancy.

Any amount paid by a claimant residing in property assessed pursuant to section 273.133 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section 273.133 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

Sec. 3. Minnesota Statutes 1982, section 290A.04, subdivision 1, is amended to read:

Subdivision 1. [HOMEOWNERS.] (a) *Subject to the limitation in clause (b), a credit shall be allowed each claimant in, other than one who rents or leases his homestead, equal to the amount that by which property taxes payable or rent constituting property taxes exceed the percentage of the household income of the claimant specified in subdivision 2 in the year for which the taxes were levied or in the year in which the rent was paid. The maximum credit for any claimant who was disabled on or before June 1 or who attained*

the age of 65 prior to June 1 of the year following the year for which the taxes were levied ~~or in which the rent was paid~~ shall be \$200 above the maximum for which that claimant would otherwise be eligible according to his income.

(b) A claimant who is not disabled on or before June 1 and who had not attained the age of 65 prior to June 1 of the year following the year for which the taxes were levied shall receive a credit equal to 95 percent of the amount computed pursuant to clause (a) and subdivision 2.

Sec. 4. Minnesota Statutes 1982, section 290A.04, subdivision 2, is amended to read:

Subd. 2. The refund shall be paid to claimants whose property taxes payable exceed the following percentages of their income, up to the designated maximum credit amounts:

For claimants earning:

\$0 to \$2,999, 0.5 percent, up to \$650;

3,000 to 3,999, 0.6 percent, up to \$650;

4,000 to 4,999, 0.7 percent, up to \$650;

5,000 to 5,999, 0.8 percent, up to \$650;

6,000 to 6,999, 0.9 percent, up to \$650;

7,000 to 7,999, 1.0 percent, up to \$650;

8,000 to 8,999, 1.1 percent, up to \$650;

9,000 to 9,999, 1.2 percent, up to \$650;

10,000 to 10,999, 1.3 percent, up to \$650;

11,000 to 11,999, 1.4 percent, up to \$650;

12,000 to 19,999, 1.5 percent, up to \$650;

20,000 to 22,999, 1.6 percent, up to \$650;

23,000 to 25,999, 1.8 percent, up to \$600;

26,000 to 30,999, 2.0 percent, up to \$550;

31,000 to 35,999, 2.2 percent, up to \$525;

36,000 to 40,999, 2.4 percent, up to \$500;

41,000 to 44,999, 2.6 percent, up to \$500;

45,000 to 52,999, 2.8 percent, up to \$500;

53,000 to 65,999, 3.0 percent, up to \$500;

66,000 to 81,999, 3.2 percent, up to \$500;

82,000 to 99,999, 3.5 percent, up to \$500;

100,000 and over, 4.0 percent, up to \$500;

provided that maximum credits for incomes above \$20,000 decline according to the following schedule:

between \$20,000 and \$26,000 decline \$16.67 per \$1,000; between \$26,000 and \$36,000 decline \$5 per \$1,000.

The payment made to a claimant shall be the amount of refund calculated pursuant to this subdivision, but not exceeding \$850, *and subdivisions 2a and 2b*, less the homestead credit given pursuant to section 273.13, subdivisions 6, 7 and 14a.

Sec. 5. Minnesota Statutes 1982, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. An additional refund shall be allowed each claimant who was not disabled or who had not attained the age of 65 by June 1 of the year in which the taxes were payable in an amount equal to 50 percent of the amount by which property taxes payable ~~or rent constituting property taxes~~ exceed the sum of (a) the refund calculated pursuant to subdivision 2 and (b) the percentage of the claimant's household income specified in subdivision 2. The sum of the refunds provided in subdivision 2 and this subdivision shall not exceed the maximum amounts provided below.

For claimants earning:

\$0 to 25,999, up to \$1,000;

26,000 to ~~35,999~~ 29,000, up to \$850;

29,000 to 30,000, up to \$790

30,000 to 31,000, up to \$790

31,000 to 32,000, up to \$790

32,000 to 33,000, up to \$790

33,000 to 34,000, up to \$744

34,000 to 35,000, up to \$744

35,000 to 36,000, up to \$700

36,000 to 37,000, up to \$660

37,000 to 38,000, up to \$620

38,000 to 39,000, up to \$590

~~39,000~~ 39,000 and over, up to \$550;

provided that maximum refunds for incomes ~~above~~ *between* \$20,000 and \$29,000 decline according to the following schedule:

between \$20,000 and \$26,000 decline \$25 per \$1,000; between \$26,000 and ~~\$36,000~~ \$29,000 decline \$30 per \$1,000. ~~A claimant who owns his own homestead part of the year and rents part of the year may add his rent constituting property taxes to the qualifying tax on his homestead and receive the additional refund provided in subdivision 2a.~~

Sec. 6. Minnesota Statutes 1982, section 290A.04, subdivision 2b, is amended to read:

Subd. 2b. An additional refund shall be allowed each claimant who is disabled or has attained the age of 65 by June 1 of the year in which the taxes

were payable in an amount equal to 50 percent of the amount by which property taxes payable ~~or rent constituting property taxes~~ exceed the sum of (a) the refund calculated pursuant to subdivision 2 and (b) the percentage of the claimant's household income specified in subdivision 2. The sum of the refunds provided in subdivision 2 and this subdivision shall not exceed the maximum amounts provided below.

For claimants earning:

\$0 to 22,999, up to \$1,000;

23,000 to 25,999, up to \$975;

26,000 to 35,999, up to \$950;

36,000 and over, up to \$750;

provided that maximum refunds for incomes above \$20,000 decline according to the following schedule:

between \$20,000 and \$26,000 decline \$8.33 per \$1,000; between \$26,000 and \$36,000 decline \$20 per \$1,000.

In the case of a claimant who was disabled on or before June 1 or who attained the age of 65 on the date specified in subdivision 1, the refund shall not be less than the refund which the claimant's household income as defined in section 290A.03 and property tax ~~or rent constituting property tax~~ would have entitled him to receive under Minnesota Statutes 1974, Section 290.0618.

Sec. 7. Minnesota Statutes 1982, section 290A.04, is amended by adding a subdivision to read:

Subd. 2e. [RENTERS.] A credit shall be allowed to each claimant who is a renter, equal to the following percentage of gross rent paid at the following levels of income. Disability and age shall be determined on or before June 1 of the year in which the rent was paid.

For incomes of:

Percentage of gross rent:
non-disabled, disabled
under 65 or over 64

<i>\$0 to 2,999</i>	<i>21</i>	<i>22</i>
<i>3,000 to 4,999</i>	<i>20</i>	<i>21</i>
<i>5,000 to 5,999</i>	<i>19.5</i>	<i>20</i>
<i>6,000 to 6,999</i>	<i>18.5</i>	<i>20</i>
<i>7,000 to 7,999</i>	<i>17.5</i>	<i>19</i>
<i>8,000 to 8,999</i>	<i>16.5</i>	<i>18.5</i>
<i>9,000 to 9,999</i>	<i>16</i>	<i>18</i>
<i>10,000 to 10,999</i>	<i>15</i>	<i>17</i>
<i>11,000 to 11,999</i>	<i>14</i>	<i>16</i>
<i>12,000 to 12,999</i>	<i>13.5</i>	<i>15</i>
<i>13,000 to 13,999</i>	<i>13</i>	<i>15</i>
<i>14,000 to 14,999</i>	<i>12.5</i>	<i>14.5</i>
<i>15,000 to 15,999</i>	<i>12</i>	<i>14</i>
<i>16,000 to 16,999</i>	<i>11.5</i>	<i>13.5</i>
<i>17,000 to 17,999</i>	<i>11</i>	<i>12.5</i>
<i>18,000 to 18,999</i>	<i>9.5</i>	<i>12</i>
<i>19,000 to 19,999</i>	<i>7</i>	<i>10.5</i>
<i>20,000 to 24,999</i>	<i>4</i>	<i>7</i>
<i>25,000 to 29,999</i>	<i>1</i>	<i>3</i>
<i>30,000 and over</i>	<i>0</i>	<i>0</i>

The maximum credit paid pursuant to this subdivision is \$400 for claimants who are not disabled and who are under the age of 65, and \$500 for claimants who are disabled or who are aged 65 or older.

Sec. 8. Minnesota Statutes 1982, section 290A.04, subdivision 3, as amended by Laws 1983, chapter 15, section 29, is amended to read:

Subd. 3. The commissioner of revenue shall construct and make available to taxpayers a comprehensive table showing the property taxes *or gross rent* to be paid and credit allowed at various levels of income and assessment. The table shall follow the schedule of income percentages, maximums and other provisions specified in subdivisions 2, 2a, ~~and 2b, and 2e~~, except that the commissioner may graduate the transition between income brackets. All refunds shall be computed in accordance with tables prepared and issued by the commissioner of revenue.

For homestead property owners who are disabled or are 65 or older, as provided in subdivision 1, the commissioner shall base his determination of the credit on the gross qualifying tax reduced by the average statewide effective homestead credit percentage for taxes payable in 1975 calculated under section 273.13, subdivisions 6 and 7.

Sec. 9. Minnesota Statutes 1982, section 290A.04, is amended by adding a subdivision to read:

Subd. 2f. [ELECTION.] If an individual has both rented and owned homesteads during a year, he may elect to claim a credit under subdivision 1 or 2e, but may not claim both credits for the year.

Sec. 10. Minnesota Statutes 1982, section 290A.05, is amended to read:

290A.05 [COMBINED HOUSEHOLD INCOME.]

If a person occupies a homestead with another person or persons not related to the person as husband and wife, excluding dependents, roomers or boarders on contract, and has property tax payable with respect to the homestead, the household income of the claimant or claimants for the purpose of computing the refund allowed by section 290A.04 shall include the total income received by the other persons residing in the homestead. If a person occupies a homestead with another person or persons not related as husband and wife or as dependents, the property tax payable *or gross rent constituting property tax* shall be reduced as follows:

If the other person or persons are residing at the homestead under rental or lease agreement, the amount of property tax payable *or gross rent constituting property tax* shall be that portion not covered by the rental agreement.

Sec. 11. Minnesota Statutes 1982, section 290A.06, is amended to read:

290A.06 [FILING TIME LIMIT, LATE FILING.]

Any claim for property taxes payable shall be filed with the department of revenue on or before August 31 of the year in which the property taxes are due and payable. Any claim ~~for based on gross rent constituting property taxes~~ shall be filed with the department of revenue on or before August 31 of the year following the year in which the rent was paid. The commissioner may extend the time for filing these claims for a period not to exceed six months in the case of sickness, absence, or other disability, or when in his

judgment other good cause exists.

A claim filed after the original or extended due date shall be allowed, but the amount of credit shall be reduced by five percent of the amount otherwise allowable, plus an additional five percent for each month of delinquency, not exceeding a total reduction of 25 percent which may be cancelled or reduced by the commissioner in the case of sickness, absence, or other disability, or when in his judgment other good cause exists. In any event no claim shall be allowed if the initial claim is filed two years after the original due date for filing the claim.

The time limit on redetermination of claims for refund and examination of records shall be governed by sections 290.49, 290.50, and 290.56 and for purposes of computing the time limit as provided in these sections the due date of the property tax refund return shall be the same as the due date contained in section 290.42 for an income tax return covering the year in which the rent was paid or the year preceding the year in which the property taxes are payable.

Sec. 12. [REPEALER.]

Minnesota Statutes 1982, section 290A.03, subdivision 11, is repealed.

Sec. 13. [EFFECTIVE DATE.]

This article is effective for claims based on property taxes payable in 1984 and subsequent years and rent paid in 1983 and subsequent years.

ARTICLE 5: SALES TAX

Section 1. Minnesota Statutes 1982, section 297A.02, subdivision 1, as amended by Laws 1982, Third Special Session chapter 1, article VI, section 2, is amended to read:

297A.02 [IMPOSITION OF TAX.]

Subdivision 1. [GENERALLY.] Except as otherwise provided in this chapter, there is hereby imposed an excise tax of ~~five six~~ ^{six} percent of the gross receipts from sales at retail, ~~as hereinbefore defined,~~ made by any person in this state; ~~except that for sales at retail made after December 31, 1982 and prior to July 1, 1983 the rate shall be six percent.~~

Sec. 2. Minnesota Statutes 1982, section 297A.03, subdivision 2, as amended by Laws 1982, Third Special Session chapter 1, article VI, section 3, is amended to read:

Subd. 2. It shall be unlawful for any retailer to advertise or hold out or state to the public or any customer, directly or indirectly, that the tax or any part thereof will be assumed or absorbed by the retailer, or that it will not be added to the sales price or that, if added, it or any part thereof will be refunded except that in computing the tax to be collected as the result of any transaction amounts of tax less than one-half of one cent may be disregarded and amounts of tax if one-half cent or more may be considered an additional cent. If the sales price of any sale at retail is nine cents or less, or if the sales price of any sale at retail made after December 31, 1982 ~~and prior to July 1, 1983,~~ is eight cents or less, no tax shall be collected. Any person violating this provision shall be guilty of a misdemeanor.

Sec. 3. Minnesota Statutes 1982, section 297A.14, as amended by Laws

1982, Third Special Session chapter 1, chapter VI, section 4, is amended to read:

297A.14 [USING, STORING OR CONSUMING TANGIBLE PERSONAL PROPERTY; ADMISSIONS; UTILITIES.]

For the privilege of using, storing or consuming in Minnesota tangible personal property, tickets or admissions to places of amusement and athletic events, electricity, gas, and local exchange telephone service purchased for use, storage or consumption in this state, there is hereby imposed on every person in this state a use tax at the rate of five percent of the sales price of sales at retail of any of the aforementioned items made to such person unless the tax imposed by section 297A.02 was paid on the sales price, except that for sales at retail of any of the aforementioned items made after December 31, 1982 and prior to July 1, 1983 the rate shall be six percent. Notwithstanding the provisions of this paragraph, the rate of the use tax imposed upon the sales price of sales of farm machinery shall be four percent.

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

Notwithstanding any other provisions of sections 297A.01 to 297A.44 to the contrary, the cost of paper and ink products exceeding \$100,000 in any calendar year, used or consumed in producing a publication as defined in section 297A.25, subdivision 1, clause (i) is subject to the tax imposed by this section.

Sec. 4. Minnesota Statutes 1982, section 297A.25, subdivision 1, is amended to read:

Subdivision 1. The following are specifically exempted from the taxes imposed by sections 297A.01 to 297A.44:

(a) The gross receipts from the sale of food products including but not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, cocoa and cocoa products, and food products which are not taxable pursuant to section 297A.01, subdivision 3, clause (c) and which are sold by a retailer, organized as a nonprofit corporation or association, within a place located on property owned by the state or an agency or instrumentality of the state, the entrance to which is subject to an admission charge. This exemption does not include the following:

(i) candy and candy products;

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

(b) The gross receipts from the sale of prescribed drugs and medicine intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings and products consumed by humans for the preservation of health, including prescription glasses, ther-

apeutic and prosthetic devices, but not including cosmetics or toilet articles notwithstanding the presence of medicinal ingredients therein;

(c) The gross receipts from the sale of and the storage, use or other consumption in Minnesota of tangible personal property, tickets, or admissions, electricity, gas, or local exchange telephone service, which under the Constitution or laws of the United States or under the Constitution of Minnesota, the state of Minnesota is prohibited from taxing;

(d) The gross receipts from the sale of tangible personal property (i) which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use, or, if subject to tax in that other state, that state allows a similar exemption for property purchased therein and transported to Minnesota for use in this state; except that sales of tangible personal property that is shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the property is shipped or transported, unless that state has no use tax, in which case the sale shall be taxed at the rate generally imposed by this state; and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; or (ii) which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(e) The gross receipts from the sale of packing materials used to pack and ship household goods, the ultimate destination of which is outside the state of Minnesota and which are not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(f) The gross receipts from the sale of and storage, use or consumption of petroleum products upon which a tax has been imposed under the provisions of chapter 296, whether or not any part of said tax may be subsequently refunded;

(g) The gross receipts from the sale of clothing and wearing apparel except the following:

(i) all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with precious metals or imitations thereof; watches; clocks; cases and movements for watches and clocks; gold, gold-plated, silver, or sterling flatware or hollow ware and silver-plated hollow ware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars.

(ii) articles made of fur on the hide or pelt, and articles of which such fur is

the component material or chief value, but only if such value is more than three times the value of the next most valuable component material.

(iii) perfume, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous and toilet powders. The tax imposed by this act shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the case of babies.

(iv) trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, salesmen's sample and display cases, purses, handbags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases.

(h) The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein;

(i) The gross receipts from the sale of and storage, use or other consumption in Minnesota of tangible personal property (except as provided in section 297A.14) which is used or consumed in producing any publication regularly issued at average intervals not exceeding three months, and any such publication. For purposes of this subsection, "publication" as used herein shall include, without limiting the foregoing, a legal newspaper as defined by Minnesota Statutes 1965, Section 331.02, and any supplements or enclosures with or part of said newspaper; and the gross receipts of any advertising contained therein or therewith shall be exempt. For this purpose, advertising in any such publication shall be deemed to be a service and not tangible personal property, and persons or their agents who publish or sell such newspapers shall be deemed to be engaging in a service with respect to gross receipts realized from such newsgathering or publishing activities by them, including the sale of advertising. *The term "publication" shall not include magazines and periodicals sold over the counter.* Machinery, equipment, implements, tools, accessories, appliances, contrivances, fur-

niture and fixtures used in such publication and fuel, electricity, gas or steam used for space heating or lighting, are not exempt;

(j) The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities or a state and its agencies, instrumentalities and political subdivisions;

(k) The gross receipts from the isolated or occasional sale of tangible personal property in Minnesota not made in the normal course of business of selling that kind of property, and the storage, use, or consumption of property acquired as a result of such a sale;

(l) The gross receipts from sales of rolling stock and the storage, use or other consumption of such property by railroads, freight line companies, sleeping car companies and express companies taxed on the gross earnings basis in lieu of ad valorem taxes. For purposes of this clause "rolling stock" is defined as the portable or moving apparatus and machinery of any such company which moves on the road, and includes, but is not limited to, engines, cars, tenders, coaches, sleeping cars and parts necessary for the repair and maintenance of such rolling stock.

(m) The gross receipts from sales of airlift equipment and the storage, use or other consumption of such property by airline companies taxed under the provisions of sections 270.071 to 270.079. For purposes of this clause, "airlift equipment" includes airplanes and parts necessary for the repair and maintenance of such airlift equipment, and flight simulators.

(n) The gross receipts from the sale of telephone central office telephone equipment used in furnishing intrastate and interstate telephone service to the public.

(o) The gross receipts from the sale of and the storage, use or other consumption by persons taxed under the in lieu provisions of chapter 298, of mill liners, grinding rods and grinding balls which are substantially consumed in the production of taconite, the material of which primarily is added to and becomes a part of the material being processed.

(p) The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious or educational purposes if the property purchased is to be used in the performance of charitable, religious or educational functions, or any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders;

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

(r) The gross receipts from the sale of an automobile or other conveyance if the purchaser is assisted by a grant from the United States in accordance with 38 United States Code, Section 1901, as amended.

