

FIFTIETH DAY

St. Paul, Minnesota, Thursday, May 2, 1985

The Senate met at 3:00 p.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, Sister Esther Nickel, R.S.M.

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

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

The President declared a quorum present.

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

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

April 29, 1985

The Honorable David Jennings
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1985 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preser-

vation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Date Approved 1985	Date Filed 1985
	91	31	April 29	April 29
	112	32	April 29	April 29
	157	33	April 29	April 29
	241	34	April 29	April 29
	221	35	April 29	April 29
	316	36	April 29	April 29
	320	37	April 29	April 29
	335	38	April 29	April 29
	379	39	April 29	April 29
	415	40	April 29	April 29
	461	41	April 29	April 29
	485	42	April 29	April 29
	517	43	April 29	April 29
	604	44	April 29	April 29
	985	45	April 29	April 29
46		46	April 29	April 29
70		47	April 29	April 29
379		48	April 29	April 29
437		49	April 29	April 29
625		50	April 29	April 29
1231		Resolution No. 2	April 29	April 29

Sincerely,

Joan Anderson Growe
Secretary of State

May 1, 1985

The Honorable David Jennings
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1985 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Date Approved 1985	Date Filed 1985
	151	51	April 30	April 30
	158	52	May 1	May 1
	511	53	May 1	May 1
	928	54	May 1	May 1
	953	55	May 1	May 1
	1254	56	May 1	May 1
	886	Resolution No. 3	May 1	May 1

Sincerely,

Joan Anderson Growe
Secretary of State

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. 335, 994, 1071, 1214 and 1329.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1985

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. 450: A bill for an act relating to taxation; providing for collection of outstate liabilities; changing certain time limitations; changing tax lien provisions; providing for certain disclosures; changing entry for confessions of judgment; amending Minnesota Statutes 1984, sections 270.06; 270.063; 270.66, subdivision 1; 270.68, subdivisions 1 and 4; 270.69, subdivisions 1, 2, 3, and 4; 270.70, subdivisions 1 and 13; 290.49, subdivision 7; 290.58; 290.92, subdivisions 6 and 23; 296.15, subdivision 6; 297A.34, subdivision 5; 297A.42, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 270; repealing Minnesota Statutes 1984, section 270.69, subdivision 5.

Senate File No. 450 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 1, 1985

CONCURRENCE AND REPASSAGE

Mr. Jude moved that the Senate concur in the amendments by the House to S.F. No. 450 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 450: A bill for an act relating to taxation; providing for collection of outstate liabilities; changing certain time limitations; changing tax lien provisions; changing entry for confessions of judgment; amending Minnesota Statutes 1984, sections 270.063; 270.66, subdivision 1; 270.68, subdivisions 1 and 4; 270.69, subdivisions 1, 2, 3, and 4; 270.70, subdivisions 1 and 13; 290.49, subdivision 7; 290.92, subdivisions 6 and 23; 296.15, subdivision 6; 297A.34, subdivision 5; proposing coding for new law in Minnesota Statutes, chapter 270; repealing Minnesota Statutes 1984, section 270.69, subdivision 5.

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 56 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 245:

H.F. No. 245: A bill for an act relating to crimes; clarifying elements of the crime of depriving another of custodial or parental rights; amending Minnesota Statutes 1984, section 609.26, subdivisions 1 and 2.

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

Segal, Blatz and Bishop have been appointed as such committee on the part of the House.

House File No. 245 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 1, 1985

Mr. Pogemiller moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 245, 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. 274:

H.F. No. 274: A bill for an act relating to crimes; defining "dangerous weapon" to include flammable liquids; amending Minnesota Statutes 1984, section 609.02, subdivision 6.

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

Ozment, Bishop and Nelson, K. have been appointed as such committee on the part of the House.

House File No. 274 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 1, 1985

Mr. Frank moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 274, 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. 315:

H.F. No. 315: A bill for an act relating to local government; removing the restriction on the number of mills certain towns may levy to provide fire protection for special fire protection districts; authorizing the city of Carlton to issue general obligation bonds to finance the acquisition and betterment of a new fire hall and permitting participation by other local government units; amending Minnesota Statutes 1984, section 368.85, subdivision 6.

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

Becklin, Ogren and Carlson, D. have been appointed as such committee on the part of the House.

House File No. 315 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 1, 1985

Mrs. Adkins moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 315, 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. 1235:

H.F. No. 1235: A bill for an act relating to state lands; authorizing conveyance of certain state trail lands no longer needed for trails; amending Laws 1981, chapter 190, section 3.

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

Zaffke, Thiede and Wenzel have been appointed as such committee on the part of the House.

House File No. 1235 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 1, 1985

Mr. Willet moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 1235, 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 has adopted the recommendation and report of the Conference Committee on House File No. 1216 and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 1216 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 2, 1985

CONFERENCE COMMITTEE REPORT ON H.F. NO. 1216

A bill for an act relating to agriculture; clarifying the meaning of lender in the Minnesota emergency farm operating loans act; amending Laws 1985, chapter 4, section 3, subdivision 8.

April 30, 1985

The Honorable David M. Jennings
Speaker of the House of Representatives

The Honorable Jerome M. Hughes
President of the Senate

We, the undersigned conferees for H.F. No. 1216, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H.F. No. 1216 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Laws 1985, chapter 4, section 3, subdivision 8, is amended to read:

Subd. 8. [LENDER.] "Lender" means a bank, *savings and loan association, or credit union* chartered by the state or federal government and a farm credit system lender. "*Lender*" also means the Federal Deposit Insurance Corporation.

Sec. 2. Laws 1985, chapter 4, section 6, is amended to read:

Sec. 6. [INTEREST PAYMENT PROGRAM ON NEW FARM OPERATING LOANS.]

Subdivision 1. [APPLICATION; FARMER CRITERIA.] A farmer may apply to a lender for a farm operating loan on which the state will pay part of the interest. To be eligible for the state payment, the farmer must have a debt to asset ratio greater than 50 percent and ~~must not have a positive cash flow at the commissioner's interest index rate.~~

Subd. 2. [LOAN CRITERIA.] (a) To be eligible for the state interest payment, the farm operating loan must:

(1) be made to a farmer at an interest rate between seven and ten percent per year;

(2) be due and payable by March 1, 1986, after it is made;

(3) be for operating expenses of the farm business; and

(4) be made to a farmer that shows a positive cash flow at the reduced interest rate, demonstrates a reasonable chance of obtaining debt restructuring necessary to achieve a positive cash flow, or shows the ability to repay the operating loan.

(b) The lender may use additional criteria in determining whether to make a farm operating loan to a farmer.

(c) The lender must encourage the farmer to participate in the vocational adult farm business management program. The lender must agree to offer to pay enrollment fees, less the amount of a locally available reduction in or subsidy to fees ordinarily paid by the enrollee, for loan recipients who wish to enroll and participate in a vocational adult farm business management program or equivalent. A lender is not required to pay farm management program enrollment fees for more than one farmer per loan.

Subd. 3. [LOAN SUBMISSION.] The lender must submit to the commissioner all farm operating loans made by the lender for which the lender requests the state to pay part of the interest. ~~The lender must certify that the approved farm operating loan has been submitted to the farmers home administration for any loan guarantee programs that are available.~~ The commissioner must review the loan within five days after receipt. The commissioner may not pay interest on loans submitted after December 31, 1985.

Subd. 4. [PAYMENT AMOUNT.] The amount of interest paid by the state must be two-thirds of the amount of interest foregone by the lender as a result of the lender making the loan at an interest rate less than the commissioner's interest index. The interest is payable on the unpaid principal of the first \$75,000 of the loan, except as provided in section 7. The maximum interest payment per farmer may not exceed \$3,750. ~~The commissioner shall make payments beginning January 1, 1986, and pay all interest due by March 1, 1986. At the request of the lender, the commissioner shall pay 50 percent of the total amount due to the lender within ten days after the request is submitted to the commissioner. The commissioner shall pay all interest due by March 1, 1986.~~

Sec. 3. [EFFECTIVE DATE.]

This act is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to agriculture; clarifying the meaning of lender in the Minnesota emergency farm operating loans act; changing certain eligibility criteria; providing for earlier payments; amending Laws 1985, chapter 4, sections 3, subdivision 8; and 6."

We request adoption of this report and repassage of the bill.

House Conferees: (Signed) Elton R. Redalen, Glen H. Anderson, K. J. McDonald

Senate Conferees: (Signed) LeRoy A. Stumpf, Charles R. Davis, Charles A. Berg

Mr. Stumpf moved that the foregoing recommendations and Conference Committee Report on H.F. No. 1216 be now adopted, and that the bill be repassed as amended by the Conference Committee.

Mr. Merriam moved that the recommendations and Conference Committee Report on H.F. No. 1216 be rejected and that the bill be re-referred to the Conference Committee as formerly constituted for further consideration. The motion did not prevail.

The question recurred on the motion of Mr. Stumpf. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

H.F. No. 1216 was read the third time, as amended by the Conference Committee, and placed on its repassage.

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

The roll was called, and there were yeas 51 and nays 12, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Kamrath	Moe, R. D.	Sieloff
Anderson	Dicklich	Knutson	Nelson	Solon
Belanger	Diessner	Kroening	Novak	Storm
Benson	Frederick	Kronebusch	Olson	Stumpf
Berg	Frederickson	Laidig	Peterson, D.C.	Taylor
Bernhagen	Freeman	Langseth	Peterson, D.L.	Wegscheid
Bertram	Gustafson	Lessard	Pogemiller	Willet
Brataas	Hughes	Luther	Purfeerst	
Chmielewski	Isackson	McQuaid	Renneke	
Dahl	Johnson, D.E.	Mehrkens	Samuelson	
Davis	Jude	Moe, D. M.	Schmitz	

Those who voted in the negative were:

Berglin	Lantry	Peterson, R. W.	Ramstad	Vega
Dieterich	Merriam	Petty	Spear	Waldorf
Knaak	Pehler			

So the bill, as amended by the Conference Committee, 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. 459: A bill for an act relating to probate; adopting provisions of the uniform probate code and clarifying laws relating to intestate succession, spouse's elective share, and omitted spouses and children; clarifying provisions relating to the award of costs in guardianship and conservatorship pro-

ceedings; providing for the payment of reasonable fees and expenses for certain guardians and conservators; amending Minnesota Statutes 1984, sections 257.34, subdivision 1; 525.13; 525.145; and 525.703; proposing coding for new law in Minnesota Statutes, chapter 524; repealing Minnesota Statutes 1984, sections 525.16; 525.17; 525.171; 525.172; 525.173; 525.20; 525.201; 525.202; 525.212 to 525.216.

Senate File No. 459 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 2, 1985

Mr. Spear moved that the Senate do not concur in the amendments by the House to S.F. No. 459, 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 House Files, herewith transmitted: H.F. Nos. 781, 1109 and 1045.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 1, 1985

FIRST READING OF HOUSE BILLS

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

H.F. No. 781: A bill for an act relating to workers' compensation; regulating the membership of the board of directors of the workers' compensation reinsurance association; transferring certain duties from the department of commerce to the department of labor and industry; amending Minnesota Statutes 1984, section 79.37.

Referred to the Committee on Governmental Operations.

H.F. No. 1109: A bill for an act relating to state government; concerning the state procurement of goods and services from small businesses; modifying geographical distribution requirements and preference program limitations; amending Minnesota Statutes 1984, section 16B.19, subdivisions 5, 6, 9, and by adding a subdivision; 16B.21, subdivision 1; 16B.22; and 645.445, subdivision 5.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1233, now on General Orders.

H.F. No. 1045: A bill for an act relating to taxation; making administrative and technical changes to income tax and property tax refund provisions; amending Minnesota Statutes 1984, sections 80A.09, subdivision 1; 136D.28, subdivision 4; 136D.741, subdivision 7; 136D.89, subdivision 4; 270.67, by adding a subdivision; 270.75, subdivision 4; 290.06, subdivision 3d; 290.069, subdivision 5; 290.08, subdivision 8; 290.09, subdivision 4; 290.095, subdivisions 3 and 10; 290.101, subdivision 1; 290.172; 290.18,

subdivision 2; 290.42; 290.50, subdivision 2; 290.523, subdivision 2; 290.92, subdivisions 5a, 6, 19, and 28; 290.97; 290.9726, subdivision 2; 290A.03, subdivisions 3 and 11; 290A.11, subdivision 2, and by adding a subdivision; 290A.19; repealing Laws 1983, chapters 213, section 2, and 247, section 122; and Laws 1984, chapter 514, article 2, section 13.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1104, now on General Orders.

REPORTS OF COMMITTEES

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

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

S.F. No. 1032: A bill for an act relating to agriculture; clarifying provisions relating to state agricultural land preservation and conservation; providing for benefits and restrictions on the use of land in exclusive agricultural use zones; creating a Minnesota conservation fund; authorizing a county conservation fee; providing for a tax credit; conforming soil loss limit standards; appropriating money; amending Minnesota Statutes 1984, sections 40A.01, subdivision 1; 40A.02, subdivisions 3, 11, and 15; 40A.04; 40A.05, subdivisions 1 and 2; 40A.06; 40A.07, subdivision 2; 40A.13, subdivision 1; and 473H.10, subdivision 3; repealing Minnesota Statutes 1984, sections 40.19, subdivisions 3, 4, 10, 12, 14, and 15; and 40A.13, subdivisions 2, 3, 4, and 5; proposing coding for new law in Minnesota Statutes, chapters 40A and 273.

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

Page 2, after line 23, insert:

“Sec. 5. Minnesota Statutes 1984, section 40A.03, subdivision 2, is amended to read:

Subd. 2. [PLANS AND OFFICIAL CONTROLS.] By ~~January~~ July 1, 1987, each pilot county selected under subdivision 1 shall submit to the commissioner and to the regional development commission in which it is located, if one exists, a proposed agricultural land preservation plan and proposed official controls implementing the plan. The commissioner, in consultation with the regional development commission, shall review the plan and controls for consistency with the elements in this chapter and shall submit written comments to the county within 90 days of receipt of the proposal. The comments must include a determination of whether the plan and controls are consistent with the elements in this chapter. The commissioner shall notify the county of its determination. If the commissioner determines that the plan and controls are consistent, the county shall adopt the controls within 60 days of completion of the commissioner's review.”

Page 8, line 36, delete “16” and insert “17”

Page 9, lines 4 and 18, delete “17” and insert “18”

Page 10, line 12, after the period, insert “The credit paid pursuant to this

section shall be deducted from the tax due on the property before computation of the homestead credit paid pursuant to section 273.13 and the state agricultural credit paid pursuant to section 124.2137."

Page 10, line 15, delete "16" and insert "17"

Page 10, line 22, delete "15" and insert "16"

Page 11, line 23, delete "16" and insert "17"

Page 11, line 36, delete "15" and insert "16"

Page 12, line 14, delete "17" and insert "18"

Page 12, line 15, delete "18" and insert "19"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 11, after the first semicolon, insert "40A.03, subdivision 2;"

And when so amended the bill do pass and be re-referred to the Committee on Finance. Amendments adopted. Report adopted.

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

S.F. No. 1423: A bill for an act relating to taxation; providing for the allocation among governmental units of increases in the assessed valuation of commercial-industrial property within the taconite tax relief area; providing a formula for the distribution of additional revenues to municipalities within the taconite tax relief area; proposing coding for new law as Minnesota Statutes, chapter 276A.

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

Page 1, line 13, delete "10" and insert "9"

Page 2, line 21, delete "(a)" and insert "(1)" and after "3b" insert ", 3c, 3cc, and 3f" and after "property" insert ", limited to the homestead dwelling, a garage, and the one acre of land on which the dwelling is located."

Page 2, delete lines 22 to 24

Page 2, line 25, delete "(e)" and insert "(2)"

Page 2, line 27, delete "(f)" and insert "(3)"

Page 3, lines 10 and 24, delete "10" and insert "9"

Page 4, line 36, delete "10" and insert "9"

Page 8, line 12, delete "nonagricultural"

Page 10, lines 5, 11, and 19, delete "or adjusted assessed"

Pages 11 and 12, delete section 9

Page 12, line 19, delete "10. [276A.10]" and insert "9. [276A.09]"

Page 12, lines 30 and 36, delete "10" and insert "9"

Page 13, lines 7 and 11, delete "10" and insert "9"

Page 13, line 10, delete "11." and insert "10."