(s) The gross receipts from the sale to the licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654, if the aircraft is resold while the permit is in effect.

(t) The gross receipts from the sale of building materials to be used in the construction or remodeling of a residence when the construction or remodeling is financed in whole or in part by the United States in accordance with 38 United States Code, Sections 801 to 805, as amended. This exemption shall not be effective at time of sale of the materials to contractors, subcontractors, builders or owners, but shall be applicable only upon a claim for refund to the commissioner of revenue filed by recipients of the benefits provided in Title 38 United States Code, Chapter 21, as amended. The commissioner shall provide by regulation for the refund of taxes paid on sales exempt in accordance with this paragraph.

(u) The gross receipts from the sale of textbooks which are prescribed for use in conjunction with a course of study in a public or private school, college, university and business or trade school to students who are regularly enrolled at such institutions. For purposes of this clause a "public school" is defined as one that furnishes course of study, enrollment and staff that meets standards of the state board of education and a private school is one which under the standards of the state board of education, provides an education substantially equivalent to that furnished at a public school. Business and trade schools shall mean such schools licensed pursuant to section 141.25.

(v) The gross receipts from the sale of and the storage of material designed to advertise and promote the sale of merchandise or services, which material is purchased and stored for the purpose of subsequently shipping or otherwise transferring outside the state by the purchaser for use thereafter solely outside the state of Minnesota.

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

(i) all fuel oil, coal, wood, steam, propane gas, and L.P. gas sold to residential customers for residential use;

(ii) natural gas sold for residential use to customers who are metered and billed as residential users and who use natural gas for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

(iii) electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat, for the billing months of November, December, January, February, March and April.

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

(y) The gross receipts from either the sales to or the storage, use or con-

sumption of tangible personal property by an organization of military service veterans or an auxiliary unit of an organization of military service veterans, provided that:

(i) the organization or auxiliary unit is organized within the state of Minnesota and is exempt from federal taxation pursuant to section 501(c), clause (19), of the Internal Revenue Code as amended through December 31, 1978; and

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

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

Sec. 5. Minnesota Statutes 1982, section 297B.01, subdivision 8, is amended to read:

Subd. 8. "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise, provided however, that when a motor vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under Laws 1971, Chapter 853, the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle. The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between a husband and wife or parent and child, nor shall it include the transfer of a motor vehicle by a guardian to his ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor. *There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.*

Sec. 6. Minnesota Statutes 1982, section 297B.02, as amended by Laws 1982, Third Special Session chapter 1, article VI, section 5, is amended to read:

297B.02 [TAX IMPOSED.]

There is hereby imposed an excise tax at the rate of ~~five percent~~ *provided in chapter 297A* on the purchase price of any motor vehicle purchased or acquired, either in or outside of the state of Minnesota, which is required to be

registered under the laws of this state.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 6 are effective for sales made after June 30, 1983.

ARTICLE 6: BUDGET RESERVE

Section 1. Minnesota Statutes 1982, section 16A.15, subdivision 1, is amended to read:

Subdivision 1. [REDUCTION.] In case the commissioner of finance shall discover at any time that the probable receipts from taxes or other sources for any appropriation, fund, or item will be less than was anticipated, and that consequently the amount available for the remainder of the biennium will be less than the amount estimated or allotted therefor, he shall *act to eliminate the deficit as provided in this subdivision. The commissioner shall transfer from the budget reserve account established in subdivision 6 to the undesignated balance in the general fund the amount necessary to balance revenue and expenditures until the amount remaining in the budget reserve account is equal to 1-1/2 percent of total current estimated biennial general fund expenditures and transfers less dedicated revenue expenditures. Any further deficit shall be made up as follows:*

The commissioner shall, with the approval of the governor, and after notice to the agency concerned and consultation with the legislative advisory commission created by section 3.30, either:

(a) ~~after consultation with the legislative advisory commission created by section 3.30, transfer from the budget reserve account established in section 16A.153, subdivision 6 to the general fund the amount necessary to balance revenue and expenditures; or~~

(b) reduce the amount allotted or to be allotted so as to prevent a deficit; or

(c) make any combination of transfers and reductions as provided by clauses (a) and (b).

In reducing allotments, the commissioner of finance may consider other sources of revenue available to recipients of state appropriations and apply allotment reductions based on all sources of revenue available. In addition, the commissioner may determine the appropriations not subject to allotment reduction and make transfers for those from the budget reserve account.

In like manner he shall request reduction of the amount allotted or to be allotted to any agency by the amount of any saving which can be effected upon previous spending plans through a reduction in prices or other cause.

Sec. 2. Minnesota Statutes 1982, section 16A.15, is amended by adding a subdivision to read:

Subd. 6. [BUDGET RESERVE ACCOUNT.] The commissioner of finance on July 1, 1983 shall transfer \$250,000,000 to a budget reserve account in the general fund in the state treasury.

Sec. 3. Minnesota Statutes 1982, section 16A.15, is amended by adding a subdivision to read:

Subd. 7. [DELAY IN PAYMENT.] The commissioner of finance may delay

payment of an amount up to 15 percent of an appropriation due to a city or town, county, special taxing district, school district, system of higher education, or other governmental or nongovernmental unit in that entity's fiscal year for up to 60 days after the commencement of its next fiscal year. The amount delayed is subject to allotment reduction under section 1.

Sec. 4. [REPEALER.]

Minnesota Statutes 1982, section 16A.153, is repealed.

Sec. 5. [EFFECTIVE DATE.]

This article is effective on the day following final enactment.

ARTICLE 7: ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 1982, section 273.13, subdivision 9, is amended to read:

Subd. 9. [CLASS 4A, 4B, 4C, AND 4D.] (1) All property not included in the preceding classes shall constitute class 4a and shall be valued and assessed at 43 percent of the market value thereof, except as otherwise provided in this subdivision.

(2) Real property which is not improved with a structure and which is not utilized as part of a commercial or industrial activity shall constitute class 4b and shall be valued and assessed at 40 percent of market value.

(3) Commercial and industrial property, except as provided in this subdivision, shall constitute class 4c and shall be valued and assessed at 40 percent of the first \$50,000 of market value and 43 percent of the remainder, provided that in the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel shall qualify for the 40 percent assessment, and in the case of other commercial or industrial property owned by one person or entity, only one parcel in each county shall qualify for the 40 percent assessment.

(4) ~~Industrial~~ Employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 4d and shall be valued and assessed at 20 percent of the first \$50,000 of market value and 21.5 percent of the remainder, *except that for employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), the first \$50,000 of market value shall be valued and assessed pursuant to paragraph (3) and the remainder shall be assessed and valued at 38.5 percent, unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 10, subdivision 9, paragraph (a).*

Sec. 2. Minnesota Statutes 1982, section 273.1312, subdivision 2, is amended to read:

Subd. 2. [DESIGNATION.] The commissioner shall designate an area as an enterprise zone if ~~(+)~~ (a) an application is made in the form and manner and containing the information as prescribed by the ~~commissioner's rules~~

commissioner; (ii) (b) the application is made or approved by the governing body of the area; and (iii) (c) the area is determined by the commissioner to be eligible for designation under subdivision 4; and (d) the zone is selected pursuant to the process provided by section 10.

Sec. 3. Minnesota Statutes 1982, section 273.1312, subdivision 3, is amended to read:

Subd. 3. [DURATION.] The designation of an area as an enterprise zone shall be effective ~~from for seven years after the date of designation to 12 years thereafter.~~

Sec. 4. Minnesota Statutes 1982, section 273.1312, subdivision 4, is amended to read:

Subd. 4. [ELIGIBILITY REQUIREMENTS.] An area is eligible for designation if *the following requirements are met:*

(1) (a) Its boundary is continuous and includes, ~~if feasible, proximately located~~ vacant or underutilized lands or buildings ~~conveniently accessible to residents of the area.~~

(2) Its population as determined under the most recent federal decennial census is at least (i) 4,000 if any of the area is located within an SMSA with a population of 50,000 or more, or (ii) 2,500 in any other case ~~unless the area is an Indian reservation, for which no minimum population is required.~~ (b) The area of the zone is less than 400 acres and the total market value of the taxable property contained in the zone at the time of application is less than \$200,000 per acre, except that these restrictions shall not apply to areas designated pursuant to paragraph (c), clause (2) or (3).

(3) (a) (1) The proposed zone is located within an economic hardship area, as established by meeting ~~three~~ two or more of the following criteria:

(1) (A) the ~~percentage number of total~~ residential housing units within the zone area which ~~was constructed prior to 1950 is 70~~ are substandard is 15 percent or greater under criteria prescribed by the commissioner using data collected by the bureau of the census;

(2) (B) the percentage of households within the zone area that fall below the poverty level, as determined by the United States census bureau, is 20 percent or greater;

(3) (C) (i) the total number of persons residing within the zone has declined by ten percent or more over the ten years preceding application market value of commercial and industrial property in the area has declined over three of the preceding five years, or (ii) the total market value of all property in the area, as equalized by the sales ratio study, has declined or its growth has lagged three percentage points behind the statewide growth in total equalized market value in the state over the preceding three year period;

(4) (D) for the last full year for which data is available, the percentage of the work force of the jurisdiction of the governing body of the area in which the zone is located engaged in manufacturing is less than the percentage of the work force of the state engaged in manufacturing nonfarm per capita income in the area was 90 percent or less of the median for the state, excluding standard metropolitan statistical areas, or for the standard metropolitan statistical

area if the area is located in a standard metropolitan statistical area;

(5) the jurisdiction of the governing body of the area in which the zone is located has recently experienced a significant employment reduction at a federal military installation within the SMSA in which it is located (E) (i) the current rate of unemployment in the area is 120 percent of the statewide average unemployment for the previous year, or (ii) the total number of employment positions has declined by ten percent during the last 18 months; or

(b) (2) The area is so designated under federal legislation providing for federal tax benefits to investors, employers or employees in enterprise zones similar to the state tax benefits set forth in Laws 1982, Chapter 523; and

(4) The governing body of the area seeking to be designated as an enterprise zone, by resolution, agrees to follow a course of action, during the period for which the designation is effective, designed to promote economic development in the area. The program may be implemented by governmental action, by private entities, or both; and may include but is not limited to:

(a) Reduction or abatement of real property taxes of industrial land and facilities according to section 273.1313;

(b) Issuance of revenue bonds or use of federal funds available to finance loans for private industrial and housing facilities;

(c) Issuance of bonds and use of taxes, tax increments, and available federal funds to finance public facilities in the area;

(d) Increase in the level or efficiency of governmental services;

(e) Commitments from public or private entities in the area to provide jobs, job training, and technical, financial, or other assistance to employees and residents of the area; or

(3) The area consists of a statutory or home rule charter city with a contiguous border with a city in another state or with a contiguous border with a city in Minnesota which has a contiguous border with a city in another state and the area is determined by the commissioner to be economically or fiscally distressed.

For purposes of this subdivision, an economic hardship area must have a population under the most recent federal decennial census of at least (i) 4,000 if any of the area is located wholly or partly within a standard metropolitan statistical area, or (ii) 2,500 for an area located outside of a standard metropolitan statistical area, or (iii) no minimum in the case of an area located in an Indian reservation.

Sec. 5. Minnesota Statutes 1982, section 273.1312, subdivision 5, is amended to read:

Subd. 5. [LIMITATION.] No area shall may be designated as an enterprise zone after December 31, 1996 1986.

Sec. 6. Minnesota Statutes 1982, section 273.1313, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (+) Terms (a) As used in this section, the following terms have the meanings given them in this subdivision.

(2) (b) "Commissioner" means the commissioner of revenue.

(3) ~~“Industrial~~ (c) “Employment property” means taxable property, excluding land but including buildings, structures, fixtures, and improvements that satisfy each of the following conditions:

(a) (1) The property is located within an enterprise zone designated according to section 273.1312.

(b) (2) The ~~primary purpose and prospective use of the property is (i) the manufacture or processing of goods or materials by physical or chemical change, or (ii) the provision of office, engineering, research and development, warehousing, parts distribution, or other facilities that are related to a manufacturing or processing operation conducted by the user commercial or industrial property which is not used in a trade or business which either is described in section 103(b)(6)(O) of the Internal Revenue Code of 1954, as amended through January 15, 1983, or is a public utility.~~

(c) The user will own the property or occupy it under a lease requiring the user to pay property taxes on it as if the user were the owner.

(d) The property is classified as industrial employment property by the procedure and subject to the conditions provided in this section; before it is first placed in use.

(4) (d) “Market value”~~;~~ as applied to industrial of a parcel of employment property on any particular parcel of land, means the value of all the taxable property situated there ~~except the land~~, as annually determined pursuant to section 273.12, less (i) the market value of all property existing at the time of application for classification, as last assessed prior to the time of application, and (ii) any increase in the market value of the property referred to in clause (i) as assessed in each year after the industrial employment property is first placed in service. In each year, any change in the values of the industrial employment property and the other property on the land shall be deemed to be proportionate unless caused by a capital improvement or loss.

(5) (e) “Municipality” means any home rule charter or statutory city or county, but a county may not exercise the powers granted in this section with reference to property situated within a city.

(f) Notwithstanding the provisions of clauses (c) and (d) “employment property” and “market value” includes in the case of taxable real property located in an enterprise zone designated under section 273.1312, subdivision 4, paragraph (c), clause (3), the entire value of the commercial and industrial property used in a trade or business which is not used in a trade or business which either is described in section 103(b)(6)(O) of the Internal Revenue Code of 1954, as amended through January 15, 1983, or is a public utility; provided that the provisions of this paragraph shall not apply to employment property located in an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), that is assessed pursuant to the first clause of the first sentence of section 273.13, subdivision 9, paragraph (4).

Sec. 7. Minnesota Statutes 1982, section 273.1313, subdivision 2, is amended to read:

Subd. 2. [PROGRAM.] (1) (a) The governing body of any municipality which contains a designated enterprise zone as provided by section

273.1312 ~~may~~ shall by resolution establish a program for classification of new industrial property or improvements to existing property as industrial employment property pursuant to the provisions of this section; ~~if it finds that the program is needed to facilitate and encourage the renewal or addition of industrial facilities to provide or preserve employment opportunities for its citizens.~~ Applications for classification under the program shall be filed with the municipal clerk or auditor in a form prescribed by the commissioner, with additions as may be prescribed by the municipal governing body. The application shall contain, *where appropriate*, a legal description of the parcel of land on which the facility is to be situated or improved; a general description of the facility or improvement and its proposed use, ~~the equipment proposed to be used in connection with it (including equipment exempt from taxation under existing law);~~ the probable time schedule for undertaking the construction or improvement, and information regarding the matters referred to in paragraph (4) (d); the market value and the assessed value of the land and of all other taxable property then situated on it, according to the most recent assessment; and an estimate of the probable cost of the new construction or improvement and the market value of the new or improved facility (excluding land) when completed.

(2) (b) Upon receipt of an application the municipal clerk or auditor, subject to any prior approval required by the resolution establishing the program, shall furnish a copy to the assessor for the property and to the governing body of each school district and other public body authorized to levy taxes on the property, and shall publish a notice in the official newspaper of the time and place of a hearing to be held by the governing body on the application, not less than 30 days after the notice is published, stating that the applicant, the assessor, representatives of the affected taxing authorities, and any taxpayer of the municipality may be heard or may present their views in writing at or before the hearing. The hearing may be adjourned from time to time, but the governing body shall take action on the application by resolution within 30 days after the hearing. If disapproved, the reasons shall be set forth in the resolution, and the applicant may appeal to the commissioner within 30 days thereafter, but only on the ground that the determination is arbitrary, in relation to prior determinations as to classification under the program, or based upon a mistake of law. If approved, the resolution shall include determinations as to the matters set forth in paragraph (4) (d), and the clerk or auditor shall transmit it to the commissioner.

(3) (c) Within 60 days after receipt of an approved application or an appeal from the disapproval of an application, the commissioner shall take action on it. The commissioner shall approve each application approved by the governing body if he finds that it complies with the provisions of this section. If he disapproves the application, or finds grounds exist for appeal of a disapproved application, he shall transmit the finding to the governing body and the applicant. When grounds for appeal have been determined to exist, the governing body shall reconsider and take further action on the application within 30 days after receipt of the commissioner's notice and serve written notice of the action upon the applicant. The applicant, within 30 days after receipt of notice of final disapproval by the commissioner or the governing body, may appeal from the disapproval to a court of competent jurisdiction.

(4) (d) *In the case of enterprise zones qualifying pursuant to section 273.1312, subdivision 4, paragraph (c), clause (1), an application shall not*

be approved unless the governing body finds and determines that the construction or improvement of the facility:

(a) (1) Is reasonably likely to create new employment or prevent a loss of employment in the municipality;

(b) (2) Is not likely to have the effect of transferring existing employment from one or more other municipalities within the state;

(c) (3) Is not likely to cause the total market value of industrial employment property within the municipality to exceed five percent of the total market value of all taxable property within the municipality; or if it will, the resulting limitation upon the increase of the assessed value of all taxable property within the municipality, considering the amount of additional municipal services likely to be required for the industrial employment property, is not likely to substantially impede the operation or the financial integrity of the municipality or any other public body levying taxes on property in the municipality; and

(d) (4) Will not result in the reduction of the assessed value of existing property within the municipality owned by the applicant, through abandonment, demolition, or otherwise, without provision for the restoration of the existing property within a reasonable time in a manner sufficient to restore the assessed valuation.

Sec. 8. Minnesota Statutes 1982, section 273.1313, subdivision 3, is amended to read:

Subd. 3. [CLASSIFICATION.] Property shall be classified as industrial employment property and assessed as provided for class 4d property in section 273.13, subdivision 9, ~~clause paragraph~~ (4), for taxes levied in the year in which the classification is approved and in each year thereafter to and including the 12th year after the industrial employment property is completed for the four succeeding years after the approval. If the classification is revoked, the revocation is effective for taxes levied in the next year after revocation.

Sec. 9. Minnesota Statutes 1982, section 273.1313, subdivision 5, is amended to read:

Subd. 5. [HEARING.] Upon receipt of the request, the commissioner shall notify the applicant and the governing body by certified mail of a time and place, ~~not less than 30 days after receipt~~, at which the applicant may be heard ~~and~~. *The hearing must be held within 30 days after receipt of the request. Within 30 days after the hearing, the commissioner will shall* determine whether the facts and circumstances are grounds for revocation as recommended by the governing body. If the commissioner revokes the classification, the applicant may appeal from the commissioner's order to a court of competent jurisdiction at any time within 30 days after revocation.

Sec. 10. [273.1314] [SELECTION OF ENTERPRISE ZONES.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "City" means a statutory or home rule charter city.

(b) "Commissioner" means the commissioner of energy, planning, and

development or its successor agency.

(c) "Legislative advisory commission" means the legislative advisory commission established under section 3.30.

(d) "Municipality" means a city or a county for an area located outside the boundaries of a city. If an area lies in two or more cities or in both incorporated and unincorporated areas, municipality shall include an entity formed pursuant to section 471.59 by the governing bodies of the cities with jurisdiction over the incorporated area and the counties with jurisdiction over the unincorporated area.

Subd. 2. [SUBMISSION OF APPLICATIONS.] On or before July 31 of each year, a municipality seeking designation of an area as an enterprise zone shall submit an application to the commissioner. The commissioner shall establish procedures and forms for the submission of applications for enterprise zone designation.

Subd. 3. [APPLICATIONS; CONTENTS.] The applications for designation as an enterprise zone shall contain, at a minimum:

(a) verification that the area is eligible for designation pursuant to section 273.1312;

(b) a development plan, outlining the types of investment and development within the zone that the municipality expects to take place if the incentives and tax reductions specified under paragraphs (d) and (e) are provided, including specific investment or development reasonably expected to take place and any commitments obtained from businesses;

(c) the municipality's proposed means of assessing the effectiveness of the development plan once it has been implemented;

(d) the specific form of tax reductions, authorized by subdivision 9, proposed to be granted to businesses making new investment in the zones, the duration of the tax reductions, an estimate of the total state taxes likely to be foregone as a result, and a statement of the relationship between the proposed tax reductions and the type of investment or development sought or expected to be attracted to the area if it is designated as a zone;

(e) the municipality's contribution to the zone as required by subdivision 6;

(f) any additional information required by the commissioner; and

(g) any additional information which the municipality considers relevant to the designation of the area as an enterprise zone.

Paragraph (b) does not apply to an application for designation under section 273.1312, subdivision 4, paragraph (c), clause (3).

Subd. 4. [EVALUATION OF APPLICATIONS.] The commissioner shall review and evaluate the applications submitted pursuant to subdivision 3 and shall determine whether each area is eligible for designation as an enterprise zone. If the department of energy, planning, and development no longer exists as presently constituted, the commissioner shall consult with the successor to the responsibilities of the planning division of that department in making this determination. In determining whether an area is eligible under section 273.1312, subdivision 4, paragraph (c), if unemployment, employ-

ment, income or other necessary data are not available for the area from the federal departments of labor or commerce or the state demographer, the commissioner may rely upon other data submitted by the municipality if he determines it is statistically reliable or accurate. The commissioner, in conjunction with the commissioner of revenue, shall prepare an estimate of the amount of state tax revenue which will be foregone for each application if the area is designated as a zone.

On or before September 1 of each year, the commissioner shall submit to the legislative advisory commission a list of the areas eligible for designation as enterprise zones, along with his recommendations for designation and supporting documentation. In making recommendations for designation, the commissioner shall consider and evaluate the applications pursuant to the following criteria:

(a) the pervasiveness of poverty, unemployment, and general distress in the area;

(b) the extent of chronic abandonment, deterioration or reduction in value of commercial, industrial or residential structures in the area and the extent of property tax arrearages in the area;

(c) the prospects for new investment and economic development in the area with the tax reductions proposed in the application relative to the state and local tax revenue which would be foregone;

(d) the competing needs of other areas of the state;

(e) the municipality's proposed use of other state and federal development funds or programs to increase the probability of new investment and development occurring;

(f) the extent to which the projected development in the zone will provide employment to residents of the economic hardship area;

(g) the funds available pursuant to subdivision 8; and

(h) other relevant factors which he specifies in his recommendations.

The commissioner shall submit a separate list of the areas entitled to designation as enterprise zones under section 273.1312, subdivision 4, paragraph (c), clauses (2) and (3), along with his recommendations for the amount of funds to be allocated to each area.

Subd. 5. [LAC RECOMMENDATIONS.] On or before September 15, the legislative advisory commission shall submit to the commissioner its advisory recommendations regarding the designation of enterprise zones. By September 30 of each year the commissioner shall make the final designation of the areas as enterprise zones, pursuant to section 273.1312, subdivision 2. In making the designation, the commissioner may make modifications in the design of or limitations on the tax reductions contained in the application necessary because of the funding limitations under subdivision 8.

Subd. 6. [LOCAL CONTRIBUTION.] No area may be designated as an enterprise zone unless the municipality agrees to make a qualifying local contribution in the form of (a) a property tax reduction for employment property as provided by section 273.1313 for any business qualifying for a state tax reduction pursuant to this section, or (b) an equivalent local con-

tribution or investment out of other municipal funds, but excluding any special federal grants or loans. If the local contribution is to be used to fund additional reductions in state taxes, the commissioner and the governing body of the municipality shall enter an agreement for timely payment to the state to reimburse the state for the amount of tax revenue foregone as a result.

Subd. 7. [LIMITATIONS; NUMBER OF DESIGNATIONS.] (a) In each of the years 1983 and 1984, the commissioner shall designate at least three but not more than six areas as enterprise zones. No designations shall be made after December 31, 1984.

(b) No more than one area may be designated as an enterprise zone in any county, except that two areas may be designated in a county containing a city of the first class.

(c) No more than one area in a congressional district may be designated as an enterprise zone in any calendar year.

This subdivision shall not apply to enterprise zones designated pursuant to section 273.1312, subdivision 4, paragraph (c), clauses (2) or (3).

Subd. 8. [FUNDING LIMITATIONS.] (a) \$35,000,000 is appropriated to the commissioner of revenue from the general fund for the purpose of funding the tax reductions authorized pursuant to designations of enterprise zones under section 273.1312 and this section. \$10,000,000 of the total appropriation is the maximum amount which may be authorized by the commissioner for tax reductions pursuant to subdivision 9 that will reduce tax revenues which otherwise would have been received during fiscal years 1984 and 1985. The commissioner shall allocate to enterprise zones designated under section 273.1312, subdivision 4, paragraph (c), clause (3), an amount not less than the total appropriation multiplied by .9 and multiplied by a fraction, the numerator of which is the number of zones designated under section 273.1312, subdivision 4, paragraph (c), clause (3), and the denominator of which is the maximum number of enterprise zones which may be designated for the year including those designated under section 273.1312, subdivision 4, paragraph (c), clause (3) during any year and the funds shall be allocated among such zones on a per capita basis. Upon designation of an enterprise zone the commissioner shall certify the total amount available for tax reductions in the zone for its duration. The amount certified shall reduce the amount available for tax reductions in other enterprise zones. If subsequent estimates indicate or actual experience shows that the approved tax reductions will result in amounts of tax reductions in excess of the amount certified, the commissioner shall implement a plan to reduce the available tax reductions in the zone to an amount within the sum certified. If subsequent estimates indicate or actual experience shows that the approved tax reductions will result in amounts of tax reductions below the amount certified, the difference shall be available for certification in other zones or used in connection with an amended plan of tax reductions for the zone as the commissioner determines appropriate. If the tax reductions authorized result in reduced revenues for a dedicated fund, the commissioner of finance shall transfer equivalent amounts to the dedicated fund from the general fund as necessary.

(b) The appropriation pursuant to paragraph (a) shall not cancel. The

commissioner of finance shall reduce the amount of the appropriation based upon information supplied by the commissioner of revenue that the tax reductions authorized for enterprise zones have or are estimated to have resulted in reduced state tax collections.

Subd. 9. [AUTHORIZED FORMS OF STATE TAX REDUCTIONS.] (a) *The following types of tax reductions may be approved by the commissioner for businesses located in an enterprise zone:*

(1) An exemption from the general sales tax imposed by chapter 297A for purchases of construction materials or equipment for use in the zone;

(2) A refundable credit against the income tax of an employer for workers employed in the zone, other than workers employed in construction, up to a maximum of \$1,500 per employee;

(3) An income tax credit for a percentage of the cost of debt financing to construct new facilities in the zone;

(4) A state paid property tax credit for a portion of the property taxes paid by a new commercial or industrial facility or the additional property taxes paid by an expansion of an existing commercial or industrial facility in the zone.

(b) The municipality shall specify in its application for designation the types of tax reductions it seeks to be made available in the zone and the percentage rates and other appropriate limitations on the reductions.

(c) Upon designation of an enterprise zone and approval by the commissioner of the tax reductions to be made available therein, the commissioner of revenue shall take the steps necessary to implement the tax reductions.

(d) The tax reductions provided by this subdivision shall not apply to any facility described in section 103(b)(6)(O) of the Internal Revenue Code of 1954, as amended through January 15, 1983, or to any regulated public utility.

(e) The commissioner shall approve tax reductions authorized by paragraph (a) within an enterprise zone designated pursuant to section 273.1312, subdivision 4, paragraph (c), clause (3), only after the governing body of a city designated as an enterprise zone has designated a specific portion or the city not in excess of 400 acres in which the tax reductions may be provided.

(f) In addition to the tax reductions authorized by paragraph (a), for an enterprise zone designated under section 273.1312, subdivision 4, paragraph (c), clause (3), the following types of tax reductions may be approved:

(1) A credit against income tax for workers employed in the zone up to a maximum of \$1,000 per employee; or

(2) A state paid property tax credit for a portion of the property taxes paid by a commercial or industrial facility located in the zone.

(g) Each tax reduction provided to a business pursuant to this subdivision shall terminate not longer than five years after the effective date of the tax reduction for the business.

Subd. 10. [RECAPTURE.] *Any business which receives tax reductions authorized by subdivision 9 and which ceases to operate its facility located*

within the enterprise zone within two years after the expiration of the tax reductions shall repay the amount of the tax reduction pursuant to the following schedule:

Termination of operations	Repayment Portion
Less than 6 months	100 percent
6 months or more but less than 12 months	75 percent
12 months or more but less than 18 months	50 percent
18 months or more but less than 24 months	25 percent

Subd. 11. [DEVELOPMENT AND REDEVELOPMENT POWERS.] Notwithstanding any contrary provision of law or charter, any city which contains an enterprise zone or which has been designated as an enterprise zone may, in addition to its other powers and without limiting them, exercise the powers granted to a governmental subdivision by chapters 458, 462, and 472. Section 458.192, subdivision 14, shall apply to the city in the exercise of the powers granted pursuant to this section. It may exercise the powers assigned to redevelopment agencies pursuant to chapter 474, without limitation to further the purposes of sections 458.09 to 458.1991, 462.411 to 462.705, and chapters 472 and 472A. It may exercise the powers set forth in sections 458.09 to 458.1991, 462.411 to 462.705, and chapters 472 and 472A, without limitation to further the purposes and policies set forth in chapter 474. It may exercise the powers granted by this subdivision and any other development or redevelopment powers authorized by other laws, including chapters 472A and 474, independently or in conjunction with each other as though all the powers had been granted to a single entity. Any project undertaken to accomplish the purposes of chapter 462 that qualifies as single-family housing under section 462C.02, subdivision 4, shall be subject to the provisions of chapter 462C.

The authorization for a city to exercise powers pursuant to this subdivision shall terminate upon the expiration of the designation of the enterprise zone provided that the powers granted by this subdivision may be exercised after that date with respect to any project, program, or activity commenced or established prior to that date.

Subd. 12. [TECHNICAL ASSISTANCE.] The commissioner shall establish a mechanism for providing and shall provide technical assistance to small municipalities seeking designation of an area as an enterprise zone under this section and section 273.1312. For purposes of this subdivision, a small municipality means a municipality with a population of 10,000 or less.

Subd. 13. [ADMINISTRATIVE PROCEDURES ACT.] The provisions of chapter 14 shall not apply to designation of enterprise zones pursuant to this section or section 273.1312.

Subd. 14. [FEDERAL DESIGNATIONS.] The commissioner may accept applications and may at any time grant a contingent designation of area as an enterprise zone for purposes of seeking a designation of the area as a federal enterprise zone. For purposes of the designations, the commissioner may waive any of the requirements or limitations on designations contained in this section. If the contingent designation would require funding in excess of the amount available pursuant to subdivision 8, the commissioner shall inform the members of the legislative advisory commission and shall submit a re-

quest for the necessary funding to the tax and appropriations committees of the legislature.

Subd. 15. [REPEALER.] *This section is repealed effective December 31, 1991.*

Sec. 11. [INSTRUCTION TO REVISOR.]

If the department of energy, planning, and development no longer exists as presently constituted, "commissioner" as defined in section 273.1312 and section 10 means the successor to the responsibilities of the economic development division of that department. The revisor of statutes shall change the definition as appropriate in Minnesota Statutes 1984, and subsequent editions.

Sec. 12. Minnesota Statutes 1982, section 290.01, subdivision 20b, as amended by Laws 1982, Third Special Session chapter 1, article 5, section 2, is amended to read:

Subd. 20b. [MODIFICATIONS REDUCING FEDERAL ADJUSTED GROSS INCOME.] There shall be subtracted from federal adjusted gross income:

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

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to 40 per centum of the portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Income from the performance of personal or professional services which is subject to the reciprocity exclusion contained in section 290.081, clause (a);

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

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

(6) To the extent included in federal adjusted gross income, or the amount reflected as the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, notwithstanding any other law to the contrary, the amount received by any person (i) from the

United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions, or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954. The maximum amount of this subtraction shall be \$11,000 less the amount by which the individual's federal adjusted gross income, plus the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, exceeds \$17,000. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$11,000; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000;

(7) The amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code of 1954 but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(8) To the extent included in the taxpayer's federal adjusted gross income for the taxable year, gain recognized upon a transfer of property to the spouse or former spouse of the taxpayer in exchange for the release of the spouse's marital rights;

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

(10) Interest, including payment adjustment to the extent that it is applied to interest, earned by the seller of the property on a family farm security loan executed before January 1, 1986 that is guaranteed by the commissioner of agriculture as provided in sections 41.51 to 41.60;

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

(12) The amount of any income earned for personal services rendered outside of Minnesota prior to the date when the taxpayer became a resident of Minnesota. This modification does not apply to compensation defined in subdivision 20b, clause (6);

(13) In the case of wages or salaries paid or incurred on or after January 1, 1977, the amount of any credit for employment of certain new employees under sections 44B and 51 to 53 of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the

production or receipt of income included in the measure of the tax imposed by this chapter;

(14) In the case of work incentive program expenses paid or incurred on or after January 1, 1979, the amount of any credit for expenses of work incentive programs under sections 40, 50A and 50B of the Internal Revenue Code of 1954 which is claimed as a credit against the taxpayer's federal tax liability, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

(15) Unemployment compensation to the extent includible in gross income for federal income tax purposes under section 85 of the Internal Revenue Code of 1954;

(16) To the extent included in federal adjusted gross income, severance pay that may be treated as a lump sum distribution under the provisions of section 290.032, subdivision 5;

(17) The amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

(18) Minnesota exempt-interest dividends as provided by subdivision 27;

(19) A business casualty loss which the taxpayer elected to deduct on the current year's Minnesota income tax return but did not deduct on the current year's federal income tax return;

(20) To the extent included in federal adjusted gross income, in the case of a city manager or city administrator who elects to be excluded from the public employees retirement association and who makes contributions to a deferred compensation program pursuant to section 353.028, the amount of payments from the deferred compensation program equivalent to the amount of contributions taxed under subdivision 20a, clause (20);

(21) Contributions to and interest earned on an individual housing account as provided by section 290.08, subdivision 25;

(22) Interest earned on a contract for deed entered into for the sale of property for agricultural use if the rate of interest set in the contract is no more than nine percent per year for the duration of the term of the contract. This exclusion shall be available only if (1) the purchaser is an individual who, together with his spouse and dependents, has a total net worth valued at less than \$150,000 and (2) the property sold under the contract is farm land as defined in section 41.52, subdivision 6 of no more than 1,000 acres that the purchaser intends to use for agricultural purposes. Compliance with these requirements shall be stated in an affidavit to be filed with the first income tax return on which the taxpayer claims the exclusion provided in this clause. Upon request accompanied by the information necessary to make the determination, the commissioner shall determine whether interest to be paid on a proposed transaction will qualify for this exclusion; the determination shall be provided within 30 days of receipt of the request, unless the commissioner finds it necessary to obtain additional information, or verification of the information provided, in which case the determination shall be provided within 30 days of receipt of the final item of information or verification. The exclusion provided in this clause shall apply to interest

earned on contracts for deed entered into after December 31, 1981 and before July 1, 1983;

(23) The penalty on the early withdrawal of an all-savers certificate as provided in section 128(e) of the Internal Revenue Code of 1954 to the extent that the interest was included in income under subdivision 20a, clause (22);

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

(25) To the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represent a return of designated employee contributions to the plan and which contributions were included in gross income pursuant to subdivision 20a, clause (27); and

(26) Amounts paid to the taxpayer as interest, and amounts paid to the taxpayer as a share of earnings, on a small business participating debenture, to the extent allowed in section 290.08, subdivision 26.

Sec. 13. Minnesota Statutes 1982, section 290.01, is amended by adding a subdivision to read:

Subd. 28. [QUALIFIED SMALL BUSINESS.] "Qualified small business" means a business entity organized for profit if the entity:

(1) Has 20 or fewer employees and has less than \$1,000,000 in gross annual receipts;

(2) Is not a subsidiary or an affiliate of a business which employs more than 20 employees or has total gross receipts for the previous year of more than \$1,000,000, computed by aggregating all of the employees and gross receipts of the business entities affiliated with the business;

(3) Has its commercial domicile in this state;

(4) Does not derive more than 20 percent of its gross receipts from royalties, rents, dividends, interest, annuities, and sales or exchanges of stock or securities;

(5) Is not engaged in a trade or business, the primary purpose of which is described in section 103(b)(6)(O) of the Internal Revenue Code of 1954, as amended through January 15, 1983; and

(6) Is certified by the commissioner of energy, planning and development that it satisfies the requirements of clauses (1) to (5).

Sec. 14. Minnesota Statutes 1982, section 290.01, is amended by adding a subdivision to read:

Subd. 29. [SMALL BUSINESS PARTICIPATING DEBENTURE.] "Small business participating debenture" means a written debt instrument issued by a qualified small business which:

(a) is a general obligation of the qualified small business;

(b) bears a stated fixed rate of interest;

(c) has a fixed maturity; and

(d) grants no voting or conversion rights in the qualified small business to the purchaser.

Sec. 15. Minnesota Statutes 1982, section 290.06, subdivision 1, as amended by Laws 1983, chapter 15, section 4, is amended to read:

Subdivision 1. [COMPUTATION, CORPORATIONS.] The privilege and income taxes imposed by this chapter upon corporations shall be computed by applying to their taxable net income in excess of the applicable deductions allowed under section 290.21 the following rates:

(1) (a) On the first \$25,000, for the first taxable year beginning after December 31, 1981 and before January 1, 1983 nine percent and, for taxable years beginning after December 31, 1982, \$50,000, six percent; provided that, in the case of a corporation having taxable net income allocated to this state pursuant to the provisions of section 290.19, 290.20, 290.35, or 290.36, the amount of income subject to this rate shall be that proportion of \$25,000 which its income allocable to this state bears to its total taxable net income;

(b) On the next \$25,000, eight percent;

(c) On the next \$25,000, ten percent; provided that, in the case of a corporation having taxable net income allocated to this state pursuant to the provisions of section 290.19, 290.20, 290.35, or 290.36, the amount of income subject to the rates in paragraphs (a), (b), and (c) shall be that proportion of the income subject to each of those rates which its income allocable to this state bears to its total taxable net income; and

(2) (d) On the remainder, 12 percent.