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

H.F. No. 756: A bill for an act relating to taxation; simplifying Minnesota income tax law by increasing conformity to federal income tax law; changing income tax rates, rate brackets, credits, and deductions; providing for computation of interest on overpayments; providing for timely payment of certain taxes; changing the estate tax; changing corporate income tax provisions; rescheduling payments and reducing the budget reserve; reducing sales tax rates and providing sales tax exemptions; authorizing lodging taxes for towns; reducing the basic maintenance mill rate; changing the computation of or eliminating certain property tax credits; changing property tax exemptions, classes, and classification ratios; changing the taxation of telephone companies; providing for studies; imposing duties on the commissioner of revenue and commissioner of natural resources; providing for changes in the levy limit base; changing property tax provisions relating to collection of property tax, confessions of judgment, and sale of tax forfeit lands; changing property tax refund benefit schedules, eligible claimants, and definition of property taxes payable; changing local government aids; appropriating money; amending Minnesota Statutes 1984, sections 10A.31, subdivisions 1 and 3; 13.04, subdivision 2; 16A.15, subdivision 6; 41.55; 60A.15, subdivision 12; 60A.199, subdivision 8; 92.46, subdivision 1; 117.55; 124.2137, subdivision 1; 124A.02, subdivision 7; 270A.07, subdivision 5; 271.12; 272.02, subdivision 1; 272.03, subdivision 1; 273.111, subdivision 11; 273.115, subdivisions 2 and 3; 273.116, subdivisions 2 and 3; 273.13, subdivisions 4, 5a, 6, 6a, 7, 7b, 7c, 7d, 8a, 9, 14a, 16, 17, 17b, 17c, 17d, 19, 20, and 21; 273.133, by adding a subdivision; 273.135, subdivisions 1, 2, and 5; 273.1391, subdivisions 1, 2, and 4; 273.1392; 273.40; 273.42, subdivision 4; 275.50, by adding a subdivision; 275.51, subdivision 3h; 277.03; 277.10; 279.37, subdivisions 1, 3, 4, 8, and by adding a subdivision; 281.23, subdivision 1; 281.29; 282.01, subdivision 7a; 282.021; 282.261, by adding a subdivision; 290.01, subdivisions 20, 20a, 20b, 20d, 20e, and 20f; 290.032, subdivision 2; 290.05, subdivision 3; 290.06, subdivisions 2c, 2d, 3f, 3g, 11, and by adding a subdivision; 290.067, subdivision 1; 290.069, subdivision 4; 290.07, subdivision 1; 290.08, subdivision 26, and by adding a subdivision; 290.089, subdivision 2; 290.09, subdivisions 1 and 7; 290.091; 290.095, subdivisions 3, 7, 9, and 11; 290.10; 290.12, subdivision 2; 290.14; 290.17, subdivision 2; 290.175; 290.18, subdivision 2; 290.21, subdivisions 3 and 4; 290.34, subdivision 1, and by adding a subdivision; 290.37, subdivision 1; 290.38; 290.39, subdivision 1a; 290.41, subdivision 2; 290.50, subdivisions 1, 5, and 6; 290.92, subdivisions 2a, 6, 11, 13, and 19; 290.93, subdivision 9; 290.932, subdivision 1; 290.933, subdivision 1; 290.936; 290A.03, subdivisions 3 and 13; 290A.04, subdivisions 1, 2, 3, and by adding a subdivision; 290A.06; 290A.07, subdivisions 2a and 3; 290A.10; 290A.19; 291.005, subdivision 1; 291.03, subdivision 1; 291.075; 291.09, subdivisions 1a, 2a, and 3a; 291.11, subdivision 1; 291.15, subdivisions 1 and 3;

291.18; 291.215, subdivision 1; 291.32; 294.09, subdivision 1; 295.34, subdivision 1; 297A.01, subdivisions 15 and 16; 297A.02, subdivisions 1, 2, and 3; 297A.03, subdivision 2; 297A.14; 297A.25, subdivision 1; 297A.26, subdivision 1, and by adding a subdivision; 297A.27, subdivision 1; 297A.35, subdivision 1; 298.09, subdivision 4; 298.40, by adding a subdivision; 299.05; 299F.26, subdivision 1; 473.556, subdivision 4; 477A.011, subdivision 3, and by adding subdivisions; 477A.013; 477A.018; 524.3-1202; amending Laws 1984, chapter 644, section 85; proposing coding for new law in Minnesota Statutes, chapters 16A; 124A; 270; 290; and 297A; repealing Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 55.10, subdivision 2; 62E.03, subdivision 2; 270.75, subdivision 7; 273.115, subdivisions 1, 5, 6, and 7; 273.116, subdivisions 1, 5, 6, and 7; 273.1311; 273.1315; 290.01, subdivisions 20c and 26; 290.012; 290.06, subdivisions 2f, 3d, 3e, 14, 15, 16, 17, 18, and 19; 290.067, subdivisions 2 and 4; 290.068, subdivision 6; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.089, subdivisions 1, 3, 4, 5, and 6; 290.09, subdivision 29; 290.101; 290.18, subdivision 4; 290.21, subdivision 8; 290.34, subdivision 2; 290.39, subdivision 2; 290.41, subdivision 5; 290A.04, subdivisions 2a and 2b; 291.015; 291.03, subdivisions 3, 4, 5, 6, and 7; 291.05; 291.051; 291.06; 291.065; 291.07; 291.08; 291.09, subdivision 5; 291.111; 291.131, subdivisions 5 and 6; 291.132; 291.15, subdivision 2; 291.18; 291.20; 291.29, subdivision 5; 295.34, subdivision 2; 297A.15, subdivision 5; 297A.26, subdivision 3; 297A.275; 385.36; 477A.011, subdivision 10; and 477A.0131; repealing Laws 1982, chapter 523, article 7, section 3.

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

Delete everything after the enacting clause and insert:

“ARTICLE 1

INCOME TAX

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

Subdivision 1. Every individual resident of Minnesota who files an income tax return or a renter and homeowner property tax refund return with the commissioner of revenue may designate on their original return that \$2 shall be paid from the general fund of the state into the state elections campaign fund. If a husband and wife file a joint return, each spouse may designate that \$2 shall be paid. ~~An individual who is 18 years of age or older, who is a resident of Minnesota, and who is a dependent of another individual who files a tax return or a renter and homeowner property tax refund return, may designate that \$2 shall be paid from the general fund of the state into the state elections campaign fund.~~ No individual shall be allowed to designate \$2 more than once in any year.

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

Subd. 3. The commissioner of the department of revenue shall provide on the first page of the income tax form and the renter and homeowner property tax refund return a space for the filing individual and any adult dependent of

that individual to indicate whether or not he wishes to allocate \$2 (\$4 if filing a joint return) from the general fund of the state to finance the election campaigns of state candidates. The form shall also contain language prepared by the commissioner which permits the individual to direct the state to allocate the \$2 (or \$4 if filing a joint return) to: (i) one of the major political parties; (ii) any minor political party as defined in section 10A.01, subdivision 13, which qualifies under the provisions of subdivision 3a; or (iii) all qualifying candidates as provided by subdivision 7. ~~The dependent on the tax return or the renter and homeowner property tax refund return shall sign a statement which authorizes the designation of \$2.~~ The renter and homeowner property tax refund return shall include instructions that the individual filing the return may designate \$2 on the return only if he has not designated \$2 on the income tax return.

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

Subd. 3a. A minor political party as defined in section 10A.01, subdivision 13 qualifies for inclusion on the income tax form and property tax refund return as provided in subdivision 3, provided that

(1) (a) if a petition is filed, it is filed by June 1 of the taxable year; or

(b) if the party ran a candidate for statewide office, that office must have been the office of governor and lieutenant governor, secretary of state, state auditor, state treasurer, or attorney general; and

(2) the secretary of state certifies to the commissioner of revenue by July 1, 1984, and by July 1 of every odd-numbered year thereafter the parties which qualify as minor political parties under this subdivision.

A minor party shall be certified only if the secretary of state determines that the party satisfies the following conditions:

(a) the party meets the requirements of section 10A.01, subdivision 13(b), and or in the last applicable election ran a candidate for the statewide offices listed in clause (1)(b) of this subdivision;

(b) it is a political party, not a principal campaign committee;

(c) it has held a state convention in the last two years, adopted a state constitution, and elected state officers; and

(d) an officer of the party has filed with the secretary of state a certification that the party held a state convention in the last two years, adopted a state constitution, and elected state officers; *provided that the secretary of state will be deemed to have determined the satisfaction of this condition if the party's certification of these occurrences is not challenged.*

Sec. 4. Minnesota Statutes 1984, section 13.04, subdivision 2, is amended to read:

Subd. 2. [INFORMATION REQUIRED TO BE GIVEN INDIVIDUAL.] An individual asked to supply private or confidential data concerning himself shall be informed of: (a) the purpose and intended use of the requested data within the collecting state agency, political subdivision, or statewide system; (b) whether he may refuse or is legally required to supply the requested data; (c) any known consequence arising from his supplying or refusing to supply

private or confidential data; and (d) the identity of other persons or entities authorized by state or federal law to receive the data. This requirement shall not apply when an individual is asked to supply investigative data, pursuant to section 13.82, subdivision 5, to a law enforcement officer.

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

Sec. 5. Minnesota Statutes 1984, section 41.55, is amended to read:

41.55 [ELIGIBILITY.]

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

- (a) That the applicant is a resident of the state of Minnesota;
- (b) That the applicant has sufficient education, training, or experience in the type of farming for which he wishes the loan and continued participation in a farm management program, approved by the commissioner, for at least the first ten years of the family farm security loan;
- (c) That the applicant, his dependents and spouse have total net worth valued at less than \$75,000 and has demonstrated a need for the loan;
- (d) That the applicant intends to purchase farm land to be used by the applicant for agricultural purposes;
- (e) That the applicant is credit worthy according to standards prescribed by the commissioner;
- ~~(f) That the seller has not acquired the farm land for purposes of obtaining the income tax exemption allowed by sections 41.58 and Laws 1976, chapter 210, section 12.~~

Sec. 6. Minnesota Statutes 1984, section 117.55, is amended to read:

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

No payments received under sections 117.50 to 117.56 shall be considered ~~as income for the purposes of chapter 290, or~~ for purposes of determining the eligibility or the extent of eligibility of any person for public assistance based on need under the laws of the state of Minnesota.

Sec. 7. Minnesota Statutes 1984, section 270.68, subdivision 4, is amended to read:

Subd. 4. [CONFESSION OF JUDGMENT.] (a) The commissioner may, within 3-1/2 years after any return or report is filed, notwithstanding section 541.09, enter judgment on any confession of judgment contained in the return or report after ten days notice served upon the taxpayer by mail at the address shown in his return or report. The judgment shall be entered by the clerk of court of any county upon the filing of a photocopy or similar reproduction of that part of the return or report containing the confession of judgment along with a statement of the commissioner or his agent that the tax has not been paid. *The commissioner may prescribe the words for the confession of judgment statement contained on the return or report.*

(b) Notwithstanding any other provision of the law to the contrary, the commissioner may, within five years after a written agreement is signed by the taxpayer and the commissioner under the provisions of section 270.67, subdivision 2, enter judgment on the confession of judgment contained within the agreement after ten days notice served upon the taxpayer at the address shown in the agreement. Such judgment shall be entered by the clerk of court of any county upon the filing of the agreement or a certified copy thereof along with a statement of the commissioner or his agent that the tax has not been paid.

Sec. 8. Minnesota Statutes 1984, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the gross income, as defined in subdivision 20, less the following deductions to the extent allowed by section 290.18, subdivision 1:

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

(b) For individuals, the deductions allowed in section 290.088, without regard to sections 290.18, subdivision 1, 290.089, and 290.09; and

(c) For estates and trusts, the deduction allowed by section 290.088, without regard to section 290.18, subdivision 1.

Sec. 9. Minnesota Statutes 1984, section 290.01, subdivision 20, as amended by Laws 1985, chapter 2, section 1, is amended to read:

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

The term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f. For estates and trusts the adjusted gross income shall be their federal taxable income as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this subdivision and in subdivisions 20a to 20f.

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

The provisions of section 4 of P.L. 95-458, sections 131, 133, 134, 141, 152, 156, 157, 405, and 543 of P.L. 95-600, and section 2 of P.L. 96-608

(relating to pensions, individual retirement accounts, deferred compensation plans, the sale of a residence and to conservation payments to farmers) including the amendments made to these sections in P.L. 96-222 shall be effective at the same time that these provisions became effective for federal income tax purposes.

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

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

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

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

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

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

The provisions of section 611(a) of the Deficit Reduction Act of 1984, Public Law Number 98-369, shall be effective at the same time that they become effective for federal income tax purposes.

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

Sec. 10. Minnesota Statutes 1984, section 290.01, subdivision 20a, is

amended to read:

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

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

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

(3) The amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954 to the extent of the credit under section 38 of the Internal Revenue Code of 1954 that was previously allowed as a deduction under Minnesota Statutes 1982, section 290.01, subdivision 20b, clause (7);

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

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

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

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

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

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

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

(11) To the extent not included in the taxpayer's federal adjusted gross income, the amount of any gain, from the sale or other disposition of property having a lower adjusted basis for Minnesota income tax purposes than for federal income tax purposes. This modification shall not exceed the difference in basis. If the gain is considered a long term capital gain for federal income tax purposes, the modification shall be limited to 40 percent of the portion of the gain. This modification is limited to property that qualified for the equity investment credit contained in section 290.069, subdivision 4, and

to property acquired in exchange for the release of the taxpayer's marital rights contained in section 290.14, clause (7);

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

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

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

(15) (5) 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; *except that persons engaged in the business of mining or producing iron ore, the mining or production of which is subject to the occupation tax imposed by section 298.01, subdivision 1, shall not be required to add that portion of losses that arise from items not deductible, capitalizable, or taken into account by allowance or otherwise in computing occupation tax.*

(16) Expenses and depreciation attributable to property subject to Laws 1982, chapter 523, article 7, section 3 which has not been registered;

(17) The amount of contributions to an individual retirement account, including a qualified voluntary employee contribution, simplified employee pension plan, or self-employed retirement plan which is allowed under sections 311 and 312 of Public Law Number 97-34, section 238 of Public Law Number 97-248, and section 103(d)(1)(B) of Public Law Number 97-448 to the extent those contributions were not an allowable deduction prior to the enactment of that law; provided that an individual on whose behalf stock worth less than \$300 is contributed during the taxable year to a tax credit employee stock ownership plan that satisfies the requirements of sections 44G and 409A of the Internal Revenue Code of 1954 shall not be required, as a consequence of that contribution, to include contributions to another plan or account in gross income under this clause to the extent the contributions do not exceed the difference between the value of the stock contributed during the taxable year and \$1,500; and

(18) To the extent not included in the taxpayer's federal adjusted gross income, the amount of any contributions to a qualified pension plan, designated as employee contributions but which the employing unit picks up and which are treated as employer contributions pursuant to section 414(h)(2) of the Internal Revenue Code of 1954, provided that employee contributions to police and fire relief associations that previously were not included within gross income as contributions to organizations qualified under section 501(c)(4) of the Internal Revenue Code of 1954 shall not be included in gross income under this clause.

Sec. 11. Minnesota Statutes 1984, section 290.01, subdivision 20b, is amended to read:

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

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

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

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

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

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

(6) To the extent included in federal adjusted gross income, or the amount reflected as the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, notwithstanding any other law to the contrary, the amount received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof; (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409 or 409A of the Internal Revenue Code of 1954, or (iii) severance pay distributed to an individual upon discontinuance of the individual's employment due to termination of business operations by the individual's employer, provided that the termination is reasonably likely to be permanent, involves the discharge of at least 75 percent of the employees at that site within a one-year period, and the business is not acquired by another person who continues operations at that site. The maximum amount of this subtraction shall be \$11,000 less the amount by which the individual's federal adjusted gross income, plus the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code of 1954, exceeds \$17,000. For purposes of the preceding sentence, "federal adjusted gross income" shall not include railroad retirement or social security benefit amounts provided in sections 86 and 72(r) of the Internal Revenue

Code of 1954. For purposes of this clause, "severance pay" means an amount received for cancellation of an employment contract or a collectively bargained termination payment made as a substitute for income which would have been earned for personal services to be rendered in the future. In the case of a volunteer firefighter who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$11,000; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$17,000;

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

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

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

(3) *Pension income as provided in section 290.08, subdivision 26;*

(10) (4) 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) (3);

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

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

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

(14) Interest earned on a contract for deed entered into for the sale of property for agricultural use if the rate of interest set in the contract is no more than nine percent per year for the duration of the term of the contract. This exclusion shall be available only if (1) the purchaser is an individual who, together with his spouse and dependents, has a total net worth valued at less than \$150,000 and (2) the property sold under the contract is farm land as

defined in section 41.52, subdivision 6 of no more than 1,000 acres that the purchaser intends to use for agricultural purposes. Compliance with these requirements shall be stated in an affidavit to be filed with the first income tax return on which the taxpayer claims the exclusion provided in this clause. Upon request accompanied by the information necessary to make the determination, the commissioner shall determine whether interest to be paid on a proposed transaction will qualify for this exclusion; the determination shall be provided within 30 days of receipt of the request, unless the commissioner finds it necessary to obtain additional information, or verification of the information provided; in which case the determination shall be provided within 30 days of receipt of the final item of information or verification. The exclusion provided in this clause shall apply to interest earned on contracts for deed entered into after December 31, 1981 and before July 1, 1983;

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

(16) 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 (18). The provisions of this clause shall apply before the provisions of clause (6) apply and an amount subtracted under this clause may not be subtracted under clause (6);

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

(18) To the extent included in federal adjusted gross income, social security benefits as defined and as provided in section 86 of the Internal Revenue Code of 1954, railroad retirement benefits as provided in section 72(r) of the Internal Revenue Code of 1954, and sick pay paid under the Railroad Unemployment Insurance Act as provided in section 105(i) of the Internal Revenue Code of 1954, provided that any amount subtracted under this clause may not be subtracted under clause (6); and

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

tation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs.

Sec. 12. Minnesota Statutes 1984, section 290.01, subdivision 20d, is amended to read:

Subd. 20d. [MODIFICATION FOR AMOUNTS TRANSFERRED TO SURPLUS.] Amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, *for corporate taxpayers*, to the extent that the amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that the amounts resulted in a reduction of the tax imposed by this chapter and amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this chapter.