Sec. 16. [290.069] [SMALL BUSINESS INVESTMENT CREDITS.]

Subdivision 1. [DEFINITIONS.] (a) "Small business assistance office" means a nonprofit corporation which is formed under chapter 317, is an exempt organization under section 501(c)(3) of the Internal Revenue Code, and satisfies the following conditions:

(1) The primary purpose of the corporation is to aid in the formation of new businesses which create jobs in the state by training or providing other direct assistance to entrepreneurs, managers, inventors, and other individuals in the development, financing, and operation of qualified small businesses.

(2) The corporation provides audited financial statements to all contributors and the commissioner of energy, planning, and development within 90 days following the close of the corporation's fiscal year.

(3) The corporation employs, at least, two full-time professional employees or the equivalent.

(4) The corporation is not engaged in providing financing or primarily engaged in arranging financing for businesses.

(5) The commissioner of energy, planning and development certifies that the corporation satisfies the requirements of this paragraph for the calendar year.

(b) "Technology" means a proprietary process, formula, pattern, device, or compilation of scientific or technical information unless it

(1) is in the public domain; or

(2) cannot be accurately valued.

(c) "Controlled group of corporations" means the controlled group of corporations as defined in section 1563 of the Internal Revenue Code, and if the corporation is part of a unitary business, includes the corporations or entities constituting the unitary business which are not in the controlled group of corporations as defined in section 1563.

(d) An "innovation center public corporation" is a non-profit public corporation located at a state university in Minnesota that has the purpose of assisting, encouraging, developing, and advancing the high technology small business prosperity and economic welfare of the state.

(e) The "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through January 15, 1983.

Subd. 2. [TECHNOLOGY TRANSFER CREDIT.] A credit may be claimed against the taxes imposed by this chapter in an amount equal to 30 percent of the net value of the technology transferred to a qualified small business if the following conditions are satisfied:

(a) The commissioner certifies that the technology has the value claimed by the transferor taxpayer.

(b) The transferor taxpayer is the exclusive and undisputed owner of the technology at the time the transfer is made.

(c) Except as provided in paragraph (h), the transferor retains no proprietary or financial interest in the technology subsequent to its transfer to the qualified small business and no credit is claimed for the transfer of the technology in a prior or subsequent taxable year, except pursuant to the carryover provisions of subdivision 5.

(d) The credit shall apply only to the first \$1,000,000 of the net value of the technology transferred during the taxable year. The value of the technology shall not exceed the total qualified research expenses, as defined in section 290.068, subdivision 2, expended by the transferor to create or develop the technology. For purposes of this clause, "net value" means the total value of the technology less any payments received from the transferee and less the value of any equity interest in the transferee received by the transferor in exchange for the technology. For purposes of determining the value of the equity interest, the total value of the transferee shall be deemed to be not less than the value of the technology transferred, less any cash payment made to the transferor.

(e) The taxpayer has not deducted the value of the transferred property from income under any other provisions of this chapter, except that the costs of developing the technology may have been deducted as a business expense or depreciated.

(f) The transferee business entity may not be a subsidiary or affiliate of the transferor taxpayer.

(g) The transferee makes a substantial investment in acquiring or developing the technology. The requirements of this clause are satisfied if (1) transferee pays the transferor an amount equal to 20 percent of the value of the technology in return for acquisition of the rights to the technology, or if (2)

the transferee expends an equivalent amount for equipment, materials, wages, or other direct costs to develop, produce, or otherwise use the technology. The requirements of this paragraph may not be satisfied by granting the transferor an equity interest as provided by paragraph (h).

(h) The transferor may receive in exchange for the transfer of the technology an equity interest in the transferee, but this interest may not exceed 25 percent of the capital interest, if the transferee is a partnership, or 25 percent in value of the outstanding stock, if the transferee is a corporation. The transferor's basis in the equity interest shall be reduced by the amount of the credits received pursuant to this subdivision. The transferor may not deduct any loss realized on the sale or exchange of the equity interest.

The commissioner may require that the taxpayer obtain an appraisal of the value of the transferred technology by a reliable, expert third party. The commissioner may promulgate administrative rules for appraising the value of transferred technology.

Subd. 3. [CONTRIBUTION CREDIT.] A credit shall be allowed against the taxes imposed by this chapter in an amount equal to 50 percent of the first \$50,000 of contributions made during the taxable year to a small business assistance office or to an innovation center public corporation. No credit shall be allowed for any contributions deducted pursuant to any other provision of this chapter.

Subd. 4. [EQUITY INVESTMENT CREDIT.] (a) A credit shall be allowed against the tax imposed by this chapter for the taxable year in an amount equal to 30 percent of the net investment in excess of \$25,000 in the equity stock of a qualified small business. The maximum amount of the credit for a taxable year may not exceed \$75,000. For purposes of this credit the following limitations apply:

(1) Equity stock shall not include any security which provides for fixed or variable interest payments.

(2) The taxpayer and any related persons may not own more than 49 percent of the value of any class of stock. For purposes of this paragraph, a person is a related person to another person if (i) the relationship between the persons would result in a disallowance of losses under section 267 or 707(b) of the Internal Revenue Code of 1954 or (ii) the persons are members of the same controlled group of corporations. The restrictions provided by this subdivision shall apply for a three year period beginning on the date the stock is purchased. If the taxpayer or a related person acquires more than 49 percent of the value of any class of stock after the allowance of a credit under this subdivision and prior to the end of the three year period, the taxpayer's tax for the taxable year in which the credit was allowed shall be increased by the amount of the credit previously claimed.

(3) The credit shall not exceed 75 percent of the taxpayer's tax liability computed after the subtraction of all credits, other than the credit provided in this subdivision.

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

Subd. 5. [LIMITATIONS; OTHER CONDITIONS.] The provisions of section 290.068, subdivisions 3, clause (a); 4; and 5 shall apply to the sum of the credits which this section allows, except that no carryback shall be allowed. The carryover provisions of section 290.068, subdivision 3, clause (b), shall apply to the sum of the credits allowed by this section except that the term "research credit" or "research and experimental expenditure credit" shall include the credits authorized by subdivisions 2 to 4 of this section. The credits allowed by subdivisions 2 and 3 shall only be available to corporations and banks whose tax is computed pursuant to section 290.06, subdivision 1.

The maximum limitations on the amount of credits pursuant to subdivisions 2 and 3 shall be determined by aggregating together the credits of all the corporations in the controlled group of corporations with the taxpayer. In order to facilitate compliance with and enforcement of this provision the commissioner may require the taxpayer to claim the credit on a combined report of the unitary business or to file a copy of the consolidated federal return with the state return or both.

Subd. 6. [REPEALER.] This section is repealed effective for contributions made to a small business office or to an innovation center public corporation as provided in subdivision 3 and for technology transferred as described in subdivision 2 in taxable years beginning after December 31, 1985, and for investments made as described in subdivision 4 in taxable years beginning after December 31, 1986.

Sec. 17. Minnesota Statutes 1982, section 290.08, is amended by adding a subdivision to read:

Subd. 26. [SMALL BUSINESS PARTICIPATING DEBENTURE INTEREST.] Gross income does not include up to \$5,000 of amounts paid to the taxpayer as interest and amounts paid to the taxpayer as a share of earnings on a small business participating debenture, as defined in section 14, during a taxable year, except that only the following percentages of the amounts paid as the distribution of a share of earnings are deductible:

(1) 100 percent of amounts paid not more than one year after issuance of the small business participating debenture;

(2) 75 percent of amounts paid more than one year but not more than five years after issuance of the small business participating debenture; and

(3) 50 percent of amounts paid more than five years but not more than ten years after issuance of the small business participating debenture.

Sec. 18. Minnesota Statutes 1982, section 290.09, subdivision 4, is amended to read:

Subd. 4. [TAXES.] Taxes paid or accrued within the taxable year, except (a) income or franchise taxes imposed by this chapter and income or franchise taxes paid to any other state or to any province or territory of Canada for which a credit is allowed under section 290.081; (b) taxes assessed against local benefits of a kind deemed in law to increase the value of the property assessed; (c) inheritance, gift and estate taxes except as provided in section 290.077, subdivision 4; (d) cigarette and tobacco products excise tax imposed on the consumer; (e) that part of Minnesota property taxes for

which a credit or refund is claimed and allowed under chapter 290A; (f) federal income taxes (including the windfall profit tax on domestic crude oil), by corporations, national and state banks; (g) mortgage registry tax; (h) real estate transfer tax; (i) federal telephone tax; (j) federal transportation tax; ~~and (k) income or franchise taxes paid by a corporation to another state, to a political subdivision of another state, or to the District of Columbia; and~~ (l) 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, 1981. 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.

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.

Property taxes shall be allowed as a deduction to the same taxpayer and in the same manner as provided in section 164 of the Internal Revenue Code of 1954, as amended through December 31, 1981, notwithstanding the provisions of section 272.31.

Sec. 19. Minnesota Statutes 1982, section 290.09, subdivision 28, is amended to read:

Subd. 28. [REAL ESTATE INVESTMENT TRUSTS; DEDUCTIBLE DIVIDENDS.] A "real estate investment trust," as defined in section 856 of the Internal Revenue Code of 1954, as amended through December 31, 1981, and to which sections 856 to 860 of the Code apply for the taxable year, may deduct its dividends paid to the extent permitted by section 857(b) (2) (B) of the Code. Such a trust and its shareholders and beneficiaries shall be subject to all of the provisions of sections 857 and 858 of the Code which are applicable under this chapter, in determining their respective taxable net incomes, provided that the amount determined and available for the alternative tax under section 857(b) (3) (A) (ii) of the Code shall be included in gross income ~~subject to the deduction provided by section 290.16, subdivision 4.~~

Sec. 20. Minnesota Statutes 1982, section 290.091, is amended to read:

290.091 [MINIMUM TAX ON PREFERENCE ITEMS.]

In addition to all other taxes imposed by this chapter there is hereby imposed, a tax which, in the case of a resident individual, shall be equal to 40 percent of the amount of the taxpayer's minimum tax liability for tax preference items pursuant to the provisions of sections 55 to 58 and 443(d) of the Internal Revenue Code of 1954 as amended through December 31, 1981. For purposes of the tax imposed by this section, the following modifications shall be made:

(1) Capital gain as defined in section 57(a) of the Internal Revenue Code shall not include that portion of any gain occasioned by sale, transfer or the

granting of a perpetual easement pursuant to any eminent domain proceeding or threat thereof as described in section 290.13, subdivision 5. This modification shall apply to the years in which the gain or reduction in loss is actually included in federal adjusted gross income even though amounts received pursuant to the eminent domain proceedings were received in prior years.

(2) In the case of a corporate taxpayer, percentage depletion shall not be a preference item.

(3) In the case of a corporate taxpayer, ~~the capital gain gains shall not be a preference item shall not include the timber preference income defined in section 57(e)(1) of the Internal Revenue Code.~~

(4) The preference item of reserves for losses on bad debts shall not include reserves allowable under section 593 of the Internal Revenue Code, but which are not allowable under section 290.09, subdivision 6, clause (c).

(5) In the case of an individual, the preference item of adjusted itemized deductions does not include any deduction for charitable contributions in excess of the limitations contained in section 290.21, subdivision 3, including any carryover amount allowed for federal purposes.

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

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

In the case of a resident individual, having preference items which could not be taken to reduce income from sources outside the state pursuant to section 290.17, subdivision 1, or any other taxpayer the tax shall equal 40 percent of that federal liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

The tax benefit rule contained in section 58(h) of the Internal Revenue Code is applied to the Minnesota minimum tax only to the extent that it determines if there is a federal minimum tax. No separate tax benefit rule is allowable for the Minnesota minimum tax.

For property placed in service after December 31, 1980, the preference items contained in section 57 (a)(12) of the Internal Revenue Code of 1954, as amended through December 31, 1981, shall not apply.

Sec. 21. Minnesota Statutes 1982, 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, 60 percent of the amount of ~~such~~ the excess shall be a deduction from gross income. *The deduction provided by this subdivision shall be allowed only if*

the taxpayer has long term capital gain derived from the sale or exchange of qualified securities equal to at least the amount of the excess of net long term capital gain over net short term capital loss. For purposes of this subdivision, "qualified security" means a security as defined in section 165(g)(2) of the Internal Revenue Code of 1954, as amended through January 15, 1983, if (a) the security represents or is convertible to an equity interest in the issuing corporation or business entity, (b) the security or other securities issued by the same corporation or entity were not listed on the New York Stock Exchange, the American Stock Exchange, or the National Association of Securities Dealers Automated Quotation system within a one year period of the date on which the taxpayer acquired the security, and (c) the security was not issued by a corporation or entity in which the taxpayer owned more than 60 percent of the combined voting power of all classes of stock entitled to vote.

Sec. 22. Minnesota Statutes 1982, section 340.47, subdivision 1, is amended to read:

Subdivision 1. [ON INTOXICATING LIQUORS.] There shall be levied and collected on all intoxicating liquors manufactured, imported, sold or in possession of any person in this state, except as herein provided by sections 340.50 and 340.601, and except the natural fermentation of fruit juices in the home for family use the following excise tax:

(1) On all table wine containing 14 percent or less of alcohol by volume, the sum of 27 cents per gallon;

(2) On all wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, the sum of 79 cents per gallon;

(3) On all wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, the sum of \$1.58 per gallon;

(4) On all wines containing more than 24 percent of alcohol by volume, the sum of \$3.08 per gallon;

(5) On all natural and artificial sparkling wines containing alcohol, the sum of \$1.50 per gallon;

(6) *Except as provided in subdivision 1b*, on all other distilled spirituous liquors, liqueurs, cordials, and liquors designated as specialties regardless of alcoholic content, the sum of \$4.39 per gallon, but not including ethyl alcohol; provided, that in computing the tax on any package of spirits a proportional tax at a like rate on all fractional parts of a gallon shall be paid except that all fractional parts of a gallon less than 1/16 shall be taxed at the same rate as shall be taxed for 1/16 of a gallon; provided, however, that the contents of miniatures containing two fluid ounces or less shall be taxed 12 cents..

Sec. 23. Minnesota Statutes 1982, section 340.47, subdivision 1a, is amended to read:

Subd. 1a. [METRIC CONTAINERS.] In lieu of the tax imposed by subdivision 1, there shall be levied and collected on all intoxicating liquors manufactured, imported, sold or in possession of any person in this state when packaged in containers where the net contents is stated in metric units of measure, except as herein provided by sections 340.50 and 340.601, and

except the natural fermentation of fruit juices in the home for family use the following excise tax:

(1) On all table wine containing 14 percent or less of alcohol by volume, the sum of seven cents per liter;

(2) On all wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, the sum of 21 cents per liter;

(3) On all wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, the sum of 42 cents per liter;

(4) On all wines containing more than 24 percent of alcohol by volume, the sum of 81 cents per liter;

(5) On all natural and artificial sparkling wines containing alcohol, the sum of 40 cents per liter;

(6) *Except as provided in subdivision 1b*, on all other distilled spirituous liquors, liqueurs, cordials, and liquors designated as specialties regardless of alcoholic content, the sum of \$1.16 per liter, but not including ethyl alcohol; provided, that in computing the tax on any package of intoxicating liquors where the net contents is stated in metric units of measure, a proportional tax at a like rate on all fractional or multiple parts of a liter shall be paid, provided, however, that the contents of miniatures containing 50 milliliters or less shall be taxed 12 cents.

Sec. 24. Minnesota Statutes 1982, section 340.47, is amended by adding a subdivision to read:

Subd. 1b. [MINNESOTA-PRODUCED LIQUOR.] The tax on distilled spirituous liquors, liqueurs, cordials and liquors designated as specialties regardless of alcoholic content, but not including ethyl alcohol, distilled in Minnesota with a majority of the ingredients grown or produced in Minnesota, shall be imposed at a rate of \$2.20 per gallon or six cents per miniature containing two fluid ounces or less or, when the liquor is packaged in containers with the net contents stated in metric units of measure, at the rate of 58 cents per liter or six cents per miniature containing 50 milliliters or less.

Sec. 25. Minnesota Statutes 1982, section 340.485, is amended by adding a subdivision to read:

Subd. 4. [RECORDS REGARDING MINNESOTA PRODUCTS; SEPARATION OF MINNESOTA PRODUCTS.] Licensed Minnesota manufacturers shall maintain a record of all ingredients grown or produced in Minnesota received on the licensed premises for use in the production of distilled spirits and other products enumerated in section 340.47, subdivision 1b, showing the date of receipt, the name of the person from whom received and the kind and quantity of each material received. Where commercial invoices, bills of lading, or prescribed forms contain the required information, a separate record is not required. The records, commercial invoices, or bills of lading shall be kept available for inspection as provided in section 340.51.

On all premises of any licensed Minnesota manufacturer, all distilled spirits enumerated in section 340.47, subdivision 1b, distilled in Minnesota with a majority of the ingredients grown or produced in Minnesota, shall be kept separate from distilled spirits manufactured elsewhere or containing

non-Minnesota grown products.

Sec. 26. Minnesota Statutes 1982, section 471.59, is amended by adding a subdivision to read:

Subd. 11. [JOINT POWERS BOARD.] Two or more governmental units, through action of their governing bodies, may establish a joint board to issue bonds or obligations pursuant to any law by which any of the governmental units establishing the joint board may independently issue bonds or obligations and may use the proceeds of the bonds or obligations to carry out the purposes of the law under which the bonds or obligations are issued. A joint board created pursuant to this section may issue obligations and other forms of indebtedness only pursuant to authority granted by the action of the governing bodies of the governmental units which established the joint board. The joint board established pursuant to this subdivision shall be composed solely of members of the governing bodies of the governmental unit which established the joint board, and the joint board may not pledge the full faith and credit or taxing power of any of the governmental units which established the joint board. The obligations or other forms of indebtedness shall be obligations of the joint board and may be secured by the full faith and credit of the joint board. The obligations or other forms of indebtedness shall be issued in the same manner and subject to the same conditions and limitations which would apply if the obligations were issued or indebtedness incurred by one of the governmental units which established the joint board provided that any reference to a governmental unit in the statute, law, or charter provision authorizing the issuance of the bonds or the incurring of the indebtedness shall be considered a reference to the joint board.

Sec. 27. Laws 1981, Third Special Session chapter 2, article III, section 22, as amended by Laws 1982, chapters 523, article XXIX, section 5, and 641, article II, section 7, is amended to read:

Sec. 22. [EFFECTIVE DATE.]

Sections 1 and 19 to 21 are effective February 1, 1982. The provision of section 2 relating to commodity tax straddles and section 7 are effective for taxable years beginning after December 31, 1980. The provisions of section 2 relating to the exclusion of dividend and interest income are effective for taxable years beginning after December 31, 1981. Section 2, clauses (a)(22), (b)(24), the portion of clause (a)(16) relating to recovery property, (b)(25), and sections 8, 11, and 12 are effective for property placed in service after December 31, 1980 in taxable years ending after that date. Section 2, clauses (a)(17), (b)(2), the portion of clause (a)(16) relating to gain from the sale or disposition of property and section 9 are effective for taxable years beginning after December 31, 1982. Section 6 is effective for taxable years beginning after December 31, 1981. Section 10 is effective for ~~the sale or other disposition of property~~ taxable years beginning after December 31, 1982. For taxpayers subject to tax under Minnesota Statutes, chapter 290, sections 13, 14, and 15 are effective for taxable years beginning after June 30, 1981. Section 16 is effective for taxable years beginning after December 31, 1981. Sections 17 and 18 are effective for petitions filed after January 31, 1982.

Sec. 28. [EFFECTIVE DATE.]

Sections 1 to 11 and 26 are effective the day following final enactment.

Sections 12 to 14 and 17 are effective for small business participating debentures issued after December 31, 1983 and before December 31, 1984. Sections 15, 18 to 21, and 27 are effective for taxable years beginning after December 31, 1982. Section 16 is effective for taxable years beginning after December 31, 1983. Sections 22 to 25 are effective for liquor produced after July 31, 1983 and before August 1, 1993.

ARTICLE 8: JOBS

Section 1. [268.60] [CITATION.]

Sections 1 to 14 may be cited as the "Minnesota Emergency Employment Development (MEED) Act."

Sec. 2. [268.61] [PURPOSE.]

The prolonged recession has caused hardship for thousands of people in the state and has undermined the strength of Minnesota's economy. To address the social consequences of long-term unemployment and resulting poverty, the Minnesota emergency employment development act seeks to create meaningful employment opportunities that provide workers income sufficient to meet basic needs. To address the economic consequences, the program seeks to provide for work that creates lasting benefits to the state as well as economic development through incentives for new job creation in the private sector. The Minnesota emergency employment development act seeks to offer short-term employment to individuals presently outside the work force and to enhance their chances of permanent re-entry upon economic recovery.

Sec. 3. [268.62] [DEFINITIONS.]

Subdivision 1. [TERMS.] For the purposes of sections 1 to 14, the following terms have the meanings given them.

Subd. 2. [COORDINATOR.] "Coordinator" means the Minnesota emergency employment development coordinator appointed under section 4.

Subd. 3. [ECONOMICALLY DISADVANTAGED PERSON.] "Economically disadvantaged person" means a person who is economically disadvantaged as defined in section 4 of the job training partnership act.

Subd. 4. [ELIGIBLE BUSINESS.] "Eligible business" means a for-profit business whose primary place of business is in Minnesota.

Subd. 5. [ELIGIBLE EMPLOYER.] "Eligible employer" means an eligible government agency, an eligible nonprofit agency, or an eligible business.

Subd. 6. [ELIGIBLE GOVERNMENT AGENCY.] "Eligible government agency" means a county, municipality, school district or other local governmental subdivision, a state agency, or a federal agency office in Minnesota.

Subd. 7. [ELIGIBLE JOB APPLICANT.] (a) "Eligible job applicant" means a person who (1) is a resident of this state, (2) is unemployed, (3) is not receiving unemployment compensation or workers' compensation, (4) is determined by the employment administrator to be likely to remain employed by an eligible employer for the duration of the job, and (5) is not eligible to

receive any income maintenance public assistance benefits except general assistance under chapter 256D, and except as provided in section 14; or

(b) If the coordinator determines that sufficient funds are available to provide employment for persons in addition to those defined in paragraph (a), "eligible job applicant" means an economically disadvantaged person as defined in subdivision 3 who meets the requirements of paragraph (a), clauses (1) and (4).

Subd. 8. [ELIGIBLE NONPROFIT AGENCY.] "Eligible nonprofit agency" means an organization exempt from taxation under the Internal Revenue Code of 1954, section 501(c)(3), as amended through December 31, 1982.

Subd. 9. [EMPLOYMENT ADMINISTRATOR.] "Employment administrator" means the administrative entity designated by the coordinator to administer the provisions of this act in each service delivery area. Wherever possible, that entity must be an administrative entity authorized under the job training partnership act or its predecessor administrative entity authorized under United States Code, title 29, section 801, et seq..

Subd. 10. [HOUSEHOLD.] "Household" means a group of persons living at the same residence consisting of, at a maximum, spouses and the minor children of each.

Subd. 11. [JOB TRAINING PARTNERSHIP ACT.] "Job training partnership act" means the federal job training partnership act of 1982 (JTPA), Statutes at Large, volume 92, page 1322.

Subd. 12. [PROGRAM.] "Program" means the Minnesota emergency employment development program created by sections 1 to 14.

Subd. 13. [SERVICE DELIVERY AREA.] "Service delivery area" means an area designated as a service delivery area by the coordinator.

Sec. 4. [268.64] [MINNESOTA EMERGENCY EMPLOYMENT DEVELOPMENT COORDINATOR.]

Subdivision 1. [APPOINTMENT.] The governor shall appoint a Minnesota emergency employment development coordinator to administer the provisions of sections 1 to 14 pursuant to section 15.06. The coordinator shall have the powers necessary to carry out the purposes of the program.

Subd. 2. [INVENTORY OF NEEDS.] The coordinator shall obtain an inventory of needs from each local governmental subdivision and compile a statewide inventory of needs within 30 days after his appointment.

Subd. 3. [CONTRACTS.] The coordinator shall enter into a contract with an employment administrator in each service delivery area.

Subd. 4. [EMPLOYMENT PLANS.] The coordinator shall review the emergency employment development plan submitted by the employment administrator of each service delivery area and shall approve satisfactory plans. If an employment administrator submits an unsatisfactory plan, the coordinator shall assist the employment administrator in developing a satisfactory one.

Subd. 5. [ENFORCEMENT.] (a) [GENERALLY.] The coordinator shall

ensure that all eligible employers and employment administrators comply with sections 1 to 14 and all other applicable state and federal laws, including those relating to (1) affirmative action; (2) occupational health and safety standards; (3) environmental standards; and (4) fair labor practices.

(b) [INVESTIGATIONS.] *The coordinator may:*

(1) *make public or private investigations within or without this state necessary to determine whether any person has violated or is about to violate sections 1 to 14, a contract entered into under them, or any rule or order adopted under them, or to aid in the enforcement of sections 1 to 14 or in rules and forms adopted under them;*

(2) *require or permit any person to file a written statement under oath or otherwise, as the commissioner determines, as to all the facts and circumstances concerning the matter being investigated;*

(3) *publish information contained in any order issued by the coordinator;*

(4) *hold hearings, upon reasonable notice, on any matter arising out of the administration of sections 1 to 14; and*

(5) *conduct investigations and hold hearings for the purpose of compiling information with a view to recommending changes in sections 1 to 14 to the legislature.*

(c) [OATHS; SUBPOENAS.] *For the purpose of any investigation, hearing, or proceeding under sections 1 to 14, the coordinator or any officer designated by him may administer oaths, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, agreements, or other documents or records the coordinator deems relevant or material to the inquiry. In case of contumacy by, or refusal to obey a subpoena issued to, any person, the district court, upon application by the coordinator, may issue to the person an order directing him to appear before the coordinator, or the officer designated by him, to produce documentary evidence if so ordered or to give evidence touching the matter in question. Failure to obey the order of the court may be punished by the court as a contempt of court.*

(d) [PRIVILEGE AGAINST SELF INCRIMINATION.] *No person is excused from attending and testifying or from producing any document or record before the coordinator, or in obedience to the subpoena of the coordinator or any officer designated by him, or in any proceeding instituted by the coordinator, on the ground that the testimony or evidence required of him may tend to incriminate him or subject him to a penalty or forfeiture. No individual may be prosecuted or subjected to any penalty or forfeiture for or on account of a matter concerning which he is compelled, after claiming his privilege against self incrimination, to testify or produce evidence, except that the individual testifying is not exempt from prosecution and punishment for perjury or contempt committed in testifying.*

(e) [ATTORNEY GENERAL.] *The attorney general shall assign from his staff one or more assistant attorneys general to the coordinator and shall conduct all proceedings involving the violation of sections 1 to 14 and all other enforcement proceedings.*

(f) [CEASE AND DESIST ORDERS; INJUNCTIONS.] *Whenever it ap-*

pears to the coordinator that any person has violated a provision of sections 1 to 14, a contract entered into under them, or a rule or order adopted under them:

(1) He may issue and cause to be served upon the person an order requiring the person to cease and desist from the violation. The order must be calculated to give reasonable notice of the rights of the person to request a hearing on it and must state the reasons for the entry of the order. A hearing must be held not later than seven days after the request for the hearing is received by the coordinator after which and within 20 days of the date of the hearing the coordinator shall issue a further order vacating the cease and desist order or making it permanent as the facts require. If no hearing is requested within 30 days of service of the order, the order becomes final and remains in effect until it is modified or vacated by the coordinator. All hearings must be conducted in accordance with the provisions of chapter 14. If the person to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, the person shall be deemed in default, and the proceeding may be determined against him upon consideration of the cease and desist order, the allegations of which may be deemed to be true;

(2) He may bring an action in the district court of the appropriate county to enjoin the violation and to enforce compliance with the provisions of sections 1 to 14, a contract entered into under them, or any rule or order adopted under them, and he may refer the matter to the attorney general. Upon a proper showing, a permanent or temporary injunction, restraining order, or writ of mandamus shall be granted. The court may not require the coordinator to post a bond.

Any injunction proceeding under the provisions of sections 1 to 14 may be brought on for hearing and disposition upon an order to show cause returnable upon not more than eight days notice to the defendant. The case has precedence over other cases upon the court calendar and may not be continued without the consent of the state of Minnesota, except upon good cause shown to the court, and then only for a reasonable length of time necessary in the opinion of the court to protect the rights of the defendant.

Subd. 6. [REPORT TO GOVERNOR AND LEGISLATURE.] The coordinator shall report to the legislative advisory commission and the governor on a quarterly basis (1) the number of persons employed; (2) the number and type of employers under the program; (3) the amount of money spent in each service delivery area for wages for each type of employment and each type of other expense; (4) the number of persons who have completed participation in the program and their current employment, educational, or training status; and (5) any other information requested by the commission or the governor or deemed pertinent by the coordinator.

Sec. 5. [268.65] [MINNESOTA EMERGENCY EMPLOYMENT DEVELOPMENT ADVISORY COUNCIL.]

Subdivision 1. [CREATION.] There is created a Minnesota emergency employment development advisory council to advise the coordinator in the administration of sections 1 to 14.

Subd. 2. [MEMBERSHIP.] The council shall consist of eight members as follows: the commissioner of commerce, the commissioner of economic se-

curity, the commissioner of energy, planning, and development, the commissioner of labor and industry, the commissioner of public welfare, a representative of labor, a representative of business, and an employment administrator. The coordinator shall appoint the noncommissioner members.

Subd. 3. [TERMS; COMPENSATION; REMOVAL.] The terms, compensation, and removal of the noncommissioner members are governed by section 15.0575.

Subd. 4. [CHAIRMAN; MEETINGS.] The council members shall elect a chairman and any other necessary officers from among its members. The council shall meet at the call of the chairman or the coordinator.

Sec. 6. [268.66] [ALLOCATION AMONG SERVICE DELIVERY AREAS.]

The coordinator shall allocate funds among service delivery areas each fiscal year according to the number of unemployed persons in each area as a percentage of the statewide total. Funds shall be disbursed to the employment administrator of the service delivery area. The coordinator shall not disburse funds until the employment administrator has submitted documentation to the coordinator establishing that the funds will be used in the manner required by sections 1 to 14.

Sec. 7. [268.67] [ALLOCATION WITHIN SERVICE DELIVERY AREAS.]

Subdivision 1. [AMONG JOB APPLICANTS.] Allocation of funds among eligible job applicants within a service delivery area shall be determined by the employment administrator in each service delivery area. The employment administrator shall give priority to:

- (1) applicants living in households with no other income source; and*
- (2) applicants who would otherwise be eligible to receive general assistance under Minnesota Statutes 1980, section 256D.05.*

Subd. 2. [AMONG EMPLOYERS.] Allocation of funds among eligible employers within a service area shall be determined by the employment administrator within each service delivery area according to the priorities set forth in sections 11 and 12. No more than 70 percent of the funds may be allocated for jobs with eligible government and nonprofit agencies during the biennium.

Sec. 8. [268.68] [USE OF FUNDS.]

Funds appropriated for the purposes of sections 1 to 14 may be used as follows:

(a) To provide a state contribution for wages for eligible job applicants for a maximum of 1,040 hours over a maximum period of 26 weeks per job applicant. For eligible job applicants participating in a job training program, the state contribution for wages may be used for a maximum period of 52 weeks per job applicant. The state contribution for wages paid by eligible employers shall be \$4 per hour for each eligible job applicant employed. However, the employer may use funds from other sources to provide increased wages to the applicants it employs. At least 80 percent of the funds

must be used to pay wages for eligible job applicants.

(b) To reimburse the coordinator and the employment administrators in an amount not to exceed one-half of one percent of the funds appropriated for their actual cost of administering sections 1 to 14. The coordinator and the employment administrators shall reallocate funds from other sources to cover the administrative costs of this program whenever possible.

(c) To provide child care services to applicants employed under sections 1 to 14.

(d) To provide workers' compensation coverage and fringe benefits to applicants employed by government or nonprofit agencies under sections 1 to 14.

(e) To provide job search assistance, classroom training, labor market orientation, job seeking skills, and referral for other services.

(f) To purchase supplies and materials for projects creating permanent improvements to public property.

Sec. 9. [268.69] [EMPLOYMENT ADMINISTRATORS; POWERS AND DUTIES.]

Subdivision 1. [IN GENERAL.] The employment administrator for each service delivery area has the powers and duties given in this section and any additional duties given by the coordinator.

Subd. 2. [EMPLOYMENT PLAN.] Each employment administrator shall develop an emergency employment development plan for his service delivery area and submit it to the coordinator within the period allowed by the coordinator. To the extent feasible, the employment administrator shall seek input from potential eligible employers and the public.

Subd. 3. [OUTREACH.] Each employment administrator shall publicize the program within his service delivery area to seek maximum participation by eligible job applicants and employers.

Subd. 4. [CONTRACTS.] Each employment administrator shall enter into contracts with eligible employers setting forth the terms of their participation in the program as required by sections 1 to 14.

Subd. 5. [SCREENING AND COORDINATION.] Each employment administrator shall screen job applicants and employers to achieve the best possible placement of eligible job applicants with eligible employers.

Subd. 6. [ELIGIBLE JOB APPLICANT PRIORITY LISTS.] Each employment administrator shall maintain a list of eligible job applicants unable to secure employment under the program at the time of application. The list shall prioritize eligible job applicants and shall be used to fill jobs with eligible employers as they become available.

Subd. 7. [COORDINATION OF EDUCATION AND TRAINING PROGRAMS.] Each employment administrator shall cooperate with local educational and training institutions to coordinate and publicize the availability of their resources to assure that applicants may receive training needed before or while employed in jobs which are available under the program.

Subd. 8. [MATERIALS.] Each employment administrator may allocate

any available funds within his service delivery area for the purchase of supplies and materials for projects creating permanent improvements to public property.

Sec. 10. [268.70] [DUTIES OF OTHER AGENCIES.]

Subdivision 1. [SMALL BUSINESS FINANCE AGENCY.] The small business finance agency shall publicize the Minnesota emergency employment development program and shall provide staff assistance as requested by employment administrators in the screening of businesses and the collection of data to the extent feasible under its existing budget and staff complement.

Subd. 2. [EDUCATION AGENCIES.] The state board for vocational education shall review its policies for post-secondary vocational education to ensure that the programs serve the training needs of economically disadvantaged persons. Education programs shall attempt to provide training that will help individuals to obtain and retain employment. The training may include customized short-term training, basic skills training, programs to develop work habits, and other services designed for eligible job applicants and persons employed under sections 1 to 14. Examples of education programs include, but are not limited to adult vocational programs, adult basic/continuing education, area vocational-technical institutes, colleges, secondary education programs, and private and proprietary schools.

Subd. 3. [DEPARTMENT OF PUBLIC WELFARE.] The department of public welfare shall provide to each employment administrator lists of currently licensed local day care facilities, updated quarterly, to be available to all persons employed under sections 1 to 14.

Subd. 4. [DEPARTMENT OF ECONOMIC SECURITY.] The commissioner of economic security shall establish a pilot program to provide a reliable continuously updated child care information and referral services to job service registrants at selected job service sites. The program shall be operational by January 1, 1984, and shall operate for a trial period until June 30, 1985.

By January 15, 1985, the commissioner of economic security shall report to the legislature on the implementation of the pilot program established by this section. That report shall include specific information on the number of clients who received child care information services, the work status of clients both prior to and after receiving child care information, and the number of actual child care placements that resulted. The report shall also include a specific recommendation as to the feasibility of continuing the program and expanding child care information and referral to job service sites statewide.

Sec. 11. [268.71] [ELIGIBLE GOVERNMENT AND NONPROFIT AGENCY EMPLOYMENT.]

A government or nonprofit agency is an eligible employer with respect to jobs that are determined by the employment administrator to have long-term benefit to the community including, but not limited to, jobs in permanent public improvement projects, residential or public building weatherization projects, reforestation projects, mineland reclamation projects, planting or tree trimming projects, soil conservation projects, natural resource development projects, and community social service programs such as child care

and home health care.

Sec. 12. [268.72] [BUSINESS EMPLOYMENT.]

Subdivision 1. [ELIGIBLE BUSINESSES.] A business employer is an eligible employer if it enters into a written contract with the employment administrator in its service delivery area containing assurances that:

(a) funds received by a business shall be used only as permitted under sections 1 to 14;

(b) the business has submitted a plan to the employment administrator (1) describing the duties and proposed compensation of each employee proposed to be hired under the program; and (2) demonstrating that, with the funds provided under sections 1 to 14, the business is likely to succeed and continue to employ persons hired under the program;

(c) the business will use funds exclusively for compensation of persons from the pool of applicants referred by the job applicant administrator and will provide employees hired with these funds with fringe benefits and other terms and conditions of employment comparable to those provided to other employees of the business who do comparable work;

(d) the funds are necessary to allow the business to begin, or to employ additional people, but not to fill positions which would be filled even in the absence of funds from this program;

(e) the business will cooperate with the coordinator and the employment administrator in collecting data to assess the result of the program; and

(f) the business is in compliance with all applicable affirmative action, fair labor, health, safety, and environmental standards.

Subd. 2. [PRIORITIES.] In allocating funds among eligible businesses, the employment administrator shall give priority to businesses which best satisfy the following criteria:

(a) have a high potential for growth and long term job creation;

(b) make high use of local and Minnesota resources;

(c) are under ownership of women and minorities;

(d) make high use of new technology; and

(e) produce energy conserving materials or services or are involved in development of renewable sources of energy.