Sec. 13. Minnesota Statutes 1984, section 290.012, subdivision 3, is amended to read:

Subd. 3. "Dependent" means an individual dependent upon and receiving his chief support from the claimant. ~~Payments for support of minor children under a temporary or final decree of dissolution or legal separation, shall be considered as payments by the claimant for the support of a dependent. For the purposes of section 290.06, subdivision 3d, a spouse except a divorced or separated spouse shall be considered to be a dependent a person who was claimed as a dependent by the claimant on the claimant's federal income tax return as provided in sections 151(e) and 152 of the Internal Revenue Code of 1954, as amended through December 31, 1984.~~

Sec. 14. Minnesota Statutes 1984, section 290.032, subdivision 2, is amended to read:

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

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

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

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

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

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

Sec. 15. Minnesota Statutes 1984, section 290.05, subdivision 3, is amended to read:

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

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

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

(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations. The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. Except for section 290.09, subdivision 29, To the extent deducted in computing federal taxable income, the deductions contained in sections 290.09 and 290.21 shall not be allowed in computing Minnesota taxable net income.

Sec. 16. Minnesota Statutes 1984, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULE OF RATES FOR INDIVIDUALS, ESTATES AND TRUSTS.] (a) The income taxes imposed by this chapter upon individuals, estates and trusts, other than those taxable as corporations, shall be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$500, one and six-tenths percent;
- (2) On the second \$500, two and two-tenths percent;
- (3) On the next \$1,000, three and five-tenths percent;
- (4) On the next \$1,000, five and eight-tenths percent;
- (5) On the next \$1,000, seven and three-tenths percent;
- (6) On the next \$1,000, eight and eight-tenths percent;
- (7) On the next \$2,000, ten and two-tenths percent;
- (8) On the next \$2,000, eleven and five-tenths percent;
- (9) On the next \$3,500, twelve and eight-tenths percent;
- (10) On all over \$12,500, and not over \$20,000, fourteen percent;
- (11) On all over \$20,000 and not over \$27,500, fifteen percent;
- (12) On all over \$27,500, sixteen percent.

(1) For married individuals filing joint returns:
on the first \$1,200, one and seven-tenths percent;

*on the next \$500, two and one-tenths percent;
on the next \$1,000, two and three-tenths percent;
on the next \$2,900, three and four-tenths percent;
on the next \$3,500, five and three-tenths percent;
on the next \$3,500, six and six-tenths percent;
on the next \$5,200, eight and four-tenths percent;
on the next \$13,000, nine and three-tenths percent;
on all over \$30,800, nine and nine-tenths percent.*

(2) For unmarried individuals, married individuals filing separate returns, estates, and trusts:

*on the first \$300, one and five-tenths percent;
on the next \$300, one and six-tenths percent;
on the next \$300, one and nine-tenths percent;
on the next \$400, two and four-tenths percent;
on the next \$700, two and nine-tenths percent;
on the next \$800, three and eight-tenths percent;
on the next \$1,500, four and seven-tenths percent;
on the next \$2,100, six and one tenth percent;
on the next \$3,000, seven and five tenths percent;
on the next \$6,800, nine and two-tenths percent;
on all over \$16,200, nine and nine tenths percent.*

(3) Married individuals who file a joint federal income tax return must also file a joint Minnesota income tax return. Married individuals who file a separate federal income tax return must also file a separate Minnesota income tax return. The determination of whether an individual is married is made as of the close of that person's taxable year; except that if that person's spouse dies during the taxable year the determination is made as of the time of the death. An individual who is legally separated from that person's spouse under a decree of divorce, dissolution, or of separate maintenance is not considered to be married.

(b) In lieu of a tax computed according to the rates set forth in clause (a) of this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than \$40,000 an amount determined by the commissioner shall be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

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

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

Sec. 17. Minnesota Statutes 1984, section 290.06, subdivision 2d, is

amended to read:

Subd. 2d. [INFLATION ADJUSTMENT OF BRACKETS.] ~~For taxable years beginning after December 31, 1980. Beginning in 1985 the commissioner of revenue shall annually adjust the taxable net income brackets in subdivision 2c shall be adjusted for the following tax year 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 1984 and before January 1, 1984 1986. The commissioner shall determine: (a) (1) 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 determined under section 1(f) of the Internal Revenue Code of 1954, as amended through December 31, 1984, except that "1984" shall be substituted for "1983" in section 1(f)(3)(B); and (b) (2) the percentage increase in average Minnesota gross income from tax year 1980 1984 to, in 1981 1985, tax year 1984 1985, and in each subsequent tax year between the previous 1984 tax year and the current tax year. The percent increases in Minnesota gross income shall be estimated using the best available data sources and reasonable forecasting procedures. The determination of the commissioner pursuant to this section subdivision shall not be considered a "rule" and shall not be subject to the administrative procedures act contained in chapter 14.~~

The dollar amount in each taxable net income bracket for the prior tax year 1985 in subdivision 2c shall be multiplied by a figure calculated as one plus 100 percent of the consumer price index increase the amount determined in clause (1) of the preceding paragraph or 100 percent of the Minnesota gross income increase, whichever is smaller. The product of the calculation shall yield the inflation adjusted tax brackets for each succeeding year. If the product exceeds a whole dollar amount, it shall be rounded to the nearest whole dollar.

No later than ~~October 1~~ December 15 of each year, the commissioner shall announce both percentage increases and the specific percentage that will be used to adjust the tax brackets, the maximum standard deduction amount, and the personal credit amounts.

Sec. 18. Minnesota Statutes 1984, section 290.06, subdivision 2f, is amended to read:

Subd. 2f. [SUSPENSION OF INFLATION ADJUSTMENTS.] (a) The taxable net income brackets, the personal credit amounts established pursuant to subdivision 3f and 3g, and the maximum standard deduction provided under section 290.089, subdivision 3, shall not be adjusted for inflation pursuant to subdivision 2d, for taxable years beginning during a calendar year if the following conditions occur:

(1) The legislature and the governor have enacted a budget providing for an appropriation to the budget reserve account of at least \$250,000,000 for the biennium during which the calendar year began or, in the second half of an odd-numbered year, for the biennium which began during the calendar year; and

(2) The commissioner of finance estimated at the time the budget is enacted that the state would receive sufficient general fund receipts during the biennium to fund the full appropriation to the budget reserve account; and

(3) On or before September 15 of the calendar year it is estimated by the commissioner of finance that the probable general fund receipts from taxes and other sources will be less than estimated and consequently the amount available for the remainder of the biennium after transferring any available funds in the budget reserve account will be less than the amount estimated or allotted to be expended or incurred from the general fund; and

(4) The additional receipts resulting from the suspension of the inflation adjustments, together with all other general fund revenues, are not estimated to exceed the sum of the amounts necessary to fund in full all appropriations, including the appropriation to the budget reserve account, in which case the commissioner of revenue shall provide for partial inflation adjustments sufficient to fund in full the appropriations.

(b) The suspension of inflation adjustments shall apply only during the biennium in which the conditions specified in paragraph (a) have been satisfied.

(c) For taxable years beginning during a calendar year in which the inflation adjustments of the brackets, credits, and maximum standard deduction are not made pursuant to this subdivision, the taxable net income adjustment factor, as defined in section 290.18, subdivision 4, shall be the adjustment factor applicable to taxable years beginning during the preceding calendar year. For taxable years beginning during a calendar year in which the inflation adjustments are suspended for one-half of the taxable year as a result of paragraph (b), the taxable net income adjustment factor shall be determined by multiplying the factor for the previous year by an amount equal to the current year factor minus one, divided by two, plus one.

(d) For taxable years beginning during a calendar year in which the inflation adjustments are suspended pursuant to this subdivision and for which paragraph (b) will result in the inflation adjustments being suspended for only one-half of the taxable year, the commissioner of revenue shall adjust the withholding tables, notwithstanding section 290.92, subdivision 2a, so that the additional tax imposed is withheld and remitted by employers during the first six months of the taxable year as if the suspension were in effect for the entire year.

Sec. 19. Minnesota Statutes 1984, section 290.06, subdivision 3f, is amended to read:

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

(1) In the case of an unmarried individual \$68 \$72;

(2) In the case of a married individual ~~individuals~~ *individuals filing a joint return, \$136 \$144. If the spouses file separate, combined or joint returns the personal credits may be taken by either or divided between them;*

(3) In the case of an individual, \$68 \$72 for each person ~~(other than a spouse) who is a dependent upon and receiving his chief support from of the~~

taxpayer. ~~One taxpayer only shall be allowed this credit with respect to any given dependent. A payment to a divorced or separated spouse, other than a payment for support of minor children under a temporary order or final decree of dissolution or legal separation, shall not be considered a payment by the other spouse for the support of any dependent.~~

(4)(a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional ~~\$68~~ \$72;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional ~~\$68~~ \$72;

(c) In the case of a married ~~individual~~ *individuals filing a joint return*, an additional ~~\$68~~ \$72 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional ~~\$68~~ \$72 for each spouse who is blind at the close of the individual's taxable year. ~~If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them;~~

(d) In the case of an individual, another ~~\$68~~ \$72 for each ~~person, other than a spouse, who is blind and dependent upon and receiving his chief support from the taxpayer;~~

(e) For the purposes of subparagraphs (b), (c) and (d) of paragraph (4), an individual is blind if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(f) In the case of an unmarried individual who is deaf at the close of the taxable year, an additional ~~\$68~~ \$72.

(g) In the case of a married ~~individual~~ *individuals filing a joint return*, an additional ~~\$68~~ \$72 for each spouse who is deaf at the close of the taxable year. ~~If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them.~~

(h) In the case of an individual, an additional ~~\$68~~ \$72 for each ~~person (other than a spouse) who is deaf and dependent upon and receiving his chief support from the taxpayer.~~

(i) For the purposes of subparagraphs (f), (g) and (h) of paragraph (4), an individual is deaf if the average loss in the speech frequencies (500-2000 Hertz) in the better ear, unaided, is 92 decibels, American National Standards Institute, or worse.

(5) (a) In the case of an unmarried individual who is a quadriplegic at the close of the taxable year, an additional ~~\$68~~ \$72;

(b) In the case of a married ~~individual~~ *individuals filing a joint return*, an additional ~~\$68~~ \$72 for each spouse who is a quadriplegic at the close of the taxable year. ~~If the spouses file separate, combined or joint returns, these credits may be taken by either or divided between them;~~

(c) In the case of an individual, another ~~\$68~~ \$72 for each ~~person, other than a spouse, who is quadriplegic and dependent upon and receiving his chief support from the taxpayer; and~~

(d) For the purposes of subparagraphs (a), (b) and (c) of paragraph 5,

"quadriplegic" means an individual who has a congenital or traumatic partial or total loss of all four limbs or who has a disability that substantially impairs the functioning of all four limbs.

(6) *For purposes of this subdivision, the term "unmarried individual" includes a married individual filing a separate return, and a "dependent" is a person who was claimed as a dependent on the individual's federal income tax return as provided in sections 151(e) and 152 of the Internal Revenue Code of 1954, as amended through December 31, 1984.*

(7) ~~In the case of~~ An insurance company; it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under this chapter is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by sections 69.54 to 69.56.

Sec. 20. Minnesota Statutes 1984, section 290.06, subdivision 11, is amended to read:

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

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

Sec. 21. Minnesota Statutes 1984, section 290.06, subdivision 16, is amended to read:

Subd. 16. [RESOURCE RECOVERY EQUIPMENT.] (a) A credit of ten percent of the net cost of equipment used for processing solid or hazardous waste at a resource recovery facility *located in Minnesota*, as defined in section 115A.03, subdivision 28, may be deducted from the tax due *from a corporation* under this chapter in the taxable year in which the property is purchased.

(b) If the amount of the credit provided by this subdivision exceeds the taxpayer's liability under this chapter for the taxable year, the excess may be carried forward to the four taxable years following the year of purchase.

Sec. 22. Minnesota Statutes 1984, section 290.06, subdivision 17, is

amended to read:

Subd. 17. [POLLUTION CONTROL EQUIPMENT, CREDIT.] (a) A credit of five percent of the net cost of equipment used primarily to abate or control pollutants to meet or exceed state laws, rules, or standards, or equipment used primarily to reduce the generation of hazardous waste, to the extent the property is so used and which is included in section 290.09, subdivision 7, paragraph (A), clause (a), may be deducted from the tax due *from a corporation* under this chapter in the first year for which a depreciation deduction is allowed for the equipment. The credit allowed by this subdivision may not exceed the lesser of the liability for tax for the taxable year or \$75,000. The credit shall apply only if

(1) the equipment meets rules prescribed by the Minnesota pollution control agency and is installed or operated in accordance with a permit or order issued by the agency; or

(2) the pollution control agency certifies that the equipment reduces the generation of hazardous waste and that the generator is in compliance with applicable hazardous waste laws and rules.

(b) If the amount of the credit determined under paragraph (a) for any taxable year for which a depreciation deduction is allowed exceeds the limitation provided by paragraph (a) for the taxable year, referred to in this subdivision as the "unused credit year," the excess is a credit carryover to each of the four taxable years following the unused credit year.

(c) The entire amount of the unused credit for an unused credit year must be carried to the earliest of the four taxable years to which such credit may be carried and then to each of the other three taxable years. The maximum credit allowable in any one taxable year under this subdivision including the credit allowable under paragraph (a) and the carryforward allowable under paragraph (b) and this paragraph shall in no event exceed \$75,000.

Sec. 23. Minnesota Statutes 1984, section 290.06, subdivision 18, is amended to read:

Subd. 18. [FEEDLOT POLLUTION CONTROL EQUIPMENT.] A credit of ten percent of the net cost of pollution control and abatement equipment, including but not limited to, lagoons, concrete storage pits, slurry handling equipment, and other equipment and devices approved by the pollution control agency, purchased, installed and operated within the state by a feedlot operator to prevent pollution of air, land, or water in connection with the operation of a livestock feedlot, poultry lot, or other animal lot, may be deducted from the tax due *from a corporation* under this chapter in the taxable year in which the equipment is purchased; provided that no deduction may be taken for any portion of the cost of the same equipment pursuant to subdivision 16.

If the amount of the credit provided by this subdivision exceeds the taxpayer's liability for taxes pursuant to chapter 290 in the taxable year in which the equipment is purchased, the excess amount may be carried forward to the four taxable years following the year of purchase. The entire amount of the credit not used in the year purchased shall be carried to the earliest of the four taxable years to which the credit may be carried and then to each of the three successive taxable years.

Sec. 24. Minnesota Statutes 1984, section 290.068, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] In addition to the deduction provided in section 290.09, a *credit corporation* shall be allowed a *credit* against the tax imposed by this chapter for the taxable year equal to

- (a) 12.5 percent of the first \$2 million of the excess (if any) of
 - (1) the qualified research expenses for the taxable year, over
 - (2) the base period research expenses; and
- (b) 6.25 percent on all of such excess expenses over \$2 million.

Sec. 25. Minnesota Statutes 1984, section 290.068, subdivision 3, is amended to read:

Subd. 3. [LIMITATION; CARRYBACK AND CARRYOVER.] (a)(1) The credit for the taxable year shall not exceed the liability for tax. "Liability for tax" for purposes of this section means the tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

(2) In the case of an individual who

(A) owns an interest in an unincorporated business;

(B) is a partner in a partnership;

(C) is a beneficiary of an estate or trust; or

(D) is a shareholder in an S corporation;

the credit allowed for the taxable year shall not exceed the lesser of the amount determined under clause (1) for the taxable year or an amount (separately computed with respect to such person's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of a person's taxable income which is allocable or apportionable to the person's interest in the trade or business or entity.

(b) If the amount of the credit determined under this section for any taxable year exceeds the limitation under clause (a), the excess shall be a research credit carryback to each of the three preceding taxable years and a research credit carryover to each of the 15 succeeding taxable years. The entire amount of the excess unused credit for the taxable year shall be carried first to the earliest of the taxable years to which the credit may be carried and then to each successive year to which the credit may be carried. The amount of the unused credit which may be added under this clause shall not exceed the taxpayer's liability for tax less the research credit for the taxable year.

For the purposes of sections 290.46 and 290.50, if the claim for refund relates to an overpayment attributable to a research and experimental expenditure credit carryback under this subdivision, in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period of limitation shall be that period which ends with the expiration of the 15th day of the 46th month, or the 45th month, in the case of a corporation, following the end of the taxable year in which the research and experimental expenditure credit arises which results in the carryback. With respect to any portion of a credit

carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, the period of limitations shall be that period which ends with the expiration of the 15th day of the 46th month, or, in the case of a corporation, the 45th month following the end of the subsequent taxable year. In any case in which a taxpayer is entitled to a refund in a carryback year due to the carryback of a research and experimental expenditure credit, interest shall be computed only from the end of the taxable year in which the credit arises. With respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, interest shall be computed from the end of the subsequent taxable year.

Sec. 26. Minnesota Statutes 1984, section 290.068, subdivision 4, is amended to read:

Subd. 4. [ESTATES AND TRUSTS; PARTNERSHIPS.] In the case of ~~estates and trusts, and~~ partnerships, the credit shall be allocated to corporate partners in the same manner provided by section 44F 30(f)(2) of the Internal Revenue Code.