Subd. 3. [PAYBACK.] A business receiving funds under this program shall repay 70 percent of the amount initially received for each eligible job applicant employed, if the employee does not continue in the employment of the business beyond the six-month subsidized period. If the employee continues in the employment of the business for one year or longer after the six-month subsidized period, or if the employee is terminated for inadequate job performance within six weeks after he began work, the business need not repay any of the funds received for that employee's wages. If the employee continues in the employment of the business for a period of less than one year after the expiration of the six-month subsidized period, the business shall receive a proportional reduction in the amount it must repay.

A repayment schedule shall be negotiated and agreed to by the employment administrator and the business prior to the disbursement of the funds and is subject to renegotiation. The employment administrator shall forward payments received under this subdivision to the coordinator on a monthly basis. The coordinator shall deposit these payments in the Minnesota emergency employment development account created by subdivision 4.

Subd. 4. [MINNESOTA EMERGENCY EMPLOYMENT DEVELOPMENT ACCOUNT.] *The Minnesota emergency employment development account is created in the state treasury. All payments from businesses pursuant to subdivision 3 shall be deposited in this account, and all funds in the account are appropriated to the coordinator for the purpose of making disbursements pursuant to section 6.*

Sec. 13. [268.73] [WORKER DISPLACEMENT PROHIBITED.]

Subdivision 1. [LAYOFFS; WORK REDUCTIONS.] *An eligible employer may not terminate, layoff, or reduce the working hours of an employee for the purpose of hiring an individual with funds available under sections 1 to 14.*

Subd. 2. [HIRING DURING LAYOFFS.] *An eligible employer may not hire an individual with funds available under sections 1 to 14 if any other person is on layoff from the same or a substantially equivalent job.*

Subd. 3. [EMPLOYER CERTIFICATION.] *In order to qualify as an eligible employer, a government or nonprofit agency or business must certify to the employment administrator that each job created and funded under sections 1 to 14:*

(1) will result in an increase in employment opportunities over those which would otherwise be available;

(2) will not result in the displacement of currently employed workers, including partial displacement such as reduction in hours of nonovertime work, wages, or employment benefits; and

(3) will not impair existing contracts for service or result in the substitution of program funds for other funds in connection with work that would otherwise be performed.

Sec. 14. [268.74] [RELATION TO AFDC.]

In order to maximize the opportunity for recipients of aid to families with dependent children (AFDC) to take full advantage of the jobs created by businesses under sections 1 to 14, the commissioner of public welfare may establish a work incentive (WIN) demonstration project as part of the Minnesota emergency employment development program. All AFDC recipients may participate. Persons who participate in the WIN demonstration project will be required to participate in the WIN demonstration orientation. Those WIN demonstration participants not covered by employer medical plans will continue to be eligible for medical assistance, and all participants will continue to be eligible for other benefits provided under the AFDC program. The commissioner of public welfare may adopt temporary rules necessary for implementation of this subdivision. These rules are not subject to the provisions of the administrative procedure act, sections 14.05 to 14.70.

Sec. 15. *Minnesota Statutes 1982, section 15.61, is amended to read:*

15.61 [UNEMPLOYED AND UNDEREMPLOYED; EMPLOYMENT BY STATE AND OTHER GOVERNMENTAL UNITS.]

Subdivision 1. The state of Minnesota, its departments, agencies and instrumentalities, and any county, city, town, school district or other body corporate and politic, may employ unemployed and underemployed persons as defined in the federal Emergency Employment Act of 1971, as amended, ~~and~~ Comprehensive Employment and Training Act of 1973, as amended, *and eligible job applicants under sections 1 to 14* pursuant to the terms of those acts.

Subd. 2. The provisions of Minnesota Statutes 1969, Sections 197.455 to 197.48 and 43A.11 and any other law or ordinance relating to preference in employment and promotion of persons having served in the armed services, the provisions of any law, rule or regulation, the provisions of any city charter or any ordinance or resolution, or the provisions of any other law or statute in conflict with the provisions of the federal Emergency Employment Act of 1971, as amended, ~~and~~ Comprehensive Employment and Training Act of 1973, as amended, *and eligible job applicants under sections 1 to 14* shall not be applicable to the employment of the persons specified in subdivision 1.

Sec. 16. [APPROPRIATION.]

The sum of \$126,000,000 is appropriated from the general fund to the Minnesota emergency employment development coordinator for purposes of sections 1 to 14. Of the amount appropriated \$63,000,000 shall be available for expenditures during the fiscal year beginning July 1, 1983, and the remaining \$63,000,000, together with any part of the appropriation for the 1984 fiscal year that has not been expended, shall be available for expenditure during the fiscal year beginning July 1, 1984. This sum shall be available until June 30, 1985. To the extent permissible under federal and state law, the coordinator shall use funds available from the federal government and the private sector to fund the Minnesota emergency employment development program.

Sec. 17. [EFFECTIVE DATE.]

Sections 1 to 16 are effective the day after final enactment.

ARTICLE 9: AUSTIN

Section 1. [CITY OF AUSTIN; PROPERTY HELD FOR DEVELOPMENT.]

Notwithstanding the time limitation provided in Minnesota Statutes, section 272.02, subdivision 5, the holding of property by the city of Austin for later resale for economic development purposes shall be considered a public purpose in accordance with Minnesota Statutes, section 272.02, subdivision 1, clause (7) for a period not to exceed six years. This section shall not operate to create an exemption from sections 272.01, subdivision 2; 272.68; 273.19; or 462.575, subdivision 3, or other provisions of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective for taxes levied in 1983, payable in 1984 and thereafter.

ARTICLE 10: I.S.D. No. 692''

Page 1, line 17, after "2" insert "*prior to the leasing or renting of the property from the nonprofit organization to a tenant*"

Page 1, after line 21, insert:

"ARTICLE 11: LIQUOR TAX

Section 1. Minnesota Statutes 1982, section 340.986, is amended to read:

340.986 [~~ON-SALE~~ LIQUOR TAX.]

In addition to the taxes imposed by section 297A.02 and chapter 340, a tax is imposed in the amount of ~~five~~ 2.5 percent on the gross receipts from all retail ~~on-sales~~ sales of intoxicating liquor and fermented malt beverages when sold at a licensed ~~on-sale~~ retail liquor establishment or municipal liquor store within the state. The tax shall be reported and paid to the commissioner of revenue with and as part of the state sales and use taxes, and shall be subject to the same penalties, interest, and enforcement provisions. The tax collected pursuant to this section shall be deposited in the general fund.

Sec. 2. [EFFECTIVE DATE.]

This article is effective July 1, 1983.

ARTICLE 12: CITY LODGING TAX

Section 1. [477A.018] [CITY LODGING TAX.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance impose a tax of up to three percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or other use of space by a transient, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 2. [EXISTING TAXES.] Except as provided in subdivision 4, no statutory or home rule charter city may impose a tax under this section upon transient lodging that, when combined with any tax authorized by special law or enacted prior to 1972, exceeds a rate of three percent.

Subd. 3. [DISPOSITION OF PROCEEDS.] Ninety-five percent of the gross proceeds from any tax imposed under subdivision 1 shall be used by the statutory or home rule charter city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center. This subdivision shall not apply to any statutory or home rule charter city that has a lodging tax authorized by special law or enacted prior to 1972 at the time of enactment of this section, except to the extent that a city imposes a tax pursuant to subdivision 4.

Subd. 4. [ADDITIONAL TAXES.] Any statutory or home rule charter city that has a city lodging tax in effect on July 1, 1983, at a rate of three percent or greater may impose an additional tax at a rate not to exceed three percent pursuant to this section. The tax imposed under this section by those cities

shall be subject to the requirement of the first sentence of subdivision 3.

Sec. 2. [COLLECTION.]

The statutory or home rule charter city may agree with the commissioner of revenue that a tax imposed pursuant to section 1 shall be collected by the commissioner together with the tax imposed by Minnesota Statutes, chapter 297A, and subject to the same interest, penalties and other rules and that its proceeds, less the cost of collection, shall be remitted to the city.

Sec. 3. [EFFECTIVE DATE.]

This article is effective July 1, 1983.

ARTICLE 13: SATELLITE BROADCASTING

Section 1. Minnesota Statutes 1982, section 272.02, subdivision 1, is amended to read:

Subdivision 1. Except as provided in other subdivisions of this section or in section 272.025 or section 273.13, subdivisions 17, 17b, 17c or 17d, all property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds;
- (2) All public schoolhouses;
- (3) All public hospitals;
- (4) All academies, colleges, and universities, and all seminaries of learning;
- (5) All churches, church property, and houses of worship;
- (6) Institutions of purely public charity except property assessed pursuant to section 273.13, subdivisions 17, 17b, 17c or 17d;
- (7) All public property exclusively used for any public purpose;
- (8) (a) Class 2 property of every household of the value of \$100, maintained in the principal place of residence of the owner thereof. The county auditor shall deduct such exemption from the total valuation of such property as equalized by the revenue commissioner assessed to such household, and extend the levy of taxes upon the remainder only. The term "household" as used in this section is defined to be a domestic establishment maintained either (1) by two or more persons living together within the same house or place of abode, subsisting in common and constituting a domestic or family relationship, or (2) by one person.

(b) During the period of his active service and for six months after his discharge therefrom, no member of the armed forces of the United States shall lose status of a householder under paragraph (a) which he had immediately prior to becoming a member of the armed forces.

In case there is an assessment against more than one member of a household the \$100 exemption shall be divided among the members assessed in the proportion that the assessed value of the Class 2 property of each bears to the total assessed value of the Class 2 property of all the members assessed. The Class 2 property of each household claimed to be exempt shall

be limited to property in one taxing district, except in those cases where a single domestic establishment is maintained in two or more adjoining districts.

Bonds and certificates of indebtedness hereafter issued by the state of Minnesota, or by any county or city of the state, or any town, or any common or independent school district of the state, or any governmental board of the state, or any county or city thereof, shall hereafter be exempt from taxation; provided, that nothing herein contained shall be construed as exempting such bonds from the payment of a tax thereon, as provided for by section 291.01, when any of such bonds constitute, in whole or in part, any inheritance or bequest, taken or received by any person or corporation.

(9) Farm machinery manufactured prior to 1930, which is used only for display purposes as a collectors item;

(10) The taxpayer shall be exempted with respect to, all agricultural products, inventories, stocks of merchandise of all sorts, all materials, parts and supplies, furniture and equipment, manufacturers material, manufactured articles including the inventories of manufacturers, wholesalers, retailers and contractors; and the furnishings of a room or apartment in a hotel, rooming house, tourist court, motel or trailer camp, tools and machinery which by law are considered as personal property, and the property described in section 272.03, subdivision 1, clause (c), except personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures. Railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80 are not exempt.

(11) Containers of a kind customarily in the possession of the consumer during the consumption of commodities, the sale of which are subject to tax under the provisions of the excise tax imposed by Extra Session Laws 1967, Chapter 32;

(12) All livestock, poultry, all horses, mules and other animals used exclusively for agricultural purposes;

(13) All agricultural tools, implements and machinery used by the owners in any agricultural pursuit.

(14) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, other than real property used primarily as a solid waste disposal site.

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. Any such equipment or device shall meet standards, regulations or criteria prescribed by the Minnesota Pollution Control Agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information or advice to the commissioner. If the commissioner determines that property qualifies for exemption, he shall issue an order exempting such property from taxation. Any such equipment

or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota Pollution Control Agency remains in effect.

(15) Wetlands. For purposes of this subdivision, "wetlands" means land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes. "Wetlands" shall be land preserved in its natural condition, drainage of which would be feasible and practical and would provide land suitable for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(16) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause and section 273.116. Upon receipt of an application for the exemption and credit provided in this clause and section 273.116 for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of his decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(17) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1980, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(18) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders; provided the property is used primarily as a clubhouse, meeting facility or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

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

(20) *A direct satellite broadcasting facility or fixed satellite regional or national program service facility, construction of which is commenced after*

June 30, 1983, for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. As used in this clause, a "direct satellite broadcasting facility" is a facility operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band and a "fixed satellite regional or national program service facility" is a facility operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

Sec. 2. [297A.253] [SATELLITE BROADCASTING FACILITY MATERIALS; EXEMPTIONS.]

Notwithstanding the provisions of this chapter, there shall be exempt from the tax imposed therein all materials and supplies or equipment used or consumed in constructing, or incorporated into the construction of, a new facility in Minnesota for providing federal communications commission licensed direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band or fixed satellite regional or national program services, as defined in section 272.02, subdivision 1, clause (20), construction of which was commenced after June 30, 1983, and all machinery, equipment, tools, accessories, appliances, contrivances, furniture, fixtures, and all technical equipment or tangible personal property of any other nature or description necessary to the construction and equipping of that facility in order to provide those services.

Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective for taxes levied in 1983 and thereafter, payable in 1984 and thereafter. Section 2 is effective for sales made after June 30, 1983, and before July 1, 1988.

ARTICLE 14: LIMITED EQUITY COOPERATIVES

Section 1. Minnesota Statutes 1982, section 273.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as provided in subdivisions 6 and 7, and 8 or section 273.17, subdivision 1, all property shall be valued at its market value. The market value as determined pursuant to this section shall be stated such that any amount under \$100 is rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100. In estimating and determining such value, the assessor shall not adopt a lower or different standard of value because the same is to serve as a basis of taxation, nor shall he adopt as a criterion of value the price for which such property would sell at auction or at a forced sale, or in the aggregate with all the property in the town or district; but he shall value each article or description of property by itself, and at such sum or price as he believes the same to be fairly worth in money. In assessing any tract or lot of real property, the value of the land, exclusive of structures and improvements, shall be determined, and also the value of all structures and improvements thereon, and the aggregate value of the property, including all structures and improvements, excluding the value of crops growing upon cultivated land. In valuing real property upon which there is a mine or quarry, it shall be valued at such price as such

property, including the mine or quarry, would sell for a fair, voluntary sale, for cash. In valuing real property which is vacant, the fact that such property is platted shall not be taken into account. An individual lot of such platted property shall not be assessed in excess of the assessment of the land as if it were unplatted until the lot is improved with a permanent improvement all or a portion of which is located upon the lot, or for a period of three years after final approval of said plat whichever is shorter. When a lot is sold or construction begun, the assessed value of that lot or any single contiguous lot fronting on the same street shall be eligible for reassessment. All property, or the use thereof, which is taxable under sections 272.01, subdivision 2, or 273.19, shall be valued at the market value of such property and not at the value of a leasehold estate in such property, or at some lesser value than its market value.

Sec. 2. Minnesota Statutes 1982, section 273.11, is amended by adding a subdivision to read:

Subd. 8. [LIMITED EQUITY COOPERATIVE APARTMENTS.] For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under Minnesota Statutes, chapter 308, which has as its primary purpose the provision of housing and related services to its members and which meets the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised consumer price index for all urban consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed \$500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to

the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501 (c)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1982, or a public agency.

(e) The articles of incorporation stipulate that the charitable organization or public agency has an irrevocable right to enforce the provisions of clauses (a) to (d).

A "limited equity cooperative apartment" is a dwelling unit owned or leased by a limited equity cooperative. If the dwelling unit is leased by the cooperative the lease agreement must meet the conditions for a cooperative lease stated in Minnesota Statutes, section 273.133, subdivision 3.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

The value of a limited equity cooperative apartment shall be set at the lesser of its market value or the value determined on the basis of income of a comparable apartment operated on a rental basis. When determining value on the basis of income, the assessor shall use a capitalization rate equal to the maximum FHA interest rate for multifamily mortgage loans current at the time of assessment. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

Sec. 3. [EFFECTIVE DATE.]

Sections 1 and 2 are effective for taxes levied in 1983, payable in 1984 and thereafter.

ARTICLE 15: AVIATION GASOLINE

Section 1. Minnesota Statutes 1982, section 296.02, subdivision 2, is amended to read:

Subd. 2. [GASOLINE TAX IMPOSED FOR AVIATION USE.] Subject to the provisions of section 296.18, subdivision 4, there is hereby imposed an excise tax, at the same rate per gallon as the gasoline excise tax, of five cents

per gallon on all aviation gasoline received, sold, stored, or withdrawn from storage in this state. This tax shall be payable at the times, in the manner, and by persons specified in sections 296.01 to 296.27.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective for aviation gasoline sold on or after July 1, 1983.

ARTICLE 16: AGGREGATE TAX

Section 1. [AGGREGATE REMOVAL PRODUCTION TAXES; BECKER, CLAY, KITTSOON, MARSHALL, NORMAN, POLK, TRAVERSE, BIG STONE, MAHNOMEN, AND WILKIN COUNTIES.]

Subdivision 1. [DEFINITIONS.] Except as may otherwise be provided, the following words, when used in this section, shall have the meanings given to them in this subdivision.

(1) "County" means the county of Norman, Marshall, Kittson, Becker, Clay, Polk, Traverse, Big Stone, Mahnomen, or Wilkin.

(2) "Aggregate material" shall mean non-metallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, building stone, crushed rock, limestone, and granite. Aggregate material shall not include dimension stone and dimension granite.

(3) "Person" shall mean any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(4) "Operator" shall mean any person engaged in the business of removing aggregate material from the surface or subsurface of the soil in the county which imposes the tax, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

(5) "Extraction site" shall mean a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

Subd. 2. A county may impose upon every operator, a production tax equal to ten cents per cubic yard or seven cents per ton of aggregate material removed.

Subd. 3. By the 14th day following the last day of each calendar quarter, every operator shall make and file with the county auditor of the county in which the aggregate material is removed, a correct report under oath, in the form and containing the information as the auditor shall require relative to the quantity of aggregate material removed during the preceding calendar quarter. The report shall be accompanied by a remittance of the amount of tax due.

The county auditor shall notify his county treasurer of the amount of the tax and the county to which it is due. The county treasurer shall remit the tax to the appropriate county within 30 days.

Subd. 4. If any operator fails to make the report required by subdivision 3 or files an erroneous report, the county auditor shall, by the fifth working day after the date the report became due, determine the amount of tax due and notify the operator by registered mail of the amount of tax so determined.

An operator may, within 30 days from the date of mailing the notice, file in the office of the county auditor a written statement of objections to the amount of taxes determined to be due. The statement of objections shall be deemed to be a petition within the meaning of chapter 278, and shall be governed by sections 278.02 to 278.13.

Subd. 5. Failure to file the report shall result in a penalty of \$5 for each of the first 30 days, beginning on the 14th day after the date when the county auditor has sent notice to the operator as provided in subdivision 4, during which the report is overdue and no statement of objection has been filed. For each subsequent day during which the report is overdue and no statement of objection has been filed, a penalty of \$10 shall be assessed against the operator who is required to file the report. The penalties imposed by this subdivision shall be collected as part of the tax. If neither the report nor a statement of objection has been filed after more than 60 days have elapsed from the date when the notice was sent, the operator who is required to file the report is guilty of a misdemeanor.

Subd. 6. It is a misdemeanor for any operator to remove aggregate material from a pit, quarry, or deposit unless all taxes due for the previous reporting period have been paid or objections thereto have been filed pursuant to subdivision 4.