Sec. 27. Minnesota Statutes 1984, section 290.069, subdivision 4a, is amended to read:

Subd. 4a. [RECAPTURE; EQUITY INVESTMENT CREDIT.] (a) A taxpayer who receives a tax reduction pursuant to *Minnesota Statutes 1984, section 290.069*, subdivision 4 shall repay to the commissioner an amount of the tax reduction as specified in paragraph (b) if any of the following conditions occur within a four-year period after the date of the investment:

(1) The taxpayer transfers, sells, or otherwise disposes of the stock other than transfer by the estate of a taxpayer who died after acquiring the stock.

(2) The taxpayer or a related person acquires an interest in the qualified small business in excess of that permitted by subdivision 4, clause (b)(2).

(3) The transferee ceases operations in Minnesota.

(b) The amount of the repayment is determined pursuant to the following schedule:

Occurrence of event causing recapture	Repayment portion
Less than six months	100 percent
Six months or more but less than 12 months	87-1/2 percent
12 months or more but less than 18 months	75 percent
18 months or more but less than 24 months	62-1/2 percent
24 months or more but less than 30 months	50 percent
30 months or more but less than 36 months	37-1/2 percent
36 months or more but less than 42 months	25 percent
42 months or more but less than 48 months	12-1/2 percent

(c) If a credit was allowed for a qualified small business whose principal place of business was located in an enterprise zone and the business ceases operations in the zone within three years after the investment is made, the taxpayer shall file an amended return claiming the credit without regard to *Minnesota Statutes 1984, section 290.069*, subdivision 4, paragraph (c).

Sec. 28. Minnesota Statutes 1984, section 290.069, subdivision 4b, is amended to read:

Subd. 4b. [MULTISTATE BUSINESSES.] If a qualified small business is engaged in a business partly within and partly without the state, the credit allowable pursuant to subdivision 2 ~~or 4~~ for technology transferred to ~~or a net investment made in~~ the business must be apportioned. The credit determined pursuant to subdivision 2 ~~or 4~~ must be multiplied by the arithmetical average of the qualified small business' property and payrolls, determined as provided by section 290.19, subdivision 1, clauses (2)(a)(2) and (2)(a)(3), using data from the most recently available year. After the technology is transferred ~~or the investment made~~, the qualified small business shall certify to the transferor taxpayer its factors under section 290.19, subdivision 1, clauses (2)(a)(2) and (2)(a)(3) for each of the succeeding two tax years. If the factors for either of these years would result in at least a 25 percent change in the allowable credit, the taxpayer shall file an amended return repaying or claiming the difference in the credit. The preceding sentence does not apply if the qualified small business ceases operations in Minnesota and the recapture provisions of subdivision 2a or 4a apply.

Sec. 29. Minnesota Statutes 1984, section 290.069, subdivision 5, is amended to read:

Subd. 5. [CARRYOVER; OTHER CONDITIONS.] If the amount of the allowable credit pursuant to subdivision 2 or 3 for the taxable year exceeds the taxpayer's tax liability ~~or if the limitation contained in subdivision 4, clause (a)(3) applies~~, the unused credit for the taxable year is a carryover to each of the succeeding five taxable years. The entire amount of the unused credit must be carried to the earliest of the taxable years to which it may be carried. "Tax liability" means the tax imposed by this chapter reduced by the sum of the nonrefundable credits allowed under this chapter except the credit allowed by section 290.068. The credits allowed by subdivisions 2 and 3 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; ~~or 3;~~ ~~and 4~~ shall be determined by aggregating ~~together~~ the credits of all the corporations in the controlled group of corporations with the taxpayer. In order to facilitate compliance with and enforcement of this provision the commissioner may require the taxpayer to claim the credit on a combined report of the unitary business or to file a copy of the consolidated federal return with the state return or both.

Sec. 30. Minnesota Statutes 1984, section 290.069, subdivision 6, is amended to read:

Subd. 6. [REPEALER.] This section is repealed effective for contributions made to a small business office or to an innovation center public corporation as provided in subdivision 3; ~~and for technology transferred as described in subdivision 2; and for investments made as described in subdivision 4~~ in taxable years beginning after December 31, 1985.

Sec. 31. Minnesota Statutes 1984, section 290.069, subdivision 7, is amended to read:

Subd. 7. [COMMISSIONER'S POWER TO DISALLOW CREDIT.] The commissioner may disallow a credit under subdivision 2 ~~or 4~~ if he determines that the transaction giving rise to the credit was entered into by the parties

primarily to reduce taxes and not primarily for an independent business or commercial purpose other than the reduction of taxes.

Sec. 32. Minnesota Statutes 1984, section 290.08, subdivision 1, is amended to read:

Subdivision 1. [IN GENERAL.] The following items shall not be included in gross income, provided that any item which was excluded in arriving at gross income under the provisions of section 290.01, subdivisions 20 to 20f 20e, shall not be again excluded under this section.

Sec. 33. Minnesota Statutes 1984, section 290.08, subdivision 26, is amended to read:

Subd. 26. [PENSION INCOME.] (a) [EXCLUSION.] Gross income shall not include the ~~taxpayer's~~ pension income *of a qualified recipient*. The maximum amount of this exclusion is the ~~greater of the following two amounts~~ amount:

(1) \$11,000 reduced by the amount of the taxpayer's ~~and spouse's combined~~ federal adjusted gross income in excess of \$17,000 ~~excluding including~~ social security benefits and railroad retirement benefits to the extent included in federal adjusted gross income; or

(2) \$11,000 reduced by the sum of

(A) social security benefits,

(B) railroad retirement benefits, and

(C) the excess over \$23,000 of federal adjusted gross income, but ~~excluding social security benefits and railroad retirement benefits to the extent included in federal adjusted gross income.~~

(3) (2) Notwithstanding ~~clauses~~ clause (1) and (2), in the case of an involuntary lump sum distribution of pension or retirement benefits to volunteer firefighters, the maximum amount of the exclusion is \$11,000. This amount is not subject to reduction for other income of the taxpayer.

(4) (3) Pension income consisting of severance pay qualifies only for the exclusion computed according to paragraph (a), clause (1).

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

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

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

(3) "Pension income" means to the extent included in the taxpayer's federal adjusted gross income the amount received by the taxpayer

(A) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer firefighter's relief association, by

way of payment as a pension, public employee retirement benefit, or any combination thereof,

(B) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408, 409, or 409A of the Internal Revenue Code, or

(C) severance pay distributed to an individual upon discontinuance of the individual's employment due to termination of business operations by the individual's employer, if the termination is reasonably likely to be permanent, involves the discharge of at least 75 percent of the employees at that site within a one-year period, and the business is not acquired by another person who continues operations at that site.

(4) "Severance pay" means an amount received for cancellation of an employment contract or a collectively bargained termination payment made as a substitute for income which would have been earned for personal services to be rendered in the future.

(5) "*Qualified recipient*" means an individual who, at the end of the taxable year, is aged 65 or older or is disabled as defined in section 290A.03, subdivision 9.

Sec. 34. Minnesota Statutes 1984, section 290.089, subdivision 2, is amended to read:

Subd. 2. [ITEMIZED DEDUCTIONS.] An amount equal to the amount determined pursuant to section 63(f) of the Internal Revenue Code is allowed with the following adjustments:

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

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

(c) Add the amount by which the deduction for the taxable year allowed pursuant to subdivision 4 exceeds the amount determined pursuant to section 222 of the Internal Revenue Code;

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

(e) (b) Subtract income taxes paid to any other state or to any province or territory of Canada; and

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

(g) Subtract the amount of interest on investment indebtedness paid or accrued in a taxable year beginning before January 1, 1981, which has been carried forward and is allowed as a deduction in the taxable year under section 163(d) of the Internal Revenue Code;

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

Sec. 35. Minnesota Statutes 1984, section 290.089, subdivision 3, is amended to read:

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

(a) Subject to modification pursuant to clause (b), the standard deduction shall be an amount equal to ten percent of the adjusted gross income of the taxpayer, up to a maximum deduction of \$2,268 \$2,400.

In the case of a husband and wife, the standard deduction shall not be \$2,400 and shall be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction only one spouse if the spouses file separately.

(b) For taxable years beginning after December 31, 1985, the maximum amount of the standard deduction shall be adjusted for inflation in the same manner as provided in section 290.06, subdivision 2d, for the expansion of the taxable net income brackets. The commissioner shall then round the maximum amount of the standard deduction to the nearest hundred dollar amount. When adjusting the maximum amount of standard deduction for inflation, the commissioner shall use the actual dollar amount of the maximum amount of the standard deduction prior to rounding the dollar amounts.

(c) The commissioner of revenue may establish a standard deduction tax table incorporating the rates set forth in section 290.06, subdivision 2c, and the standard deduction. The tax of any individual taxpayer whose adjusted gross income is less than \$20,000 shall, if an election is made not to itemize nonbusiness deductions, be computed in accordance with tables prepared and issued by the commissioner of revenue. The tables shall be prepared to reflect the allowance of the standard deduction and the personal and dependent credits.

Sec. 36. Minnesota Statutes 1984, section 290.09, subdivision 1, is

amended to read:

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

Sec. 37. Minnesota Statutes 1984, section 290.09, subdivision 2, is amended to read:

Subd. 2. [TRADE OR BUSINESS EXPENSES.] (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; and

(4) For persons engaged in the business of mining or producing iron ore, the mining or production of which is subject to the occupation tax imposed by section 298.01, subdivision 1, those expenses that are not deductible, capitalizable, or taken into account by allowance or otherwise in computing the occupation tax.

(b) 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;

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

(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, 1983.

(e) No deduction shall be allowed under this subdivision for illegal bribes, kickbacks, and other payments, fines, and penalties, or treble damage payments under the antitrust laws except as provided in section 162 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

Sec. 38. Minnesota Statutes 1984, section 290.09, subdivision 7, is amended to read:

Subd. 7. [DEPRECIATION.] (A) [CUMULATIVE DEPRECIATION.]

(a) There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence):

(1) of property used in the trade or business, or

(2) of property held for the production of income.

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

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

(1) the straight line method.

(2) the declining balance method, using a rate not exceeding twice the rate which would have been used had the annual allowance been computed under the method described in paragraph (1).

(3) the sum of the years-digits method, and

(4) any other consistent method productive of an annual allowance; which, when added to all allowances for the period commencing with the taxpayer's use of the property and including the taxable year, does not, during the first two-thirds of the useful life of the property, exceed the total of such allowances which would have been used had such allowances been computed under the method described in (2). Nothing in this clause (b) shall be construed to limit or reduce an allowance otherwise allowable under clause (a).

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

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

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

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

For property placed in service after December 31, 1980 the term "reasonable allowance" as used in clause (a) shall mean 100 percent of the deduction allowed pursuant to section 168 of the Internal Revenue Code of 1954 where the taxpayer uses for federal income tax purposes the straight line method provided in section 168(b)(3) or a method provided in section 168(e)(2) of the Internal Revenue Code of 1954, as amended through December 31, 1983. For property placed in service after December 31, 1980

and for which the full amount of the deduction allowed under section 168 of the Internal Revenue Code of 1954, as amended through December 31, 1983 has been allowed, the remaining depreciable basis in those assets for Minnesota purposes shall be a depreciation allowance computed by using the straight line method over the following number of years:

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

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

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

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

The modification provided in this clause shall apply before applying a limitation on farm losses as contained in subdivision 29.

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

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

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

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

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

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

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

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

Sec. 39. Minnesota Statutes 1984, 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 on individuals, estates, and trusts a tax which, in the case of a resident individual, shall be equal to 40 percent of the amount of the taxpayer's alternative minimum tax liability for tax preference items pursuant to the provisions of sections 55, 57, 58 and 443(d) of the Internal Revenue Code of 1954 as amended through December 31, 1983. For purposes of the tax imposed by this section, the following modifications shall be made:

(1) Alternative tax itemized deductions shall include the amount allowable as a deduction for the taxable year under section 164 of the Internal Revenue Code for Minnesota income tax paid or accrued.

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

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

(4) (3) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota *except to the extent that they are subtracted from federal adjusted gross income pursuant to section 290.01, subdivision 20a.*

(5) (4) The term "regular tax" as defined in section 55(f)(2) of the Internal Revenue Code shall be increased by the amount of the credit allowable under section 38 of the Internal Revenue Code and it shall be computed before the

limitation on tax provided in section 1301 of the Internal Revenue Code.

(6) Federal preference items which arise from a farm shall not be a preference item to the extent they exceed the loss allowed under section 290.09, subdivision 29, other than interest and taxes.

In the case of any taxpayer who is not a full year resident individual, or who is an estate or trust the tax shall equal 40 percent of that federal liability, multiplied by a fraction the numerator of which is the amount of the taxpayer's preference item income allocated to this state pursuant to the provisions of sections 290.17 to 290.20, and the denominator of which is the taxpayer's total preference item income for federal purposes.

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

For property placed in service after December 31, 1980, and in a taxable year beginning before January 1, 1983, the preference items contained in section 57 (a)(12) of the Internal Revenue Code of 1954, as amended through December 31, 1983, shall not apply.

Sec. 40. Minnesota Statutes 1984, section 290.095, subdivision 7, is amended to read:

Subd. 7. [TENTATIVE CARRYBACK ADJUSTMENTS.] (a) Application for adjustment. A taxpayer may file an application for a tentative carryback adjustment of the tax for the prior taxable year affected by a loss or credit carryback from any taxable year. The application shall be signed and verified as provided in section 290.37, subdivision 1, and shall be filed on or after the date of filing of the return for the taxable year from which the carryback results and within a period of 12 months from the end of such taxable year (or with respect to any portion of a credit carryback from a taxable year attributable to a loss carryback from a subsequent taxable year, the application shall be filed within a period of 12 months from the end of the subsequent taxable year), in the manner and form required by rules prescribed by the commissioner. The application shall set forth in such detail and with such supporting data and explanation as such rules shall require:

- (1) The amount of the loss or credit;
- (2) The amount of the tax previously determined for the prior taxable year affected by such carryback;
- (3) The amount of decrease in such tax, attributable to such carryback, such decrease being determined by applying the carryback in the manner provided by law to the items on the basis of which such tax was determined;
- (4) The unpaid amount of such tax;
- (5) Such other information for purposes of carrying out the provisions of this subdivision as may be required by such rules.

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

- (b) Allowance of adjustments. Within a period of 90 days from the date on

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

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

Sec. 41. Minnesota Statutes 1984, section 290.095, subdivision 9, is amended to read:

Subd. 9. [SPECIAL PERIOD OF LIMITATION WITH RESPECT TO NET OPERATING LOSS CARRYBACKS.] For the purposes of sections 290.46 and 290.50 if the claim for refund relates to an overpayment attributable to a net operating loss carryback under this section or as the result in the case of an individual of an adjustment of "federal adjusted gross income" because of the carryback under section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1983 in lieu of the period of limitation prescribed in sections 290.46 and 290.50, the period shall be that period which ends with the expiration of the 15th day of the 46th month (or the 45th month, in the case of a corporation) following the end of the taxable year of the net operating loss which results in such carryback or adjustment of "federal adjusted gross income." During this extended period, *for taxable years beginning before January 1, 1985*, married individuals who elected to file separate returns or a combined return may change their election and file a joint return.

Sec. 42. Minnesota Statutes 1984, section 290.095, subdivision 11, is amended to read:

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

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

(1) Nonassignable income or losses as required by section 290.17, sub-

division 2.

(2) Modifications required because of the restrictions on farm losses as provided in section 290.09, subdivision 29.

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

(4) Modifications to income contained in federal adjusted gross income according to the provisions of section 290.01, subdivision 20c.

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

(6) (3) Interest, taxes, and other expenses not allowed under section 290.10, clause (9) or section 290.101.

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

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

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

(B) Decrease the amount of carryback or carryover applied in the taxable year by the amount of income not assignable to Minnesota earned in the taxable year and the amount of federal jobs credit earned in the taxable year.

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

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

(d) A net operating loss shall be allowed to be carried back or carried

forward only to the extent that loss was assignable to Minnesota in the year the loss occurred or in the year to which the loss was carried over, whichever would allow more of the loss to be allowed for Minnesota purposes.

(e) If a taxpayer has a net operating loss for federal purposes and the provisions of the farm loss limitation as provided in section 290.09, subdivision 29 apply, the limitations applying to the farm losses that are carried back or carried over are applied first and the net operating loss that is carried back or carried over is limited to the excess, if any, that the net operating loss exceeds the farm loss limitation.

Sec. 43. Minnesota Statutes 1984, section 290.10, is amended to read:

290.10 [NONDEDUCTIBLE ITEMS.]

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

- (1) Personal, living or family expenses;
- (2) Amounts paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as otherwise provided in this chapter;
- (3) Amounts expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made;
- (4) Premiums paid on any life insurance policy covering the life of the taxpayer or of any other person;
- (5) The shrinkage in value, due to the lapse of time, of a life or terminable interest of any kind in property acquired by gift, devise, bequest or inheritance;
- (6) Losses from sales or exchanges of property, directly or indirectly, between related taxpayers as defined and as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1983;
- (7) In computing net income, no deduction shall be allowed under section 290.09, subdivision 2, relating to expenses incurred or under section 290.09, subdivision 3, relating to interest accrued as provided in section 267 of the Internal Revenue Code of 1954, as amended through December 31, 1983;
- (8)(a) Contributions by employees under the federal railroad retirement act and the federal social security act; (b) Payments to Minnesota or federal public employee retirement funds; (c) ~~Three-fourths (75 percent) of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code of 1954, as amended through December 31, 1983, provided that effective for taxable years beginning after December 31, 1989, no deduction is allowed for self-employment taxes where the taxpayer claimed a deduction for those taxes under section 164(f) of the Internal Revenue Code of 1954, as amended through December 31, 1983;~~
- (9) Expenses, interest and taxes connected with or allocable against the production or receipt of all income not included in the measure of the tax imposed by this chapter, *except that for persons engaged in the business of mining or producing iron ore, the mining of which is subject to the occupation tax imposed by section 298.01, subdivision 1, this shall not prohibit deductions to the extent that they are allowed under section 290.01, subdivi-*

sion 20a, clause (6) or section 290.09, subdivision 2, paragraph (a)(4);

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

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

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

Sec. 44. Minnesota Statutes 1984, section 290.12, subdivision 1, is amended to read:

Subdivision 1. [MEASUREMENT.] The gain from the sale or other disposition of property shall be the excess of the amount realized therefrom over the basis provided in this chapter and the loss shall be the excess of such basis over the amount realized, except that such basis shall, in the case of both gain and loss, be adjusted as provided in subdivision 2. *The provisions of this section apply only to corporations.*

Sec. 45. Minnesota Statutes 1984, section 290.12, subdivision 2, is amended to read:

Subd. 2. [ADJUSTMENTS.] In computing the amount of gain or loss under subdivision 1 proper adjustment shall be made for any expenditure, receipt, loss, or other item properly chargeable to capital account by the taxpayer during his ownership thereof. The basis shall be diminished by the amount of the deductions for exhaustion, wear and tear, obsolescence, amortization, depletion, and the allowance for amortization of bond premium if an election to amortize was made in accordance with section 290.09, subdivision 13, which could, during the period of his ownership thereof, have been deducted by the taxpayer under this chapter in respect of such property. ~~The basis shall also be diminished by the amount of depreciation relating to a substandard building disallowed by section 290.101.~~ In addition, if the property was acquired before January 1, 1933, the basis, if other than the fair market value as of such date, shall be diminished by the amount of exhaustion, wear and tear, obsolescence, amortization, or depletion actually sustained before such date. In respect of any period since December 31, 1932, during which property was held by a person or an organization not subject to income taxation under this chapter, proper adjustment shall be made for exhaustion, wear and tear, obsolescence, amortization, and depletion of such property to the extent sustained. For the purpose of determining the amount of these adjustments the taxpayer who sells or otherwise disposes of property acquired by gift shall be treated as the owner thereof from the time it was

acquired by the last preceding owner who did not acquire it by gift, and the taxpayer who sells or otherwise disposes of property acquired by gift through an inter vivos transfer in trust shall be treated as the owner from the time it was acquired by the grantor:

No adjustment shall be made:

(1) for taxes or other carrying charges described in section 290.10, clause ~~(1)~~ (10), or

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

Sec. 46. Minnesota Statutes 1984, section 290.14, is amended to read:

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

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

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

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

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

(4) Except as otherwise provided in this clause, the basis of property in the hands of a person acquiring the property from a decedent or to whom the property passed from a decedent shall, if not sold, exchanged or otherwise disposed of before the decedent's death by the person, be the fair market value of the property at the date of decedent's death or, in the case of an election under section 2032 (relating to alternate valuation) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its valuation at the applicable valuation date prescribed by that section, or in the case of an election under section 2032A (relating to valuation of farm real property) of the Internal Revenue Code of 1954, as amended through December 31, 1983, its value determined by that section.

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

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

(b) Property transferred by the decedent during his lifetime in trust to pay

the income for life to or on the order or direction of the decedent, with the right reserved to the decedent at all times before his death to revoke the trust;

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

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

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

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

(5) If substantially identical property was acquired in the place of stocks or securities which were sold or disposed of and in respect of which loss was not allowed as a deduction under section 290.089 or section 290.09, subdivision 5, the basis in the case of property so acquired shall be the same as that provided in section 1091 of the Internal Revenue Code of 1954, as amended through December 31, 1983.

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

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

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

(8) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1983 (relating to the rollover of gain on sale of principal residence) shall be the

same as the basis for federal income tax purposes. The basis shall be increased by the amount of gain realized on the sale of a principal residence outside of Minnesota, while a nonresident of this state, which gain was not recognized because of the provisions of section 1034.

Sec. 47. Minnesota Statutes 1984, section 290.16, subdivision 1a, is amended to read:

Subd. 1a. [INAPPLICABLE TO INDIVIDUALS, TRUSTS, ESTATES.] With respect to individuals, trusts and estates, the provisions of this section shall not be applicable and gains and losses shall be reported as provided in section 290.01, subdivisions 20 to 20f 20e.

Sec. 48. Minnesota Statutes 1984, section 290.19, subdivision 1, is amended to read:

Subdivision 1. [COMPUTATION, BUSINESS CONDUCTED PARTLY WITHIN STATE; APPORTIONMENT.] The taxable net income from a trade or business carried on partly within and partly without this state shall be computed by deducting from the gross income of such business, wherever derived, deductions of the kind permitted by section 290.09, so far as connected with or allocable against the production or receipt of such income. The remaining net income shall be apportioned to Minnesota as follows:

(1) If the business consists of the mining, producing, smelting, refining, or any combination of these activities of copper and nickel ores, or of the manufacture of personal property and the sale of said property within and without the state, the remainder shall be apportioned to Minnesota on the basis of the percentage obtained by taking the arithmetical average of the following three percentages:

(a) The percentage which the sales made within this state is of the total sales wherever made;

(b) The percentage which the total tangible property, real, personal, and mixed, owned or rented, and used by the taxpayer in this state during the tax period in connection with such trade or business is of the total tangible property, real, personal, or mixed, wherever located, owned or rented and, used by the taxpayer in connection with such trade or business during the tax period; and,

(c) The percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with such trade or business is of the taxpayer's total payrolls paid or incurred in connection with such entire trade or business;

(d) The percentage of such remainder to be assigned to this state shall not be in excess of the sum of the following percentages: 70 percent of the percentage determined under clause (1) (a), 15 percent of the percentage determined under clause (1) (b), and 15 percent of the percentage determined under clause (1) (c);

(2) (a) In all other cases the remainder shall be apportioned to Minnesota on the basis of the percentage obtained by taking the arithmetical average of the following three percentages:

(1) The percentage which the sales, gross earnings, or receipts from busi-

ness operations, in whole or in part, within this state bear to the total sales, gross earnings, or receipts from business operations wherever conducted;

(2) The percentage which the total tangible property, real, personal, and mixed, owned or rented, and used by the taxpayer in this state during the tax period in connection with such trade or business is of the total tangible property, real, personal, or mixed, wherever located, owned, or rented, and used by the taxpayer in connection with such trade or business during the tax period; and

(3) The percentage which the taxpayer's total payrolls paid or incurred in this state or paid in respect to labor performed in this state in connection with such trade or business is of the taxpayer's total payrolls paid or incurred in connection with such entire trade or business;

(4) The percentage of such remainder to be assigned to this state shall not be in excess of the sum of the following percentages: 70 percent of the percentage determined under clause (2) (a) (1), 15 percent of the percentage determined under clause (2) (a) (2), and 15 percent of the percentage determined under clause (2) (a) (3);

(b) If the methods prescribed under clause (2) (a) will not properly reflect taxable net income assignable to the state, there may be used, if practicable and if such use will properly and fairly reflect such income, the percentage which the sales, gross earnings, or receipts from business operations, in whole or in part, within this state bear to the total sales, gross earnings, or receipts from business operations wherever conducted; or the separate or segregated accounting method; however, for athletic teams when the visiting team does not share in the gate receipts, all of the team's income is apportioned to the state in which the team's operation is based;

(3) If the business consists exclusively of the selling of tangible personal property and services in response to orders received by United States mail or telephone, and 100 percent of the taxpayer's property and payroll is within Minnesota, then the taxpayer may apportion net income to Minnesota as provided in clause (1), except that the percentages applicable in clause (1)(d) shall be 80 percent of the percentage determined under clause (1)(a), 10 percent of the percentage determined under clause (1)(b), and 10 percent of the percentages determined under clause (1)(c). In determining eligibility for this section, the occasional sales of tangible or intangible assets used in conducting business activities shall be disregarded.

(4) The sales, payrolls, earnings, and receipts referred to in this section shall be those for the taxable year in respect of which the tax is being computed. The property referred to in this section shall be the average of the property owned or rented and used by the taxpayer during the taxable year in respect of which the tax is being computed. For purposes of computing the property factor referred to in this section, United States government property which is used by the taxpayer shall be considered as being owned by the taxpayer.

Sec. 49. Minnesota Statutes 1984, section 290.23, subdivision 3, is amended to read:

Subd. 3. [UNUSED LOSS CARRYOVERS AND EXCESS DEDUCTIONS ON TERMINATION AVAILABLE TO BENEFICIARIES.] If on

the termination of an estate or trust, the estate or trust has

(1) a net operating loss carryover under section 290.095, or a capital loss carryover under section 290.01, subdivisions 20 to ~~20f~~ or ~~any other loss or credit carryover allowed under this chapter 20e~~; or

(2) for the last taxable year of the estate or trust deductions (other than the charitable deduction) in excess of gross income for such year,

then such carryover or such excess shall be allowed as a deduction, in accordance with rules prescribed by the commissioner, to the beneficiaries succeeding to the property of the estate or trust.

Sec. 50. Minnesota Statutes 1984, section 290.311, subdivision 1, is amended to read:

Subdivision 1. [PARTNERS.] (a) Partner's modifications. In determining gross income and Minnesota taxable income of a partner, any modification described in section 290.01, subdivisions 20 to ~~20f~~ 20e, which relates to an item of partnership income, gain, loss or deduction shall be made in accordance with the partner's distributive share, for federal income tax purposes, of the item to which the modification relates. *The basis of a partner's interest is the same as determined for federal income tax purposes for all partners except corporate partners, notwithstanding section 290.31, subdivisions 5 and 19.*

(b) Character of items. Each item of partnership income, gain, loss, or deduction shall have the same character for a partner under this section which it has for federal income tax purposes. Where an item is not characterized for federal income tax purposes, it shall have the same character for a partner as if realized directly from the source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.

(c) Minnesota tax avoidance or evasion. Where a partner's distributive share of an item of partnership income, gain, loss or deduction is determined for federal income tax purposes by special provision in the partnership agreement with respect to such item, and where the effect of such provision is the avoidance or evasion of tax under this section, the partner's distributive share of such item, and any modifications required with respect thereto shall be determined as if the partnership agreement made no special provision with respect to such item.

Sec. 51. Minnesota Statutes 1984, section 290.37, subdivision 1, is amended to read:

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

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum

amount at which an individual is required to file and did not file, shall be filed by his or her personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

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

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

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

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

(c) For purposes of this subdivision the term "gross income" shall mean gross income as defined in section 61 of the Internal Revenue Code of 1954, as amended through December 31, 1983, modified and adjusted in accordance with the provisions of sections 290.01, subdivision 20b, clauses (1), ~~(6), and (10); 290.08, (3), and (4) and 290.17.~~

Sec. 52. Minnesota Statutes 1984, section 290.38, is amended to read:

290.38 [JOINT RETURNS OF HUSBAND AND WIFE.]

A husband and wife ~~may must~~ make a single return jointly ~~even though one of the spouses has neither gross income nor deductions if they filed a joint federal income tax return.~~ If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several. If ~~both the husband and wife have gross income elected to file separate federal income tax returns they may elect to either file a single return jointly or may must~~ file separate returns pursuant to this section ~~or as provided in section 290.39, subdivision 2.~~ This election to file a joint or separate returns ~~may must~~ be changed ~~within the period provided for the assessment of additional taxes on said return or returns if they change their election for federal purposes.~~ In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by ~~regulation rule.~~

No joint return shall be made if the husband and wife have different taxable years; except that if such taxable years begin on the same day and end on different days because of the death of either or of both, then the joint return may be made with respect to the taxable year of each. The above exception shall not apply if the surviving spouse remarries before the close of his taxable year or if the taxable year of either spouse is a fractional part of a year under section 290.32.

In the case of the death of one spouse or both spouses the joint return with respect to the decedent may be made only by the personal representative of his estate; except that in the case of the death of one spouse the joint return may be made by the surviving spouse with respect to both himself and the decedent if (a) no return for the taxable year has been made by the decedent, (b) no personal representative has been appointed, and (c) no personal representative is appointed before the last day prescribed by law for filing the return of the surviving spouse. If a personal representative of the estate of the decedent is appointed after the joint return has been filed by the surviving spouse, the personal representative may disaffirm such joint return by filing, within one year after the last day prescribed by law for filing the return of the surviving spouse, a separate return for the taxable year of the decedent with respect to which the joint return was made, in which case the return made by the survivor shall constitute his separate return *provided that the election has been also disaffirmed for federal purposes.*

~~If husband and wife determine their federal income tax on a joint return but determine their Minnesota income taxes separately, they shall determine their Minnesota gross income separately as if their federal adjusted gross incomes had been determined separately.~~

Sec. 53. Minnesota Statutes 1984, section 290.41, subdivision 2, is amended to read:

Subd. 2. [BY PERSONS, CORPORATIONS, COOPERATIVES, GOVERNMENTAL ENTITIES OR SCHOOL DISTRICTS.] Every person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and every city, county and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 290.92, subdivision 7, or on account of earnings of \$10 or more distributed to its members by savings, building and loan associations or credit unions chartered under the laws of this state or the United States, (a) shall make a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and such return is therefore filed only with the commissioner of internal revenue pursuant to the applicable filing and informational reporting requirements of the Internal Revenue Code of 1954 as amended through December 31, 1983) in respect to such payments in excess of the amounts specified, giving the names and addresses of the persons to whom such payments were made, the amounts paid to each, and (b) shall make a return in respect to the total number of such payments and total amount of such payments, for each category of income specified, which were in excess of the amounts specified. This subdivision shall not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

A person, corporation, or cooperative required to file returns under this subdivision on interest, dividends, or patronage dividend payments with respect to more than 50 payees for any calendar year must file all of these

returns on magnetic media unless the person establishes to the satisfaction of the commissioner that compliance with this requirement would be an undue hardship.

Upon request from the commissioner, any public pension plan as defined in section 356.61 in which the employer picks up the employee contributions under section 356.62 shall furnish the commissioner, on magnetic media to the extent possible, with the name, address, and social security number of each employee who participated in the plan during that calendar year for which picked up contributions were made.

Sec. 54. Minnesota Statutes 1984, section 290.49, subdivision 10, is amended to read:

Subd. 10. [INCORRECT DETERMINATION OF FEDERAL ADJUSTED GROSS INCOME.] Notwithstanding any other provision of this chapter, if a taxpayer whose gross income is determined under section 290.01, subdivisions 20 to ~~20f~~ 20e, omits from income such an amount as will under the Internal Revenue Code of 1954, as amended through December 31, 1983 extend the statute of limitations for the assessment of federal income taxes; or otherwise incorrectly determines his federal adjusted gross income resulting in adjustments by the Internal Revenue Service then the period of assessment and determination of tax shall be the same as that under the Internal Revenue Code of 1954, as amended through December 31, 1983. When a change is made to federal income during the extended time provided under this subdivision, the provisions under section 290.56 regarding additional extensions apply.

Sec. 55. Minnesota Statutes 1984, section 290.50, subdivision 5, is amended to read:

Subd. 5. [OVERPAYMENTS; CREDITS AND REFUNDS.] (a) If the amount allowable as a credit under section 290.92, subdivision 12 (relating to credit for tax withheld at source) or an amount determined to be an overpayment under section 290.93, subdivision 9, or 290.936 exceeds the taxes imposed by this chapter against which such credit is allowable the amount of such excess shall be considered an overpayment. An amount paid as tax shall constitute an overpayment even if in fact there was no tax liability with respect to which such amount was paid.

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

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

Sec. 56. [290.491] [TAX ON GAIN; DISCHARGE IN BANK-

RUPTCY.]

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

Sec. 57. Minnesota Statutes 1984, section 290.50, subdivision 6, is amended to read:

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

On order of the court, the money shall be withheld by the commissioner from the refund due to the person obligated to pay and the amount withheld shall be remitted to the public agency responsible for child support enforcement or to the parent or guardian petitioning on behalf of the child, provided that any delinquent tax obligations of the taxpayer owed to the revenue department shall be satisfied first. Any amount received by the responsible public agency or the petitioning parent or guardian in excess of the amount of public assistance expended for the benefit of the child to be supported, or the amount of any support, attorneys fees and costs that had been the subject of the claim pursuant to this subdivision which has been paid by the taxpayer prior to the diversion of the refund, shall be remitted to the person entitled to the money. If the refund is based on a joint or combined return, the portion of the refund that shall be remitted to the petitioner shall be the proportion of the total refund that equals the proportion of the total federal adjusted gross income of the spouses that is the federal adjusted gross income of the spouse who is delinquent in making the child support payments. A petition filed pursuant to this subdivision shall be in effect with respect to any refunds due under this section until the support money, attorneys fees and costs have been paid in full or the court orders the commissioner to discontinue withholding the money from the refund due the person obligated to pay the support, attorneys fees and costs. If a petition is filed pursuant to this subdivision and a claim is made pursuant to chapter 270A with respect to the same individual's refund and notices of both are received prior to the time when payment of the refund is made on either claim, the claim relating to the liability that accrued first in time shall be paid first; any amount of the refund remaining shall then be applied to the other claim. The provisions of section 290.61 shall not prohibit the exchange of information among the department, the petitioner, and the court to the extent necessary to accomplish the intent of this subdivi-

sion.