Subd. 7. All moneys collected as taxes under this section shall be deposited in the county treasury and credited as follows, for expenditure by the county board:

(a) Sixty percent to the county road and bridge fund for expenditure for the maintenance, construction and reconstruction of roads, highways, and bridges;

(b) Thirty percent to the road and bridge fund of those towns as determined by the county board and to the general fund or other designated fund of those cities as determined by the county board, to be expended for maintenance, construction and reconstruction of roads, highways, and bridges; and

(c) Ten percent to a special reserve fund which is hereby established, for expenditure for the restoration of abandoned pits, quarries, or deposits located upon public and tax forfeited lands within the county.

In the event that there are no abandoned pits, quarries or deposits located upon public or tax forfeited lands within the county, this portion of the tax shall be deposited in the county road and bridge fund for expenditure for the maintenance, construction and reconstruction of roads, highways, and bridges.

Sec. 2. [APPLICABILITY.]

On its effective date, section 1 applies individually to the counties of Becker, Clay, Kittson, Marshall, Norman, Polk, Traverse, Big Stone, Mahanomen, and Wilkin.

Sec. 3. [REPEALER.]

(a) Minnesota Statutes 1982, section 298.75 is repealed.

(b) Laws 1961, chapter 605; Laws 1963, chapter 475; Laws 1965, chapter 163; Laws 1977, chapters 112 and 117; and Laws 1979, chapter 273 are

repealed.

Sec. 4. [LOCAL APPROVAL; EFFECTIVE DATE.]

Sections 1 and 2 are effective for aggregate material removed after the date set by the county board in any of the counties named in section 2, upon approval by the county board and upon compliance with Minnesota Statutes, section 645.021, subdivision 3, but only for the county which approved it. Section 3, paragraph (a), is effective for aggregate material removed after June 30, 1983. Section 3, paragraph (b), is effective January 1, 1983.

ARTICLE 17: ROCHESTER SALES TAX

Section 1. [SALES TAX.]

Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, impose an additional sales tax of up to one percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A that occur within the city.

Sec. 2. [EXCISE TAX.]

Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Rochester may, by ordinance, impose an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Sec. 3. [COLLECTION.]

The commissioner of revenue may enter into appropriate agreements with the city of Rochester to provide for collection by the state on behalf of the city of a tax imposed by the city of Rochester pursuant to section 1. The commissioner may charge the city of Rochester from the proceeds of any tax a reasonable fee for its collection.

Sec. 4. [ALLOCATION OF REVENUES.]

Revenues received from taxes authorized by sections 1 and 2 shall be used to pay the costs of collecting the taxes, capital and administrative costs of improvements to the city park and recreation system and flood control improvements for which the city voters at a special election held on November 2, 1982, approved the issuance of general obligation bonds, and to pay debt service on the bonds. The total capital and administrative expenditures payable from bond proceeds and revenues received from the taxes authorized by sections 1 and 2, excluding investment earnings thereon, shall not exceed \$16,000,000 for improvements to the city park and recreation system and \$16,000,000 for flood control improvements.

Sec. 5. [TERMINATION OF TAXES.]

The taxes imposed pursuant to sections 1 and 2 shall terminate on the first day of the second month next succeeding a determination by the city council that sufficient funds have been received from the taxes and bond proceeds to finance capital and administrative costs of \$16,000,000 for improvements to the city park and recreation system and \$16,000,000 for flood control improvements and to prepay or retire at maturity the principal, interest, and

premium due on any bonds issued for the improvements. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

Sec. 6. [BONDS.]

The city of Rochester, pursuant to the approval of the city voters at a special election held on November 2, 1982, may issue general obligation bonds of the city in an amount not to exceed \$16,000,000 for improvements to the city park and recreation system and \$16,000,000 for flood control improvements. The debt represented by the bonds shall not be included in computing any debt limitation applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61 to pay the principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the city. The amount of any special levy for debt service imposed pursuant to Minnesota Statutes, section 275.50, subdivision 5, clause (e), for payment of principal and interest on the bonds shall not include the amount of estimated collection of revenues from the taxes imposed pursuant to sections 1 and 2 that are pledged for the payment of those obligations.

Sec. 7. [EFFECTIVE DATE.]

This article is effective the day after compliance by the governing body of the city of Rochester with Minnesota Statutes, section 645.021, subdivision 3."

Amend the title as follows:

Page 1, line 2, after the semicolon, insert "providing for conformity with certain federal income tax deductions and income recognition for payments in kind; extending the income tax surtax; restricting the operation of indexing; providing an additional research and development credit; clarifying unitary tax provisions; providing a deduction for joint filers; eliminating credits for gasoline excise tax paid on motorboats, and pollution control and feedlot pollution control; establishing new payment schedule for payment of state aids to education; altering computation of agricultural property tax credit; restricting definition of "wetlands" and reducing rate of wetlands credit; reducing rate of homestead credit; reducing assessment ratio on commercial and industrial property; restricting future application of reduced assessments and eliminating reimbursements; reducing attached machinery aids; revising levy limitations; advancing property tax payment dates; establishing a method of computing local government aids; establishing a rent credit; reducing the amount of property tax refunds and increasing co-insurance payments; establishing a permanent six percent sales tax rate and extending it to motor vehicles; exempting certain bottled water from the sales tax; imposing the sales tax on certain periodicals; excluding certain taxes from purchase price; establishing a budget reserve account; defining duties with respect to state payments; providing for the establishment of enterprise zones; providing business tax incentives; reducing the corporate income tax rate; prohibiting corporate deduction for taxes paid to other states; eliminating the corporate capital gain deduction except in certain circumstances; reducing the excise tax rate on Minnesota-produced liquor; authorizing joint exercise of bonding authority; establishing a jobs program; providing a tax exemption for property held by the city of Austin;"

Page 1, line 4, after "tax" insert "; imposing a tax on retail liquor sales; authorizing cities to impose lodging taxes; providing tax incentives for satellite broadcasters; providing for the valuation of limited equity cooperatives; establishing the rate of tax on aviation gasoline; abolishing the statewide aggregate materials tax; authorizing Becker, Clay, Kittson, Marshall, Norman, Polk, Traverse, Big Stone, Mahnomen, and Wilkin counties to impose a tax on aggregate materials; authorizing the city of Rochester to impose a sales tax; appropriating money; amending Minnesota Statutes 1982, sections 15.61; 16A.15, subdivision 1, and by adding subdivisions; 116J.42, subdivision 7; 124.11, subdivisions 2a and 2b; 124.2137, subdivision 1; 272.02, subdivision 1; 273.11, subdivision 1, and by adding a subdivision; 273.115, subdivision 1; 273.13, subdivisions 6, 7, 9, 14a, 17, 17b, and 17c; 273.1312, subdivisions 2, 3, 4, and 5; 273.1313, subdivisions 1, 2, 3, and 5; 273.1392; 273.138, subdivisions 2, 3, and 6; 275.50, subdivisions 2 and 5, and by adding a subdivision; 275.51, by adding subdivisions; 275.53, by adding a subdivision; 276.09; 276.10; 276.11; 278.01, subdivisions 1 and 2; 278.03; 278.05, subdivision 5; 279.01, subdivision 1; 290.01, subdivisions 19, 20, 20a, as amended, 20b, as amended, and by adding subdivisions; 290.06, subdivisions 1, as amended, 2d, 2e, as amended, 11, and 13; 290.068, by adding a subdivision; 290.07, subdivision 1; 290.08, by adding a subdivision; 290.09, subdivisions 1, 2, 3, as amended, 4, 5, and 28; 290.091; 290.095, subdivision 4; 290.14; 290.16, subdivisions 4 and 9; 290.17, subdivision 2; 290.18, subdivisions 1 and 4; 290.21, subdivisions 1 and 3; 290.23, subdivision 5; 290.31, subdivisions 2 and 3; 290.34, subdivision 2; 290.39, subdivision 2; 290.46; 290.92, subdivision 2a; 290A.03, subdivisions 3, 8, and 12; 290A.04, subdivisions 1, 2, 2a, 2b, 3, as amended, and by adding subdivisions; 290A.05; 290A.06; 290A.16; 296.02, subdivision 2; 296.18, subdivision 1; 296.421, subdivision 5; 297A.02, subdivision 1, as amended; 297A.03, subdivision 2, as amended; 297A.14, as amended; 297A.25, subdivision 1; 297B.01, subdivision 8; 297B.02, as amended; 340.47, subdivisions 1 and 1a, and by adding a subdivision; 340.485, by adding a subdivision; 340.986; 471.59, by adding a subdivision; 473F.08, subdivision 7a; 477A.011, subdivisions 6, 7, 10, and by adding subdivisions; 477A.012; 477A.013, subdivision 2, and by adding subdivisions; 477A.03, subdivision 2; and Laws 1981, Third Special Session chapter 2, article III, section 22, as amended; proposing new law coded in Minnesota Statutes 1982, chapters 124, 268, 273, 290, 297A, and 477A; repealing Minnesota Statutes 1982, sections 16A.153; 273.13, subdivision 15b; 273.138, subdivisions 1 and 4; 273.139; 275.09, subdivision 3; 275.51, subdivisions 3e and 5; 290.01, subdivision 23; 290.06, subdivisions 9 and 9a; 290.077, subdivision 2; 290.09, subdivisions 10, 15, 22, and 27; 290.21, subdivision 3a; 290.501; 290A.03, subdivision 11; 298.75; 477A.011, subdivisions 4, 5, 8, and 9; 477A.013, subdivision 1; Laws 1961, chapter 605; Laws 1963, chapter 475; Laws 1965, chapter 163; Laws 1977, chapters 112 and 117; and Laws 1979, chapter 273"

And when so amended the bill do pass. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 883, 695 and 11 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. No. 102 was read the second time.

RECESS

Mr. Moe, R.D. 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.

MOTIONS AND RESOLUTIONS

Mr. Spear moved that S.F. No. 398 be taken from the table. The motion prevailed.

S.F. No. 398: A bill for an act relating to vulnerable adults; refining the Vulnerable Adults Reporting Act; specifying reporting requirements; specifying access to reports; preventing record destruction; amending Minnesota Statutes 1982, section 626.557, subdivisions 2, 3, 4, 10, 12, 14, and by adding a subdivision; repealing Minnesota Statutes 1982, section 626.557, subdivision 12a.

Mr. Spear moved that the Senate do not concur in the amendments by the House to S.F. No. 398, and that a Conference Committee of 3 members be appointed by the Subcommittee 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.

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the Special Orders Calendar. The motion prevailed.

SPECIAL ORDER

H.F. No. 270: A bill for an act relating to agriculture; providing that certain agricultural operations are not private or public nuisances; amending Minnesota Statutes 1982, section 561.19, subdivision 2; repealing Minnesota Statutes 1982, section 561.19, subdivision 5.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 53 and nays 6, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Jude	Novak	Solon
Anderson	Dicklich	Kamrath	Olson	Storm
Belanger	Diessner	Knaak	Peterson, C.C.	Stumpf
Benson	Frank	Kroening	Peterson, D.C.	Taylor
Berg	Frederick	Kronebusch	Peterson, D.L.	Ulland
Bernhagen	Frederickson	Laidig	Pogemiller	Vega
Bertram	Freeman	Langseth	Purfeerst	Waldorf
Brataas	Hughes	Lessard	Reichgott	Wegscheid
Chmielewski	Isackson	McQuaid	Renneke	Willet
Dahl	Johnson, D.E.	Mehrkens	Samuelson	
Davis	Johnson, D.J.	Moe, R. D.	Schmitz	

Those who voted in the negative were:

Dieterich
Lantry

Luther

Peterson, R. W.

Petty

Spear

So the bill passed and its title was agreed to.

SPECIAL ORDER

S.F. No. 1146: A bill for an act relating to statutes; conforming certain laws to judicial decisions of unconstitutionality; amending Minnesota Statutes 1982, sections 65B.51, subdivision 1; 154.03; 570.02, subdivision 2; and 573.01.

Mr. Jude moved to amend S.F. No. 1146 as follows:

Page 2, lines 31 to 35, reinstate the stricken language and delete the new language

Page 3, lines 3 to 9, reinstate the stricken language

The motion prevailed. So the amendment was adopted.

Mr. Jude then moved to amend S.F. No. 1146 as follows:

Page 3, line 9, after "if" insert "*the court, after notice and opportunity for hearing, determines*"

The motion prevailed. So the amendment was adopted.

S.F. No. 1146 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Diessner	Knaak	Moe, R. D.	Renneke
Belanger	Dieterich	Knutson	Novak	Samuelson
Benson	Frank	Kroening	Olson	Schmitz
Berg	Frederick	Kronebusch	Peterson, C. C.	Spear
Berglin	Frederickson	Laidig	Peterson, D. C.	Storm
Bernhagen	Freeman	Langseth	Peterson, D. L.	Stumpf
Brataas	Hughes	Lantry	Peterson, R. W.	Taylor
Chmielewski	Isackson	Lessard	Petty	Ulland
Dahl	Johnson, D. E.	Luther	Pogemiller	Vega
Davis	Johnson, D. J.	McQuaid	Purfeerst	Waldorf
DeCramer	Jude	Mehrkens	Ramstad	Wegscheid
Dicklich	Kamrath	Merriam	Reichgott	Willet

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

SPECIAL ORDER

H.F. No. 419: A bill for an act relating to insurance; fire; hail; requiring the insured, in case of loss, to show the damaged property and related records to the company and consent to be examined under oath; providing for the exchange of information on losses or potential losses between companies and authorized persons; providing for the appraisal of losses; specifying the procedure to be used in selecting appraisers; amending Minnesota Statutes 1982, sections 65A.01, subdivision 3; 65A.26; 65A.29; and 299F.054,

subdivisions 1, 2, 4, and by adding a subdivision.

Mr. Dahl moved to amend H.F. No. 419 as follows:

Page 5, line 31, after "shall" insert " , within a reasonable period after demand by this company, "

The motion prevailed. So the amendment was adopted.

Mr. Dahl then moved to amend H.F. No. 419 as follows:

Page 2, lines 9 and 10, strike "Noon" and insert "12:01 a.m."

The motion prevailed. So the amendment was adopted.

H.F. No. 419 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Diessner	Knaak	Novak	Samuelson
Belanger	Dieterich	Kroening	Olson	Schmitz
Benson	Frank	Kronebusch	Peterson, C. C.	Solon
Berg	Frederick	Laidig	Peterson, D. C.	Spear
Berglin	Frederickson	Langseth	Peterson, D. L.	Storm
Bernhagen	Freeman	Lantry	Peterson, R. W.	Stumpf
Brataas	Hughes	Lessard	Petty	Taylor
Chmielewski	Isackson	Luther	Pogemiller	Ulland
Dahl	Johnson, D. E.	McQuaid	Purfeerst	Vega
Davis	Johnson, D. J.	Mehrkens	Ramstad	Waldorf
DeCramer	Jude	Merriam	Reichgott	Wegscheid
Dicklich	Kamrath	Moe, R. D.	Renneke	Willet

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

SPECIAL ORDER

H.F. No. 375: A bill for an act relating to public welfare; authorizing the establishment of community work experience programs on a pilot demonstration basis; proposing new law coded in Minnesota Statutes, chapter 256.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 61 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Diessner	Kroening	Peterson, C. C.	Spear
Anderson	Dieterich	Kronebusch	Peterson, D. C.	Storm
Belanger	Frank	Laidig	Peterson, D. L.	Stumpf
Benson	Frederick	Langseth	Peterson, R. W.	Taylor
Berg	Frederickson	Lantry	Petty	Ulland
Berglin	Freeman	Lessard	Pogemiller	Vega
Bernhagen	Hughes	Luther	Purfeerst	Waldorf
Brataas	Isackson	McQuaid	Ramstad	Wegscheid
Chmielewski	Johnson, D. E.	Mehrkens	Reichgott	Willet
Dahl	Johnson, D. J.	Merriam	Renneke	
Davis	Jude	Moe, R. D.	Samuelson	
DeCramer	Kamrath	Novak	Schmitz	
Dicklich	Knaak	Olson	Solon	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 114: A bill for an act relating to crimes; prohibiting promotion of minors to engage in sexual performance; prohibiting dissemination and possession of works depicting minors in sexual performance; providing penalties; amending Minnesota Statutes 1982, sections 609.342; 609.343; 609.344; 609.345; 609.364, subdivision 2; 609.3641, subdivision 2; 609.3642, subdivision 2; 609.3643, subdivision 2; 609.3644, subdivision 2; 617.241; 617.246; repealing Minnesota Statutes 1982, section 617.247.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 59 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dicklich	Kamrath	Moe, R. D.	Schmitz
Anderson	Diessner	Knaak	Novak	Solon
Belanger	Dieterich	Kroening	Olson	Spear
Benson	Frank	Kronebusch	Peterson, C. C.	Storm
Berg	Frederick	Laidig	Peterson, D. C.	Stumpf
Berglin	Frederickson	Langseth	Peterson, D. L.	Taylor
Bernhagen	Freeman	Lantry	Peterson, R. W.	Ulland
Brataas	Hughes	Lessard	Pogemiller	Vega
Chmielewski	Isackson	McQuaid	Purfeerst	Waldorf
Dahl	Johnson, D. E.	Mehrrens	Ramstad	Wegscheid
Davis	Johnson, D. J.	Merriam	Reichgott	Willet
DeCramer	Jude	Moe, D. M.	Renneke	

So the bill passed and its title was agreed to.

SPECIAL ORDER

S.F. No. 1189: A bill for an act relating to employment; exempting search firms from employment agency licensing; subjecting certain search firms to fee and bond requirements; requiring certain statements, fees, and bonds to be submitted at the time a search firm is established; amending Minnesota Statutes 1982, sections 184.22, subdivision 2, and by adding subdivisions; 184.29; 184.30, subdivision 1; and 184.41.

Mr. Freeman moved to amend S.F. No. 1189 as follows:

Page 1, line 16, after "partnership" insert a comma

Page 3, line 8, before "Any" insert "*Before starting business in this state,*"

Page 3, line 9, after "shall" insert "(1)"

Page 3, line 9, delete ", within ten days of its"

Page 3, line 10, delete "establishment,"

Page 3, line 13, delete ". All exempt firms"

Page 3, line 14, delete "are subject to the provisions of" and insert "(2) pay the registration fee required by"

Page 3, line 14, after "184.29" insert a comma

Page 3, line 14, after "and" insert "(3) furnish"

Page 3, line 15, delete "provisions of" and insert "required by"

Page 3, line 15, delete everything after the period

Page 3, delete lines 16 and 17 and insert "A search firm registration may not be transferred to another search firm, unless written notice of the transfer is given to the commissioner."

The motion prevailed. So the amendment was adopted.