Sec. 58. Minnesota Statutes 1984, section 290.92, subdivision 2a, is amended to read:

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

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

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

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

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

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

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

(7) [REGULATIONS ON WITHHOLDING.] The commissioner may, by

~~regulations rule~~, authorize employers:

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

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

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

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

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

Sec. 59. Minnesota Statutes 1984, section 290.92, subdivision 18, is amended to read:

Subd. 18. [RETURNS; CONFESSION OF JUDGMENT.] Any return that is required to be filed with the commissioner of revenue under this section shall (a) contain a written declaration that it is ~~made under the penalties of criminal liability for wilfully making a false return~~ *correct and complete*, and (b) shall contain *language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.*

Sec. 60. Minnesota Statutes 1984, section 290.92, subdivision 21, is

amended to read:

Subd. 21. [EXTENSION OF WITHHOLDING TO UNEMPLOYMENT COMPENSATION BENEFITS.] For purposes of this section, any supplemental unemployment compensation benefit paid to an individual to the extent includable in such individual's Minnesota ~~adjusted~~ gross income, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

Sec. 61. Minnesota Statutes 1984, section 290.93, subdivision 10, is amended to read:

Subd. 10. [UNDERPAYMENT OF ESTIMATED TAX.] (1) In the case of any underpayment of estimated tax by an individual, except as provided in paragraph (4) or (5), there may be added to and become a part of the taxes imposed by this chapter, for the taxable year an amount determined at the rate specified in section 270.75 upon the amount of the underpayment for the period of the underpayment.

(2) For purposes of the preceding paragraph, the amount of underpayment shall be the excess of

(a) The amount of the installment which would be required to be paid if the estimated tax were equal to 80 percent (66 $\frac{2}{3}$ percent in the case of farmers referred to in subdivision 5(2) of this section) of the taxes shown on the return for the taxable year or the taxes for such year if no return was filed, over

(b) The amount, if any, of the installment paid on or before the last day prescribed for such payment.

(3) The period of the underpayment shall run from the date the installment was required to be paid to whichever of the following dates is the earlier

(a) The 15th day of the fourth month following the close of the taxable year.

(b) With respect to any portion of the underpayment, the date on which such portion is paid. For purposes of this subparagraph, a payment of estimated tax on any installment date shall be considered a payment of any previous underpayment only to the extent such payment exceeds the amount of the installment determined under paragraph (2)(a) for such installment date.

(4) The addition to the tax with respect to any underpayment of any installment shall not be imposed if the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds the amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the lesser

(a) The total tax liability shown on the return of the individual for the preceding taxable year (if a return showing a liability for such taxes was filed by the individual for the preceding taxable year of 12 months), or

(b) An amount equal to the tax computed, at the rates applicable to the taxable year, on the basis of the taxpayer's *filing* status ~~with respect to the~~ and number of personal credits for the taxable year, but otherwise on the basis of the facts shown on his return for, and the law applicable to the

preceding taxable year, or

(c) An amount equal to 80 percent (66 2/3 percent in the case of farmers referred to in subdivision 5(2) of this section) of the tax for the taxable year (after deducting personal credits) computed by placing on an annualized basis the taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. For purposes of this subparagraph, the taxable income shall be placed on an annualized basis by

(i) Multiplying by 12 (or in the case of a taxable year of less than 12 months, the number of months in the taxable year) the taxable income computed for the months in the taxable year ending before the month in which the installment is required to be paid.

(ii) Dividing the resulting amount by the number of months in the taxable year ending before the month in which such installment date falls, or

(d) An amount equal to 90 percent of the tax computed, at the rates applicable to the taxable year, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid.

(5) No addition to the tax shall be imposed under this subdivision for any taxable year if:

(a) the individual did not have any liability for tax for the preceding taxable year,

(b) the preceding taxable year was a taxable year of 12 months, and

(c) the individual was a resident of Minnesota throughout the preceding taxable year.

(6) For the purposes of applying this subdivision, the estimated tax shall be computed without any reduction for the amount which the individual estimates as his credit under section 290.92, subdivision 12 (relating to tax withheld at source on wages), and the refundable ~~credits~~ *credit* contained in ~~sections 290.06, subdivision 13, section 290.067,~~ and any other refundable credits which are allowed against income tax liability, and the amount of such credits for the taxable year shall be deemed a payment of estimated tax, and an equal part of such amounts shall be deemed paid on each installment date (determined under subdivisions 6 and 7 of this section) for such taxable year, unless the taxpayer establishes the dates on which all amounts were actually withheld, in which case the amounts so withheld shall be deemed payments of estimated tax on the dates on which such amounts were actually withheld.

Sec. 62. Minnesota Statutes 1984, section 290.9726, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RULE.] The gross income of the shareholders of corporations described in section 290.9725 shall be computed under the provisions of section 290.01, subdivisions 20 to ~~20f~~ *20e*.

Sec. 63. Minnesota Statutes 1984, section 290.974, is amended to read:

290.974 [RETURN OF S CORPORATION.]

Every S corporation shall make a return for each taxable year during which

said election is in effect stating specifically the names and addresses of all persons owning stock in the corporation at any time during the taxable year, the number of shares of stock owned by each shareholder at all times during the taxable year, each shareholder's pro rata share of each item of the corporation for the taxable year, and such other information for the purposes of carrying out the provisions of sections 290.01, subdivisions 20 to ~~20f~~ 20e and 290.9725 as the commissioner may by forms and rules prescribe.

Sec. 64. Minnesota Statutes 1984, section 290A.03, subdivision 3, is amended to read:

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

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

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

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, section 290.01, subdivision 20a, clauses (1), ~~and (2), (4), (9), (10), and (14);~~

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

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

(v) cash public assistance and relief;

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

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

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits; and

(xi) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability, whether funded through insurance or otherwise. In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback.

(2) "Income" does not include

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

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

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

(d) relief granted under this chapter; or

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

~~(f) federal adjusted gross income shall be reduced by wage or salary expense which is not allowed as a deduction under provisions of section 280C of the Internal Revenue Code of 1954.~~

Sec. 65. [PURPOSE.]

It is the intent of the legislature to simplify Minnesota's income tax. In order to simplify, many complicating provisions are repealed by this act and the revenue is used to fund income tax relief. It is the clear intent of the legislature to eliminate all carryovers and basis adjustments of these complicating provisions and conform with federal income tax law as quickly as possible.

Sec. 66. [REPEALER.]

Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 62E.03, subdivision 2; 290.01, subdivisions 20c, 20f, and 26; 290.06, subdivisions 3e, 14, and 19; 290.069, subdivision 4; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.088; 290.089, subdivisions 4 and 6; 290.09, subdivision 29; 290.101; 290.17, subdivision 1a; 290.18, subdivisions 2 and 4; 290.39, subdivision 2; 290.41, subdivision 5; 290.9726, subdivisions 5 and 6; and Laws 1982, chapter 523, article 7, section 3, are repealed.

Sec. 67. [EFFECTIVE DATE.]

This article is effective for taxable years beginning after December 31, 1984, except that section 64 is effective for claims based on rent paid in 1985 and thereafter and for property taxes payable in 1986 and thereafter.

ARTICLE 2

PROPERTY TAX

Section 1. Minnesota Statutes 1984, section 13.58, is amended to read:

13.58 [HOMESTEAD APPLICATION DATA.]

The following data collected and maintained by political subdivisions are classified as private data pursuant to section 13.02, subdivision 12: the social security account numbers and detailed financial data submitted by individuals who are applying for class ~~3ee~~ 1b homestead classifications pursuant to section 273.13.

Sec. 2. Minnesota Statutes 1984, section 16A.641, subdivision 11, is amended to read:

Subd. 11. [CONSTITUTIONAL TAX LEVY.] Under the Constitution, article XI, section 7, the state auditor must levy each year on all taxable

property within the state a tax sufficient, with the amount then on hand in the state bond fund, to pay all principal and interest on state bonds due and to become due to and including July 1 in the second ensuing year. ~~If levied, this tax must be assessed and extended against real property used for the purposes of a homestead, as well as other taxable property, notwithstanding section 273.13, subdivisions 6 and 7.~~ The tax is not subject to limitation of rate or amount. However, the amount of money appropriated from other sources as provided in subdivision 10, and actually received and on hand prior to the levy in any year, reduces the amount of the tax otherwise required to be levied. The proceeds of the tax must be credited to the state bond fund.

Sec. 3. Minnesota Statutes 1984, section 16B.60, subdivision 5, is amended to read:

Subd. 5. [AGRICULTURAL BUILDING.] "Agricultural building" means a structure on agricultural land as defined in section 273.13, subdivision 6 23, designed, constructed, and used to house farm implements, livestock, or agricultural produce or products used by the owner, lessee, and sublessee of the building and members of their immediate families, their employees, and persons engaged in the pickup or delivery of agricultural produce or products.

Sec. 4. Minnesota Statutes 1984, section 18.023, subdivision 7, is amended to read:

Subd. 7. [FINANCING.] (a) A municipality may collect the amount assessed against the property under subdivision 2 as a special assessment and may issue obligations as provided in section 429.101, subdivision 1, provided that a municipality at its option make any assessment levied payable with interest in installments not to exceed five years from the date of the assessment.

(b) After a contract for the sanitation or approved treatment of trees on private property has been let, or the work commenced, the municipality may issue obligations to defray the expense of any such work financed by special assessments imposed upon private property. Section 429.091 shall apply to such obligations with the following modifications:

(1) Such obligations shall be payable not more than five years from the date of issuance; and

(2) No election shall be required.

~~Obligations issued under the provisions of this clause shall not be considered bonded indebtedness for the purposes of section 273.13, subdivisions 6 and 7.~~ The certificates shall not be included in the net debt of the issuing municipality.

Sec. 5. Minnesota Statutes 1984, section 47.58, subdivision 2, is amended to read:

Subd. 2. [AUTHORIZATION.] Pursuant to rules which the commissioner of commerce or commissioner of insurance may find to be necessary and proper, if any, and subject to federal laws and regulations, lenders may make investments in reverse mortgage loans and purchases of obligations representing reverse mortgage loans, provided the aggregate total of committed principal of the investment in reverse mortgage loans by any bank, savings

bank, or savings and loan association, does not exceed five percent of that lender's total deposits and savings accounts. This limitation shall be determined at each June 30 and December 31 for the following six month period. Any decline in the total of deposits and savings accounts subsequent to a determination may be disregarded. Security for loans made under this section shall be a first lien on residential property (a) which the borrower occupies as principal residence and which qualifies for a homestead ~~credit~~ *classification* pursuant to section 273.13, and (b) to which the borrower alone has title.

Sec. 6. Minnesota Statutes 1984, section 47.58, subdivision 3, is amended to read:

Subd. 3. [PAYMENT; REPAYMENT; AMOUNT.] The committed principal amount of a reverse mortgage loan shall be paid to the borrower over the period of months or years as specified in the loan agreement. The borrower and lender may, by written agreement, amend the loan agreement from time to time. Pursuant to the terms of the contract the borrower shall make repayment to the lender:

(a) Upon payment to the borrower of the final installment unless, by written agreement between the borrower and lender whereunder the borrower agrees to periodically pay the lender interest accruing on the outstanding loan balance, repayment of the outstanding loan balance is postponed until default in payment of interest or until the occurrence of any of the events specified in clauses (b) to (e);

(b) Upon sale of the property securing the loan;

(c) Upon the death of the last surviving borrower;

(d) Upon the borrower terminating use of the property as principal residence so as to disqualify the property from ~~the homestead credit given in~~ *classification under* section 273.13; or

(e) Upon renegotiation of the terms of the reverse mortgage loan agreement, unless the parties agree in writing to postpone repayment.

Except as otherwise provided in this subdivision, the outstanding loan balance as projected by the lender to the anticipated time of payment to the borrower of the final installment of committed principal shall not exceed 80 percent of the appraised value of the property at inception of the loan. If upon reappraisal of the property made at any time during the term of the loan, the projected outstanding loan balance does not exceed 70 percent of the reappraised value of the property, the schedule of the lender's installment payments may be extended and the amount of the committed principal amount increased, provided the revised outstanding loan balance at payment of the lender's final installment of committed principal does not exceed 80 percent of the reappraised value of the property.

Sec. 7. Minnesota Statutes 1984, section 84B.08, subdivision 6, is amended to read:

Subd. 6. On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in

the second year thereafter on Voyageurs National Park bonds. This tax ~~shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7,~~ and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments.

Sec. 8. Minnesota Statutes 1984, section 85A.05, subdivision 5, is amended to read:

Subd. 5. [TAX LEVY.] On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the Minnesota zoological garden bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota zoological garden bonds. This tax ~~shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7,~~ and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota zoological garden bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated, with such sums from tax levies and the general fund subject to future reimbursement to the bond fund by the Minnesota zoological garden bond account as indicated in section 85A.04, subdivision 2.

Sec. 9. Minnesota Statutes 1984, section 93.55, subdivision 2, is amended to read:

Subd. 2. The commissioner shall notify the last owner of record on file in either the county recorder's or registrar of titles' office of a hearing on an order to show cause why the mineral interest should not forfeit to the state absolutely. The notice shall be served in the same manner as provided for the service of summons in a civil action to determine adverse claims under chapter 559 and shall contain the following: (1) the legal description of the property upon or beneath which the interest exists; (2) a recitation that the statement of severed mineral interest either did not comply with the requirements specified by section 93.52 for such a statement or was not filed within the time specified in section 93.55, or both; and (3) that the court will be requested to enter an order adjudging the forfeiture of the mineral interest to be absolute in the absence of a showing that there was substantial compliance with laws requiring the registration and taxation of severed mineral interests. For the purposes of this section, substantial compliance with laws requiring the registration and taxation of severed mineral interests means: (1) that the records in the office of the county recorder or registrar of titles specified the

true ownership of the severed mineral interest during the time period within which the statement of severed mineral interest should have been registered with the county recorder or the registrar of titles, or that probate, divorce, bankruptcy, mortgage foreclosure, or other proceedings affecting the title had been timely initiated and diligently pursued by the true owner during the time period within which the severed mineral interest statement should have been registered, and (2) that all taxes relating to severed mineral interests had been timely paid, including any taxes which would have been due and owing under section 273.13 273.165, subdivision 2a 1, had the interest been properly filed for record as required by section 93.52 within the time specified in section 93.55. For the purposes of this section, "timely paid" means paid within the time period during which tax forfeiture would not have been possible had a real property tax been assessed against the property.

Sec. 10. Minnesota Statutes 1984, section 97.488, subdivision 1a, is amended to read:

Subd. 1a. [APPLICATION.] The provisions of subdivision 1 do not apply to plants on land classified for property tax purposes as class 3 or 3b 2a or 2c agricultural land pursuant to section 273.13, or on ditches and roadways. The provisions of subdivision 1 do not apply to noxious weeds designated pursuant to sections 18.171 to 18.315 or to weeds otherwise designated as troublesome by the department of agriculture. When control of noxious weeds is necessary, it takes priority over the protection of endangered plant species, as long as reasonable effort is taken to preserve the endangered plant species first.

The taking or killing of an endangered plant species on land adjacent to class 3 or 3b agricultural land as a result of the application of pesticides or other agricultural chemical on the class 3 or 3b land shall not be a violation of subdivision 1, as long as reasonable care is taken in the pesticide or other chemical application to avoid impact on adjacent lands.

The accidental taking of an endangered plant, where the existence of the plant is not known at the time of the taking, shall not be a violation of subdivision 1.

For the purpose of this subdivision, class 3 or 3b agricultural land does not include timber land, waste land, or any land for which the owner receives a state paid wetlands or native prairie tax credit.

Sec. 11. Minnesota Statutes 1984, section 110A.28, subdivision 11, is amended to read:

Subd. 11. A district shall not, in the exercise of the powers conferred by sections 110A.01 to 110A.36, provide service to actual or potential residential, commercial, industrial or publicly-owned land uses within one-half mile of the limits of a city of up to 20,000 persons without approval by the city council. Approval shall not be required prior to serving class 3b 2a lands as defined in section 273.13.

Sec. 12. Minnesota Statutes 1984, section 110A.28, subdivision 12, is amended to read:

Subd. 12. A district shall not, in the exercise of the powers conferred by sections 110A.01 to 110A.36, provide service to actual or potential residen-

tial, commercial, industrial or publicly-owned land uses within one mile of the limits of a city of more than 20,000 persons without approval by the city council. Approval shall not be required prior to serving class ~~3b~~ 2a lands as defined in section 273.13.

Sec. 13. Minnesota Statutes 1984, section 115A.58, subdivision 6, is amended to read:

Subd. 6. [SECURITY.] On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money currently credited to the debt service account, to pay the entire amount of principal and interest currently due and the principal and interest to become due before July 1 in the second year thereafter on Minnesota waste management bonds. This tax ~~shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all the bonds and interest thereon are fully paid. The proceeds of this tax are appropriated to the debt service account. The principal of and interest on the bonds are payable from the proceeds of this tax.~~

Sec. 14. Minnesota Statutes 1984, section 116.17, subdivision 6, is amended to read:

Subd. 6. [TAX LEVY.] On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota water pollution control bonds. This tax ~~shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota water pollution control bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.~~

Sec. 15. Minnesota Statutes 1984, section 116C.63, subdivision 4, is amended to read:

Subd. 4. When private real property defined as class 3, 3b, 3c, 3e, 3d, ~~or 3f 1a, 1b, 2a, 2c, 4a, or 5a~~ pursuant to section 273.13 is proposed to be acquired for the construction of a site or route by eminent domain proceedings, the fee owner, or when applicable, the fee owner with the written consent of the contract for deed vendee, or the contract for deed vendee with the written consent of the fee owner, shall have the option to require the utility to condemn a fee interest in any amount of contiguous, commercially viable land which he wholly owns or has contracted to own in undivided fee and elects in writing to transfer to the utility within 60 days after his receipt of the

notice of the objects of the petition filed pursuant to section 117.055. Commercial viability shall be determined without regard to the presence of the utility route or site. The owner or, when applicable, the contract vendee shall have only one such option and may not expand or otherwise modify his election without the consent of the utility. The required acquisition of land pursuant to this subdivision shall be considered an acquisition for a public purpose and for use in the utility's business, for purposes of chapter 117 and section 500.24, respectively; provided that a utility shall divest itself completely of all such lands used for farming or capable of being used for farming not later than the time it can receive the market value paid at the time of acquisition of lands less any diminution in value by reason of the presence of the utility route or site. Upon the owner's election made under this subdivision, the easement interest over and adjacent to the lands designated by the owner to be acquired in fee, sought in the condemnation petition for a high voltage transmission line right-of-way shall automatically be converted into a fee taking.

Sec. 16. Minnesota Statutes 1984, section 116J.64, subdivision 6, is amended to read:

Subd. 6. The remaining 20 percent of the tax revenue received by the county auditor under section ~~273.13~~ 273.165, subdivision 2a 1 shall be remitted by the county auditor to the state treasurer and shall be deposited in a special account called the "Indian business loan account", which shall be a revolving fund created and established under the jurisdiction and control of the agency, which may engage in a business loan program for American Indians as that term is defined in subdivision 2. The tribal councils may administer the fund, provided that, before making any eligible loans, each tribal council must submit to the agency, for its review and approval, a plan for that council's loan program which specifically describes, as to that program, its content, utilization of funds, administration, operation, implementation, and other matters required by the agency. All such programs must provide for a reasonable balance in the distribution of funds appropriated pursuant to this section for the purpose of making business loans between Indians residing on and off the reservations within the state. As a condition to the making of such eligible loans, the tribal councils shall enter into a loan agreement and other contractual arrangements with the agency for the purpose of carrying out the provisions of this chapter, and shall agree that all official books and records relating to the business loan program shall be subject to audit by the legislative auditor in the same manner prescribed for agencies of state government.

Whenever any moneys are appropriated by the state treasurer to the agency solely for the above-specified purpose or purposes, the agency shall establish a separate bookkeeping account or accounts in the Indian business loan fund to record the receipt and disbursement of such moneys and of the income, gain and loss from the investment and re-investment thereof.

Sec. 17. Minnesota Statutes 1984, section 124.155, subdivision 2, is amended to read:

Subd. 2. [SUBTRACTION FROM AIDS.] The amount specified in Laws 1981, Third Special Session chapter 2, article 4, section 3, subdivision 2, as amended by Laws 1982, chapter 548, article 7, section 7, as further amended

by Laws 1982, Third Special Session chapter 1, article III, section 4 shall be subtracted from the following state aids and credits in the order listed in fiscal year 1983. The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) Foundation aid as authorized in section 124.212, subdivision 1;
- (b) Secondary vocational aid authorized in section 124.573;
- (c) Special education aid authorized in section 124.32;
- (d) Secondary vocational aid for handicapped children authorized in section 124.574;
- (e) Gifted and talented aid authorized in section 124.247;
- (f) Aid for pupils of limited English proficiency authorized in section 124.273;
- (g) Aid for chemical use programs authorized in section 124.246;
- (h) Transportation aid authorized in section 124.225;
- (i) Community education programs aid authorized in section 124.271;
- (j) Adult education aid authorized in section 124.26;
- (k) Capital expenditure equalization aid authorized in section 124.245;
- (l) Homestead credit *replacement aid* authorized in section ~~273.13~~, ~~subdivisions 6, 7, and 14a~~ 273.1393;
- (m) ~~Reduced assessment credit~~ *Agricultural credit replacement aid* authorized in section ~~273.139~~ 273.1394;
- (n) Wetlands credit authorized in section 273.115;
- (o) Native prairie credit authorized in section 273.116; and
- (p) Attached machinery aid authorized in section 273.138, subdivision 3.

The commissioner of education shall schedule the timing of the reductions from state aids and credits specified in Laws 1981, Third Special Session chapter 2, article 4, section 3, subdivision 2, as amended by Laws 1982, chapter 548, article 7, section 7, as further amended by article III, section 4 of this act, and the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible and in such a manner that will minimize the impact of Laws 1981, Third Special Session chapter 2, article 4, as amended, on the cash flow needs of the school districts.

Sec. 18. Minnesota Statutes 1984, section 124.2131, subdivision 3, is amended to read:

Subd. 3. [DECREASE IN ASSESSED VALUE.] (1) [REDETERMINATION OF ASSESSED VALUE.] If in any year the assessed value of any district is less than the assessed value of the immediate preceding year, the equalization aid review committee shall, upon notification by the county assessor prior to October 16 of that assessment year, redetermine for all purposes the adjusted assessed value of the immediate preceding year taking into account the decrease in assessed value. On or before November 1 of the assessment year, the equalization aid review committee shall file the rede-

terminated adjusted assessed value with the commissioner of education who shall thereupon certify to the county auditors and school districts affected the redetermined adjusted assessed value and the appropriate levy limits of the school districts affected pursuant to section 275.125, subdivision 10. Notwithstanding section 275.07, the districts affected may certify the taxes voted to the county auditor on or before December 1.

(2) [IRON ORE VALUE.] If in any year the assessed value of class ~~4~~ and class ~~4a~~ property, as defined in section ~~273.13~~ 273.165, subdivision 2, in any district is less than the assessed value of such property in the immediately preceding year, the equalization aid review committee shall redetermine for all purposes the adjusted assessed value of the immediately preceding year taking into account only the decrease in assessed value of class ~~4~~ and class ~~4a~~ 9a property. If subdivision 2, clause (a) is applicable to such a district, the decrease in class ~~4~~ and class ~~4a~~ 9a property shall be applied to the adjusted assessed value as applicable therein. In all other respects, the provisions of clause (1) shall be applicable.

Sec. 19. Minnesota Statutes 1984, section 124.2138, subdivision 2, is amended to read:

Subd. 2. [TRANSPORTATION LEVY EQUITY.] (1) If the transportation levy for fiscal year 1985 in any district, or for fiscal year 1986 and thereafter in a nonagricultural district, of 1.75 mills times the adjusted assessed valuation of the district exceeds the transportation aid computation under section 124.225, subdivisions 8b, 8i, 8j, and 8k, an amount shall be deducted as provided in this subdivision from special state aids of chapter 124 receivable for the same fiscal year, and from state payments on behalf of the district for the same fiscal year authorized in sections 354.43, subdivision 1; 354A.12, subdivision 2; and 355.46, subdivision 3, clause (b), to the extent that those special state aids and state payments have not been reduced pursuant to section 124A.037. However, aid authorized in sections ~~124.2137 and 124.646 and 273.1394~~ shall not be reduced.

(2) The amount of the deduction shall equal the difference between:

(a) 1.75 mills times the adjusted assessed valuation of the district for the levy attributable to that fiscal year, and

(b) the sum of the district's transportation aid computation pursuant to section 124.225, subdivisions 8b, 8i, 8j, and 8k, less the amount of any aid reduction due to an insufficient appropriation as provided in section 124.225, subdivision 8a.

However, for fiscal year 1985, the amount of the deduction shall be one-sixth of the difference between clauses (a) and (b); for fiscal year 1986, the amount of the deduction shall be one-third of the difference between clauses (a) and (b); for fiscal year 1987, the amount of the deduction shall be one-half of the difference between clauses (a) and (b); for fiscal year 1988, the amount of the deduction shall be two-thirds of the difference between clauses (a) and (b); and for fiscal year 1989, the amount of the deduction shall be five-sixths of the difference between clauses (a) and (b).

Sec. 20. Minnesota Statutes 1984, section 124.2138, subdivision 4, is amended to read:

Subd. 4. [NONAGRICULTURAL DISTRICT DEFINED.] For the pur-

poses of this section and section 124A.037, nonagricultural district means a district where the assessed valuation of agricultural land identified in section 273.13, ~~subdivisions 4, 6, and 6a~~ subdivision 23, comprises less than 60 percent of the assessed valuation of the district.

Sec. 21. Minnesota Statutes 1984, section 124.2139, is amended to read:

124.2139 [REDUCTION OF HOMESTEAD CREDIT PAYMENTS TO SCHOOL DISTRICTS.]

Beginning with homestead credit *replacement aid* payments made to school districts pursuant to section ~~273.13, subdivisions 6, 7, and 14a~~ 273.1393, in fiscal year ~~1985~~ 1987 for taxes payable in ~~1984~~ 1986, and each year thereafter, the commissioner of revenue shall reduce these payments to any school district by the product of:

(1) the district's fiscal year 1984 payroll for coordinated plan members of the public employees retirement association, times

(2) the difference between the employer contribution rate in effect prior to July 1, 1984, and the total employer contribution rate in effect after June 30, 1984.

Sec. 22. Minnesota Statutes 1984, section 124.46, subdivision 3, is amended to read:

Subd. 3. The commissioner of finance shall maintain a separate school loan bond account in the state bond fund, showing all moneys transferred to that fund for the payment of school loan bonds and all income received from the investment of such moneys. Upon the issuance of each series of school loan bonds the commissioner of finance shall deduct from the proceeds thereof and credit to said bond account a sum sufficient, with the balance then on hand in said account, to pay all interest to become due on such bonds on and before July 1 in the second ensuing year. On the first day of November in each year there shall be transferred to the bond account all or so much of the moneys then on hand in the loan repayment account in the maximum effort school loan fund as will be sufficient, with the balance then on hand in said bond account, to pay all principal and interest then and theretofore due and to become due within the next ensuing year and to and including July 1 in the second ensuing year on school loan bonds issued and sold pursuant to this section. In the event that moneys are not available for such transfer in the full amount required, the state auditor shall levy on all taxable property within the state a tax sufficient to meet the deficiency. ~~Such tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be and remain subject to no limitation of rate or amount until all school loan bonds and all interest thereon are fully paid.~~ The proceeds of this tax are hereby irrevocably appropriated and shall be credited to the state bond fund, but the school loan bond account is appropriated as the primary source of payment of such bonds and interest, and only so much of said tax as may be necessary is appropriated for this purpose. If any principal or interest on school loan bonds should become due at any time when there is not on hand a sufficient amount from any of the sources herein appropriated for the payment thereof, it shall nevertheless be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated; but

any such payments shall be reimbursed from the proceeds of taxes levied as required herein, and any such payments made from taxes shall be reimbursed from the loan repayment account in the maximum effort school loan fund, when the balance therein is sufficient.

Sec. 23. Minnesota Statutes 1984, section 124A.02, subdivision 11, is amended to read:

Subd. 11. [MINIMUM AID.] A qualifying district's minimum aid for each school year shall equal its minimum guarantee for that school year, minus the sum of:

(1) The amount of the district's ~~state school~~ agricultural tax credit ~~re-~~placement aid for that school year *provided in section 273.1394*;

(2) The amount by which ~~property taxes~~ of the district for use in that school year are reduced by the homestead credit provisions in ~~section 273.13, subdivisions 6, 7, and 14a~~ *replacement aid provided in section 273.1393*;

(3) The amount by which property taxes of the district for use in that school year are reduced by the ~~taconite~~ homestead credit provisions in section 273.135;

(4) The amount by which property taxes of the district for use in that school year are reduced by the attached machinery provisions in section 273.138, subdivision 6;

(5) The amount by which property taxes of the district for use in that school year are reduced by the state paid wetlands credit provisions in section 273.115;

(6) The amount by which property taxes of the district for use in that school year are reduced by the state paid native prairie credit provisions in section 273.116;

(7) The amount by which property taxes of the district for use in that school year are reduced by the state reimbursed disaster or emergency reassessment provisions in section 273.123; and

(8) The amount by which property taxes of the district for use in that school year are reduced by the metropolitan agricultural preserve provisions in section 473H.10.

Sec. 24. Minnesota Statutes 1984, section 124A.02, subdivision 12, is amended to read:

Subd. 12. [MINIMUM AID QUALIFYING DISTRICT.] A district where the assessed valuation of agricultural land identified in section 273.13, ~~subdivisions 4, 6 and 6a~~ *subdivision 23*, comprises 60 percent or more of the assessed valuation of the district shall qualify for minimum aid.

Sec. 25. Minnesota Statutes 1984, section 124A.03, subdivision 3, is amended to read:

Subd. 3. [BASIC MAINTENANCE LEVY; DISTRICTS OFF THE FORMULA.] In any year when the amount of the maximum levy limitation under subdivision 1 for any district, exceeds the product of the district's foundation aid formula allowance for the year in which the levy is recognized as revenue times the estimated number of total pupil units for that district for

that school year, the levy limitation for that district under subdivision 1 shall be limited to the greater of the dollar amount of the levy the district certified in 1977 under Minnesota Statutes 1978, section 275.125, subdivision 2a, clause (1), or the following difference but not to exceed the levy limitation under subdivision 1:

(a) the sum of

(i) the product of the district's foundation aid formula allowance for the school year in which the levy is recognized as revenue, times the estimated number of total pupil units for that district for that school year, plus

(ii) the amount by which special state aids of chapter 124 receivable for the same school year, excluding aid authorized in sections ~~124.2137~~ and 124.646 and 273.1394, are estimated to be reduced pursuant to section ~~124.2138, subdivision 1~~ 124A.037, plus

(iii) the amount by which state payments on behalf of the district for the same school year authorized in sections 354.43, subdivision 1; 354A.12, subdivision 2; and 355.46, subdivision 3, clause (b), are estimated to be reduced pursuant to section ~~124.2138, subdivision 1~~ 124A.037, less

(b) the estimated amount of any payments which would reduce the district's foundation aid entitlement as provided in section 124A.035, subdivision 4 in the school year in which the levy is recognized as revenue.

A levy made by a district pursuant to this subdivision shall be construed to be the levy made by that district pursuant to subdivision 1, for purposes of statutory cross-reference.

Sec. 26. Minnesota Statutes 1984, section 124A.037, is amended to read:

124A.037 [BASIC MAINTENANCE LEVY EQUITY.]

(1) If the amount of the maximum levy limitation under section 124A.03, subdivision 1, for fiscal year 1985 for any district, or for fiscal year 1986 or after for a nonagricultural district exceeds the district's basic foundation revenue for the corresponding fiscal year, an amount shall be deducted as provided in this subdivision from special state aids of chapter 124 receivable for the same fiscal year, and from state payments on behalf of the district for the same fiscal year authorized in sections 354.43, subdivision 1; 354A.12, subdivision 2; and 355.46, subdivision 3, clause (b). However, the aid authorized in sections ~~124.2137~~ and 124.646 and 273.1394 shall not be reduced.

(2) The amount of the deduction shall equal the difference between:

(a) the sum of the amount of the district's maximum levy limitation under section 124A.03, subdivision 1, plus the amount of any reductions to that levy limitation pursuant to sections 124A.03, subdivision 3, and 275.125, subdivision 9, and

(b) the district's basic foundation revenue.

However, for fiscal year 1985, the amount of the deduction shall be one-sixth of the difference between clauses (a) and (b); for fiscal year 1986, the amount of the deduction shall be one-third of the difference between clauses (a) and (b); for fiscal year 1987, the amount of the deduction shall be one-half

of the difference between clauses (a) and (b); for fiscal year 1988, the amount shall be two-thirds of the difference between clauses (a) and (b); and for fiscal year 1989, the amount of the deduction shall be five-sixths of the difference between clauses (a) and (b).

Sec. 27. Minnesota Statutes 1984, section 136.40, subdivision 7, is amended to read:

Subd. 7. [TAX LEVY.] On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the Minnesota state university bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota state university bonds. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota state university bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 28. Minnesota Statutes 1984, section 136C.43, subdivision 6, is amended to read:

Subd. 6. [TAX LEVY.] On or before December 1 in each year, if the full amount appropriated to the bond account in subdivision 5 has not been credited thereto, the tax required by the Constitution shall be levied upon all taxable property within the state. This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be subject to no limitation of rate or amount until all vocational technical building bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is not sufficient money from the proceeds of such taxes to pay the principal and interest when due on vocational technical building bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 29. Minnesota Statutes 1984, section 167.52, is amended to read:

167.52 [TAX LEVY.]

The state auditor shall levy each year on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore transferred under section 167.51, and all income from the investment thereof, to pay the entire amount of principal and interest which is then due or is to become due within the then ensuing year and to and

including July 1 of the second ensuing year, on Minnesota trunk highway bonds heretofore issued and all such bonds hereafter issued pursuant to section 167.50. ~~Such tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7.~~ Such tax shall be subject to no limitation of rate or amount until all such bonds and all interest thereon are fully paid. The proceeds of such taxes are appropriated and credited to the state bond fund, and the principal and interest of said bonds are payable from the proceeds of such taxes, and the whole thereof, or so much thereof as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of the taxes provided for herein to pay the principal and interest when due on such bonds, then such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated. The general fund shall be reimbursed from the proceeds of said taxes when received.

Sec. 30. Minnesota Statutes 1984, section 168.012, subdivision 9, is amended to read:

Subd. 9. Manufactured homes shall not be taxed as motor vehicles using the public streets and highways and shall be exempt from the motor vehicle tax provisions of this chapter. Except as provided in section 273.13 274.19, manufactured homes shall be taxed as personal property. The provisions of Minnesota Statutes 1957, Section 272.02 or any other act providing for tax exemption shall be inapplicable to manufactured homes, except such manufactured homes as are held by a licensed dealer and exempted as inventory. House trailers not used on the highway during any calendar year shall be taxed as manufactured homes if occupied as human dwelling places.

Sec. 31. Minnesota Statutes 1984, section 174.51, subdivision 6, is amended to read:

Subd. 6. On or before December 1 in each year, if the full amount appropriated to the bond account in subdivision 5 has not been credited thereto, the tax required by article XI of the constitution shall be levied upon all taxable property within the state. ~~This tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7,~~ and shall be subject to no limitation of rate or amount until all Minnesota state transportation bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is not sufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota state transportation bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 32. Minnesota Statutes 1984, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

- (1) All public burying grounds;

- (2) All public schoolhouses;
- (3) All public hospitals;
- (4) All academies, colleges, and universities, and all seminaries of learning;
- (5) All churches, church property, and houses of worship;
- (6) Institutions of purely public charity except parcels of property containing structures and the structures assessed pursuant to section 273.13, subdivisions 17, 17b, 17c or 17d as class 7(a), (b), (c), or (d);
- (7) All public property exclusively used for any public purpose;
- (8) Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, clause (c) shall be exempt.

The following personal property shall be taxable:

- (a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;
 - (b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;
 - (c) personal property defined in section 272.03, subdivision 2, clause (3);
 - (d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; ~~273.13, subdivision 7b or 7d~~ 273.124, subdivision 6; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;
 - (e) ~~property classified as class 2a~~ *property manufactured homes and sectional structures*; and
 - (f) flight property as defined in section 270.071.
- (9) Real and personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used, other than real property used primarily as a solid waste disposal site.

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

- (10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly

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

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

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

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

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

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

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite

broadcasting services using direct broadcast satellites operating in the 12-ghz. band;

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

(c) (b) a facility at which a licensed Minnesota manufacturer produces distilled spirituous liquors, liqueurs, cordials, or liquors designated as specialties regardless of alcoholic content, but not including ethyl alcohol, distilled with a majority of the ingredients grown or produced in Minnesota.

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

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

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

Sec. 33. Minnesota Statutes 1984, section 272.02, is amended by adding a subdivision to read:

Subd. 1a. The exemptions granted by subdivision 1 are subject to the limits contained in the other subdivisions of this section, section 272.025, or 273.13, subdivision 28, paragraphs (a), (b), (c) and (d).

Sec. 34. Minnesota Statutes 1984, section 272.039, is amended to read:

272.039 [LEGISLATIVE FINDINGS AND CONCLUSIONS RELATED TO THE TAXATION OF MINERALS OWNED SEPARATELY FROM THE SURFACE.]

The legislature finds, for the reasons stated below, that a class of real property has been created which, although not exempt from taxation, is not assessed for tax purposes and does not, therefore, contribute anything toward the cost of supporting the governments which protect and preserve the continued existence of the property. These reasons are as follows: (1) In the case of *Washburn v. Gregory*, 1914, 125 Minn. 491, 147 N.W. 706, the Minne-

sota Supreme Court determined that where mineral interests are owned separately from the surface interests in real estate, the mineral interest is a separate interest in land, separately taxable, and does not forfeit if the overlying surface interest forfeits for nonpayment of taxes due on the surface interest; (2) Since this 1914 decision, mineral interests owned separately from the surface have been valued and assessed for tax purposes, as a practical matter, only if the value of the minerals has been determined through drilling and drill core analysis; and (3) The absence of any taxation of mineral interests owned separately from the surface, except where drilling analysis is available, has encouraged the separation of ownership of surface and mineral estates and resulted in the creation of hundreds of thousands of acres of untaxed mineral estate lands which thus are immune from tax forfeiture. The legislature also finds that the province of Ontario in Canada, which has land ownership patterns and mineral characteristics similar to that of Minnesota, has imposed a tax of \$.50 an acre on minerals owned separately from the surface since 1968, and \$.10 an acre before that. The legislature further finds that the identification of separately owned mineral interests by taxing authorities requires title searches which are extremely burdensome and, where no public tract index is available, prohibitively expensive. This result is caused in part by the decision in *Wichelman v. Messner*, 1957, 250 Minn. 88, 83 N.W. (2d) 800, where the so called "40 year law" was held inapplicable to mineral interests owned separately from surface interests. On the basis of the above findings, and for the purpose of requiring mineral interests owned separately from surface interests to contribute to the cost of government at a time when other interests in real property are heavily burdened with real property taxes, the legislature concludes that the taxation of severed mineral interests as provided in section ~~273.13~~ 273.165, subdivision 2a / is necessary and in the public interest, and provides fair taxation of a class of real property which has escaped taxation for many years. The legislature further concludes that such a tax is not prohibited by Minnesota Constitution, Article 10, Section 2. The legislature concludes finally that the amendments and repeals made by Laws 1973, Chapter 650 to sections 93.52 to 93.58, are necessary to provide adequate identification of mineral interests owned separately from the surface and to prevent the continued escape from taxation of obscure and fractionalized severed mineral interests.

Sec. 35. Minnesota Statutes 1984, section 272.04, subdivision 1, is amended to read:

Subdivision 1. When any mineral, gas, coal, oil, or other similar interests in real estate are owned separately and apart from and independently of the rights and interests owned in the surface of such real estate, such mineral, gas, coal, oil, or other similar interests may be assessed and taxed separately from such surface rights and interests in such real estate, including but not limited to the taxation provided in section ~~273.13~~ 273.165, subdivision 2a /, and may be sold for taxes in the same manner and with the same effect as other interests in real estate are sold for taxes.

Sec. 36. Minnesota Statutes 1984, section 272.115, subdivision 4, is amended to read:

Subd. 4. Beginning with taxes payable in ~~1979~~ 1986, no real estate sold on or after January 1, 1978 for which a certificate of value is required pursuant to subdivision 1 shall receive the homestead credit provided under section

273.13, subdivisions 6 and 7; amount or the agricultural mill credit provided amount computed in section 124.2137 275.082; or the taconite homestead credit provided in sections 273.134 to 273.136, unless a certificate of value has been filed with the county auditor in accordance with this section.

This subdivision shall apply to any real estate taxes that are payable the year or years following the sale of the property.

Sec. 37. Minnesota Statutes 1984, section 273.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Except as provided in subdivisions 6, 8, and 9 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 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. 38. Minnesota Statutes 1984, section 273.11, subdivision 8, is amended 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, who must be persons or families of low and moderate income as defined in section 462A.03, subdivision 10, at the time they purchase their membership, 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 1984, or a public agency.

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~~ 273.124, subdivision 3 5.

"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.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by

capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. 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. 39. Minnesota Statutes 1984, section 273.1104, subdivision 1, is amended to read:

Subdivision 1. The term value as applied to iron ore in section ~~273.13~~ 273.165, subdivision 2 and in section ~~273.15~~ 273.13, *subdivision 33, paragraph (b)* shall be deemed to be three times the present value of future income notwithstanding the provisions of section 273.11. The present value of future income shall be determined by the commissioner of revenue in accordance with professionally recognized mineral valuation practice and procedure. Nothing contained herein shall be construed as requiring any change in the method of determining present value of iron ore utilized by the commissioner prior to the enactment hereof or as limiting any remedy presently available to the taxpayer in connection with the commissioner's determination of present value, or precluding the commissioner from making subsequent changes in the present worth formula.

Sec. 40. Minnesota Statutes 1984, section 273.115, subdivision 3, is amended to read:

Subd. 3. Payment shall be made according to the procedure provided in section ~~273.13, subdivision 15a~~ 273.1393, for the purpose of replacing revenue lost as a result of the exemption provided in section 272.02, subdivision 1, clause (15), and the credit provided in this section.

Sec. 41. Minnesota Statutes 1984, section 273.115, subdivision 7, is amended to read:

Subd. 7. The total credits allowed by subdivision 1 shall be deducted from the gross property tax before determination of the homestead credit amount provided by section ~~273.13, subdivisions 6 and 7~~ 275.082 and the taconite homestead credit provided by section 273.135.

Sec. 42. Minnesota Statutes 1984, section 273.116, subdivision 3, is amended to read:

Subd. 3. Payment shall be made according to the procedure provided in section ~~273.13, subdivision 15a~~ 273.1393, for the purpose of replacing revenue lost as a result of the exemption provided in section 272.02, subdivision 1, and the credit provided in this section.

Sec. 43. Minnesota Statutes 1984, section 273.116, subdivision 7, is amended to read:

Subd. 7. The total credits allowed by subdivision 1 shall be deducted from the gross property tax before determination of the homestead credit amount

provided by section 273.13, subdivisions 6 and 7 275.082 and the taconite homestead credit provided by section 273.135.

Sec. 44. Minnesota Statutes 1984, section 273.118, is amended to read:

273.118 [TAX PAID IN RECOGNITION OF CONGRESSIONAL MEDAL OF HONOR.]

An owner of *homestead* property classified under section 273.13, subdivision 6, 6a, 7, 7d, or 14a, who submits to the commissioner of revenue his property tax statement and reasonable proof that the owner of the property:

(a) is a veteran as defined in section 197.447;

(b) was a resident of this state for at least six months before entering military service, or has been a resident of this state for five consecutive years before submitting the statement and proof; and

(c) has been awarded the congressional medal of honor;

shall be paid by the commissioner of revenue, within 30 days after the commissioner receives the statement and proof, the amount of the owner's property tax liability as shown on the statement, up to \$2,000. The surviving spouse of a property owner who has received a payment under this section may receive payment of property taxes under this section as long as the spouse continues to own and occupy the property for which the taxes were paid under this section and the property continues to ~~have an eligible classification be a homestead~~. Property taxes paid under this section reduce property taxes payable for purposes of chapter 290A, ~~the Property Tax Refund Act~~.

Sec. 45. Minnesota Statutes 1984, section 273.12, is amended to read:

273.12 [ASSESSMENT OF REAL PROPERTY.]

It shall be the duty of every assessor and board, in estimating and determining the value of lands for the purpose of taxation, to consider and give due weight to every element and factor affecting the market value thereof, including its location with reference to roads and streets and the location of roads and streets thereon or over the same, and to take into consideration a reduction in the acreage of each tract or lot sufficient to cover the amount of land actually used for any improved public highway and the reduction in area of land caused thereby, provided, that in determining the market value of vacant land, the fact that such land 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.~~ It shall be the duty of every assessor and board, in estimating and determining the value of lands for the purpose of taxation, to consider and give due weight to lands which are comparable in character, quality, and location, to the end that all lands similarly located and improved will be assessed upon a uniform basis and without discrimination and, for agricultural lands, to consider and give recognition to its earning potential as measured by its free market rental rate.

Sec. 46. Minnesota Statutes 1984, section 273.121, is amended to read:

273.121 [VALUATION OF REAL PROPERTY, NOTICE.]

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be assessed or reclassified that year if the person's address is known to the assessor, otherwise the occupant of the property. In the case of property owned by a married couple in joint tenancy or tenancy in common, the assessor shall not deny ~~the 3b or 3c property classification~~ homestead treatment in whole or in part if only one of the spouses is occupying the property and the other spouse is absent due to divorce or separation, or is a resident of a nursing home or a boarding care facility. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of review or equalization. It shall contain the amount of the valuation in terms of market value, the new classification, the assessor's office address, and the dates, places, and times set for the meetings of the local board of review or equalization and the county board of equalization. If the assessment roll is not complete, the notice shall be sent by ordinary mail at least ten days prior to the date on which the board of review has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any ~~such~~ assessor who is not provided sufficient funds from his governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and if he is satisfied that the assessor does not have the necessary funds, issue his certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

Sec. 47. Minnesota Statutes 1984, section 273.123, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section (a) "disaster or emergency" means

- (1) a major disaster as determined by the president of the United States;
- (2) a natural disaster as determined by the secretary of agriculture;
- (3) a disaster as determined by the administrator of the small business administration; or
- (4) a tornado, storm, flood, earthquake, landslide, explosion, fire or similar catastrophe, as a result of which a local emergency is declared pursuant to section 12.29.

(b) "disaster or emergency area" means an area

(1) in which the president of the United States, the secretary of agriculture, or the administrator of the small business administration has determined that a disaster exists pursuant to federal law or in which a local emergency has

been declared pursuant to section 12.29; and

(2) for which an application by the local unit of government requesting property tax relief under this section has been received by the governor and approved by the executive council.

(c) "homestead property" means homestead dwelling ~~located on property classified pursuant to section 273.13, subdivision 6, 6a, 7, 7b, 7d, or 14a, including manufactured homes and sectional homes used as homesteads and taxed pursuant to section 273.13, subdivision 3, clause (b), (c), or (d) that is classified as class 1a, 1b, or 2a property.~~

Sec. 48. Minnesota Statutes 1984, section 273.123, subdivision 4, is amended to read:

Subd. 4. [STATE REIMBURSEMENT.] The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 1 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January 1 assessed value and the tax actually payable based on the reassessed value determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions containing the property at the time distributions are made pursuant to section 273.13, ~~subdivision 15a~~ 273.1393, in the same proportion that the ad valorem tax is distributed.

Sec. 49. Minnesota Statutes 1984, section 273.123, subdivision 5, is amended to read:

Subd. 5. [COMPUTATION OF CREDITS.] The amounts of any ~~homestead, agricultural, or similar~~ credits or tax relief which reduce the gross tax shall be computed upon the reassessed value determined under subdivision 2. For purposes of the property tax refund, property taxes payable, as defined in section 290A.03, subdivision 13, and net property taxes payable, as defined in section 290A.04, subdivision 2d, shall be computed upon the reassessed value determined under subdivision 2.

Sec. 50. [273.124] [HOMESTEAD DETERMINATION; SPECIAL RULES.]

Subdivision 1. [GENERAL RULE.] Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a homestead. Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

The assessor shall require proof, by affidavit or otherwise, of the facts upon which classification as a homestead may be determined.

For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for

future development. In order to receive homestead treatment for the non-contiguous property, the owner shall apply for it to the assessor by July 1 of the year when the treatment is initially sought. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

Subd. 2. [TOWNHOUSES; COMMON AREAS; CONDOMINIUMS; COOPERATIVES.] (a) The total value of townhouse property, including the value added as provided in this paragraph, must have the benefit of homestead treatment or other special classification if the townhouse otherwise qualifies. The value of townhouse property must be increased by the value added by the right to use any common areas in connection with the townhouse development. The common areas of the development must not be separately taxed.

(b) Condominium property qualifying as a homestead under section 515A.1-105 and property owned by a cooperative association that qualifies as a homestead must have the benefit of homestead treatment or other special classification if the condominium or cooperative association property otherwise qualifies. If the condominium or cooperative association property is owned by the occupant and used for the purposes of a homestead but is located upon land which is leased, that leased land must be valued and assessed as if it were homestead property within class 1 if all of the following criteria are met:

- (1) the occupant is using the property as his permanent residence;
- (2) the occupant or the cooperative association is paying the ad valorem property taxes and any special assessments levied against the land and structure;
- (3) the occupant or the cooperative association has signed a land lease; and
- (4) the term of the land lease is at least 50 years, notwithstanding the fact that the amount of the rental payment may be renegotiated at shorter intervals.

Subd. 3. [COOPERATIVES AND CHARITABLE CORPORATIONS.] When one or more dwellings, or one or more buildings which each contain several dwelling units, are owned by a corporation or association organized under sections 308.05 to 308.18, and each person who owns a share or shares in the corporation or association is entitled to occupy a dwelling, or dwelling unit in the building, the corporation or association may claim homestead treatment for each dwelling, or for each unit in case of a building containing several dwelling units, for the dwelling or for the part of the value of the building occupied by a shareholder. Each dwelling or unit must be designated by legal description or number, and the assessed value of each dwelling that qualifies for assessment under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The assessed value of the building or buildings containing several dwelling units is the sum of the assessed values of each of the respective units comprising the building. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a dwelling or dwelling unit owned by the corpora-

tion or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

Subd. 4. [NONPROFIT CORPORATIONS.] When a building containing several dwelling units is owned by an entity organized under chapter 317 and operating as a nonprofit corporation which enters into membership agreements with persons under which they are entitled to life occupancy in a unit in the building, homestead classification must be given to each unit so occupied and the entire building must be assessed in the manner provided in subdivision 3 for cooperatives and charitable corporations.

Subd. 5. [LEASEHOLD COOPERATIVES.] When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed for each dwelling unit occupied by a member of the cooperative. To qualify for the treatment provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under sections 308.05 to 308.18; (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years; (c) the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 1, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Subd. 6. [LEASED BUILDINGS OR LAND.] For purposes of class 1 determinations, homesteads include:

(a) buildings and appurtenances owned