S.F. No. 1189 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 52 and nays 10, as follows:

Those who voted in the affirmative were:

Adkins	Dieterich	Kronebusch	Olson	Solon
Anderson	Frederick	Laidig	Peterson, C. C.	Storm
Belanger	Frederickson	Langseth	Peterson, D. C.	Stumpf
Benson	Freeman	Lantry	Peterson, D. L.	Taylor
Berg	Hughes	Lessard	Peterson, R. W.	Ulland
Bernhagen	Isackson	Luther	Purfeerst	Vega
Brataas	Johnson, D. E.	McQuaid	Ramstad	Waldorf
Chmielewski	Jude	Mehrkens	Reichgott	Wegscheid
Davis	Kamrath	Moe, D. M.	Renneke	
DeCramer	Knaak	Moe, R. D.	Samuelson	
Diessner	Kroening	Novak	Schmitz	

Those who voted in the negative were:

Berglin	Dicklich	Johnson, D. J.	Petty	Spear
Dahl	Frank	Merriam	Pogemiller	Willet

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

SPECIAL ORDER

H.F. No. 218: A bill for an act relating to crimes; expanding the rights of victims of crime; affirming the right of victims to bring civil actions against offenders; establishing the right of a victim to request restitution; providing for implementation of victim and witness rights by law; providing penal sanctions and judicial mechanisms to deter intimidation of witnesses; requiring development of a plan for notifying crime victims about available financial assistance and social services; providing for victim participation in the criminal process; providing penalties; amending Minnesota Statutes 1982, sections 241.26, subdivisions 5 and 6; 243.23, subdivision 3; 571.55, by adding a subdivision; 609.115, subdivision 1; 609.498; and 631.425, subdivision 5; proposing new law coded as Minnesota Statutes, chapter 611A.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 56 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dicklich	Knaak	Olson	Storm
Anderson	Diessner	Kroening	Peterson, D.C.	Stumpf
Belanger	Dieterich	Kronebusch	Peterson, D.L.	Taylor
Benson	Frank	Laidig	Peterson, R.W.	Ulland
Berg	Frederick	Langseth	Petty	Vega
Berglin	Frederickson	Lantry	Pogemiller	Waldorf
Bernhagen	Freeman	Lessard	Purfeerst	Wegscheid
Brataas	Isackson	Luther	Ramstad	Willett
Chmielewski	Johnson, D.E.	McQuaid	Reichgott	
Dahl	Johnson, D.J.	Mehrkens	Samuelson	
Davis	Jude	Merriam	Schmitz	
DeCramer	Kamrath	Novak	Solon	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 521: A bill for an act relating to financial institutions; providing for the payment of hearing costs on contested applications; including credit union share insurance corporations and industrial loan and thrift guarantee issuers in the group of organizations permitted to receive examination reports; removing the requirement that a financial institution's board of directors hold qualifying shares; clarifying limitations on junior mortgage loans by banks; establishing application fees; removing a certain filing requirement; reducing the number of savings association incorporators; clarifying the notice requirements for savings association conversions; clarifying the industrial loan and thrift company lending limit and increasing the capital to deposit limitation; providing first installment requirements for regulated lenders and motor vehicle sales finance companies; providing credit insurance disclosure requirements for regulated lenders; clarifying financial corporation organizational requirements; providing that no employee, officer, director, or shareholder of a banking institution, or a corporation, partnership, or association in which these persons have an interest, may retain income from the sale of credit insurance in connection with a loan made by the banking institution; providing that the income must be turned over to the banking institution; amending Minnesota Statutes 1982, sections 45.04, subdivision 1; 46.07, subdivision 2; 47.54, subdivision 1; 48.06; 48.19, subdivision 1; 48.68; 49.36, subdivision 1; 49.37; 51A.03, subdivisions 1 and 4; 51A.065, subdivision 4; 51A.13, subdivisions 2 and 2a; 51A.51, subdivisions 2 and 3a; 52.203; 53.01; 53.03, subdivisions 1, 5, and 6; 53.04, subdivision 3a; 53.05; 53.06; 56.001, subdivision 3; 56.131, subdivision 1; 56.155, subdivision 1; 168.72, subdivision 1; 300.025; and 300.20; proposing new law coded in Minnesota Statutes, chapter 48.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Dicklich	Kamrath	Novak	Schmitz
Anderson	Diessner	Knaak	Olson	Solon
Belanger	Dieterich	Kroening	Peterson, C. C.	Storm
Benson	Frank	Kronebusch	Peterson, D. C.	Stumpf
Berg	Frederick	Laidig	Peterson, D. L.	Taylor
Berglin	Frederickson	Langseth	Peterson, R. W.	Ulland
Bernhagen	Freeman	Lantry	Petty	Vega
Brataas	Hughes	Lessard	Purfeerst	Waldorf
Chmielewski	Isackson	Luther	Ramstad	Wegscheid
Dahl	Johnson, D. E.	McQuaid	Reichgott	Willet
Davis	Johnson, D. J.	Mehrkens	Renneke	
DeCramer	Jude	Merriam	Samuelson	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1171: A bill for an act relating to taxation; clarifying the income tax treatment of certain debt obligations of state and local governments; amending Minnesota Statutes 1982, sections 80A.09, subdivision 1; 115A.69, subdivision 6; 116A.25; 116J.89, subdivision 6; 136.32; 136A.179; 136A.39; 193.146, subdivision 4; 272.02, subdivision 1; 362A.07; 447.35; 447.49; 458.193, subdivision 6; 458A.05, subdivision 6; 458A.09; 462.191, subdivision 3; 462.551; 462A.19, subdivision 1; 472.09, subdivision 4; 473.436, subdivision 6; 473.448; 473.545; and 473.666; repealing Minnesota Statutes 1982, sections 116J.89, subdivision 7; 462A.19, subdivision 2; and 474.12.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 36 and nays 21, as follows:

Those who voted in the affirmative were:

Adkins	Dieterich	Lessard	Peterson, D. C.	Spear
Berglin	Freeman	Luther	Peterson, R. W.	Stumpf
Chmielewski	Hughes	Merriam	Petty	Vega
Dahl	Johnson, D. J.	Moe, D. M.	Pogemiller	Willet
Davis	Jude	Nelson	Reichgott	
DeCramer	Kroening	Novak	Samuelson	
Dicklich	Langseth	Pehler	Schmitz	
Diessner	Lantry	Peterson, C. C.	Solon	

Those who voted in the negative were:

Anderson	Brataas	Knaak	Olson	Wegscheid
Belanger	Frederick	Kronebusch	Purfeerst	
Berg	Frederickson	Laidig	Renneke	
Bernhagen	Johnson, D. E.	McQuaid	Storm	
Bertram	Kamrath	Mehrkens	Ulland	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 1111: A bill for an act relating to local government; regulating town levies in Crow Wing County; repealing Laws 1941, chapter 451.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 54 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Kamrath	Merriam	Samuelson
Anderson	Dicklich	Knaak	Novak	Schmitz
Belanger	Diessner	Kroening	Olson	Spear
Berg	Dieterich	Kronebusch	Peterson, C. C.	Storm
Berglin	Frederick	Laidig	Peterson, D. C.	Stumpf
Bernhagen	Frederickson	Langseth	Peterson, R. W.	Ulland
Bertram	Freeman	Lantry	Petty	Vega
Brataas	Hughes	Lessard	Pogemiller	Waldorf
Chmielewski	Johnson, D. E.	Luther	Purfeerst	Wegscheid
Dahl	Johnson, D. J.	McQuaid	Reichgott	Willet
Davis	Jude	Mehrrens	Renneke	

So the bill passed and its title was agreed to.

SPECIAL ORDER

S.F. No. 375: A bill for an act relating to the city of Bloomington; providing authority for the city to establish and maintain district heating systems.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 53 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Kamrath	Novak	Schmitz
Anderson	Dicklich	Knaak	Olson	Spear
Belanger	Diessner	Kroening	Peterson, C. C.	Storm
Berg	Dieterich	Kronebusch	Peterson, D. C.	Stumpf
Berglin	Frederick	Laidig	Peterson, R. W.	Ulland
Bernhagen	Frederickson	Langseth	Petty	Vega
Bertram	Freeman	Lantry	Pogemiller	Waldorf
Brataas	Hughes	Lessard	Purfeerst	Wegscheid
Chmielewski	Johnson, D. E.	Luther	Reichgott	Willet
Dahl	Johnson, D. J.	McQuaid	Renneke	
Davis	Jude	Merriam	Samuelson	

So the bill passed and its title was agreed to.

SPECIAL ORDER

H.F. No. 409: A bill for an act relating to liquor; restrictions upon joint purchases and volume discounts at wholesale; amending Minnesota Statutes 1982, sections 340.408; and 340.983.

Mr. Bertram moved to amend H.F. No. 409 as follows:

Page 1, after line 6, insert:

"Section 1. Minnesota Statutes 1982, section 340.11, subdivision 21, is amended to read:

Subd. 21. [LIABILITY INSURANCE.] Every person licensed to sell at retail intoxicating liquor or non-intoxicating malt liquor at on-sale or off-sale shall, after ~~March~~ *March + August 1*, 1983, demonstrate proof of financial

responsibility with regard to liability imposed by section 340.95, to the commissioner of public safety as a condition of the issuance or renewal of his license, provided this subdivision does not apply to non-intoxicating malt liquor licensees with sales of less than ~~\$10,000~~ \$30,000 of non-intoxicating malt liquor ~~per~~ for the preceding year, nor to holders of on-sale wine licenses under subdivision 20, with sales of less than \$10,000 of wine per year. Proof of financial responsibility may be given by filing:

(a) A certificate that there is in effect an insurance policy or pool providing the following minimum coverages;

(1) \$50,000 because of bodily injury to any one person in any one occurrence, and, subject to the limit for one person, in the amount of \$100,000 because of bodily injury to two or more persons in any one occurrence, and in the amount of \$10,000 because of injury to or destruction of property of others in any one occurrence.

(2) \$50,000 for loss of means of support of any one person in any one occurrence, and, subject to the limit for one person, \$100,000 for loss of means of support of two or more persons in any one occurrence; or

(b) A bond of a surety company with minimum coverages as provided in clause (a), or

(c) A certificate of the state treasurer that the licensee has deposited with him \$100,000 in cash or securities which may legally be purchased by savings banks or for trust funds having a market value of \$100,000.

This subdivision does not prohibit a local governing unit from requiring higher insurance or bond coverages, or a larger deposit of cash or securities than is required hereunder, as a condition of issuance or renewal of a retail intoxicating liquor or non-intoxicating malt liquor on-sale or off-sale license.

The commissioner of insurance shall advise licensees and municipalities subject to the financial responsibility requirements of this subdivision of those persons offering insurance coverage. The commissioner of insurance ~~may, if necessary, shall establish an assigned risk pool by rule adopted under the administrative procedure act, sections 14.01 to 14.70:~~ a program to assist licensees in obtaining insurance coverage. The program shall include a committee appointed by the commissioner of insurance of a representative group of insurance carriers and producers. The commissioner of insurance shall serve as an ex officio member of the committee. The committee shall review and act upon all properly executed applications requesting liquor liability market assistance. The market assistance program shall be established by the commissioner of insurance by August 1, 1983, and shall continue to function so long as its services are deemed by the commissioner of insurance to be necessary to relieve perceived availability problems in the liquor liability insurance market. If the committee finds that it cannot assist in securing insurance coverage it shall notify the applicant in writing with a full explanation and recommendation for enhancing its ability to secure insurance. The commissioner of insurance shall, if necessary, establish an assigned risk plan pursuant to subdivision 22.

Sec. 2. Minnesota Statutes 1982, section 340.11, is amended by adding a subdivision to read:

Subd. 22. [ASSIGNED RISK PLAN.] (1) The purpose of the assigned risk plan is to provide coverage required by subdivision 21 to persons rejected pursuant to this subdivision.

(2) An insurer that refuses to write the coverage required by subdivision 21 shall furnish the applicant with a written notice of refusal. The rejected applicant shall file a copy of the notice of refusal with the commissioner of public safety and with the assigned risk plan at the time of application for coverage under the plan.

(3) The commissioner of insurance may enter into service contracts as necessary or beneficial to accomplish the purposes of the assigned risk plan including servicing of policies or contracts of coverage, data management, and assessment collections. Services related to the administration of policies or contracts of coverages shall be performed by one or more qualified insurance companies licensed pursuant to section 60A.06, subdivision 1, clause (13) or a qualified vendor of risk management services. A qualified insurer or vendor of risk management services shall possess sufficient financial, professional, administrative, and personnel resources to provide the services required for operation of the plan. The cost of all services contracted for shall be an obligation of the assigned risk plan.

(4) The commissioner of insurance may assess all insurers licensed pursuant to section 60A.06, subdivision 1, clause (13) an amount sufficient to fully fund the obligations of the assigned risk plan, if the commissioner of insurance determines that the assets of the assigned risk plan are insufficient to meet its obligations. The assessment of each insurer shall be in a proportion equal to the proportion which the amount of insurance written as reported on page 14 of the annual statement under line 5, commercial multi-peril, and line 17, other liability, during the preceding calendar year by that insurer bears to the total written by all such carriers for such lines.

(5) Policies and contracts of coverage issued pursuant to this subdivision shall contain the usual and customary provisions of liability insurance policies, and shall contain the minimum coverage required by subdivision 21 or the local governing unit.

(6) Assigned risk policies and contracts of coverage shall be subject to premium tax pursuant to section 60A.15.

(7) Insureds served by the assigned risk plan shall be charged premiums based upon a rating plan approved by the commissioner of insurance. Assigned risk premiums shall not be lower than rates generally charged by insurers for the business. The commissioner of insurance shall fix the compensation received by the agent of record.

(8) The commissioner of insurance shall adopt rules, including temporary rules, as may be necessary to implement this subdivision. The rules may include:

(a) appeal procedures from actions of the assigned risk plan;

(b) formation of an advisory committee composed of insurers, vendors of risk management services and licensees, to advise the commissioner of insurance regarding operation of the plan; and

(c) applicable rating plans and rating standards.

Sec. 3. Minnesota Statutes 1982, section 340.353, subdivision 8, is amended to read:

Subd. 8. [FINANCIAL RESPONSIBILITY.] Every municipal liquor store operated pursuant to subdivision 1 shall, prior to commencement or continuation of operation after ~~March 4~~ August 1, 1983, demonstrate proof of financial responsibility by compliance with the requirements of section 340.11, subdivision 21."

Page 2, after line 18, insert:

"Sec. 6. Laws 1982, chapter 528, section 9, is amended to read:

Sec. 9. [EFFECTIVE DATE.]

Sections 2 to 4 are effective ~~March 4~~ August 1, 1983. Sections 1, 5, 6, 7 and 8 are effective the day following final enactment and apply to all causes of action arising on and after that day, except that any changes in notice requirements in section 8 are not effective until 30 days following final enactment.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 3 and 6 are effective the day following final enactment."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the semicolon, insert "extending the date for requiring dram shop insurance; requiring an assigned risk plan and specifying rule making authority of the commissioner of insurance in regard thereto;"

Page 1, line 4, after "sections" insert "340.11, subdivision 21, and by adding a subdivision; 340.353, subdivision 8;"

Page 1, line 4, before the period, insert "and Laws 1982, chapter 528, section 9"

Mr. Peterson, C.C. moved to amend the Bertram amendment to H.F. No. 409 as follows:

Page 1, line 13, delete "\$30,000" and insert "\$50,000"

The question was taken on the adoption of the amendment to the amendment.

The roll was called, and there were yeas 41 and nays 21, as follows:

Those who voted in the affirmative were:

Anderson	Dicklich	Laidig	Peterson, D.L.	Ulland
Benson	Frederick	Langseth	Purfeerst	Vega
Berg	Frederickson	Lessard	Reichgott	Waldorf
Bernhagen	Isackson	Mehrkens	Renneke	Wegscheid
Bertram	Johnson, D.E.	Moe, R. D.	Schmitz	Willet
Brataas	Johnson, D.J.	Novak	Solon	
Chmielewski	Kamrath	Olson	Storm	
Davis	Knutson	Pehler	Stumpf	
DeCramer	Kronebusch	Peterson, C.C.	Taylor	

Those who voted in the negative were:

Adkins	Frank	Kroening	Peterson, D.C.	Spear
Berglin	Freeman	Lantry	Peterson, R.W.	
Dahl	Hughes	Luther	Petty	
Diessner	Jude	McQuaid	Pogemiller	
Dieterich	Knaak	Moe, D. M.	Ramstad	

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

The question recurred on the Bertram amendment, as amended.

The roll was called, and there were yeas 40 and nays 21, as follows:

Those who voted in the affirmative were:

Anderson	Dicklich	Knutson	Olson	Schmitz
Benson	Diessner	Kronebusch	Pehler	Solon
Berg	Frederickson	Laidig	Peterson, C. C.	Storm
Bernhagen	Freeman	Langseth	Peterson, D. L.	Stumpf
Bertram	Isackson	Lessard	Purfeerst	Taylor
Chmielewski	Johnson, D. E.	McQuaid	Reichgott	Ulland
Davis	Johnson, D. J.	Mehrkins	Renneke	Vega
DeCramer	Kamrath	Novak	Samuelson	Willet

Those who voted in the negative were:

Adkins	Hughes	Luther	Petty	Wegscheid
Berglin	Jude	Moe, D. M.	Pogemiller	
Dahl	Knaak	Moe, R. D.	Ramstad	
Dieterich	Kroening	Peterson, D. C.	Spear	
Frank	Lantry	Peterson, R. W.	Waldorf	

The motion prevailed. So the amendment, as amended, was adopted.

H.F. No. 409 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 44 and nays 17, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Jude	Moe, R. D.	Solon
Anderson	Dicklich	Kamrath	Novak	Storm
Benson	Diessner	Knutson	Pehler	Stumpf
Berg	Frederickson	Kronebusch	Peterson, D. L.	Taylor
Bernhagen	Freeman	Laidig	Purfeerst	Ulland
Bertram	Hughes	Langseth	Reichgott	Vega
Chmielewski	Isackson	Lessard	Renneke	Waldorf
Dahl	Johnson, D. E.	McQuaid	Samuelson	Willet
Davis	Johnson, D. J.	Mehrkins	Schmitz	

Those who voted in the negative were:

Berglin	Kroening	Olson	Petty	Wegscheid
Dieterich	Lantry	Peterson, C. C.	Pogemiller	
Frank	Luther	Peterson, D. C.	Ramstad	
Knaak	Moe, D. M.	Peterson, R. W.	Spear	

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

MEMBERS EXCUSED

Ms. Berglin was excused from the Session of today until 9:35 a.m. Mr. Merriam was excused from the Session of today until 10:10 a.m. and from 11:40 to 11:55 a.m. Mr. Bertram was excused from the Session of today from 10:00 to 10:55 a.m. Messrs. Dicklich; Johnson, D.E.; Knutson; Renneke; Samuelson; Spear; Solon; Willet and Mrs. Lantry were excused from the Session of today from 9:00 to 9:45 a.m. Mr. Frank was excused from the Session of today at 11:00 a.m. Mr. Nelson was excused from the Session of

today from 9:00 to 11:00 a.m. Mr. Pehler was excused from the Session of today from 9:45 a.m. to 11:10 a.m. and 11:15 to 11:50 a.m.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 9:00 a.m., Tuesday, May 10, 1983. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate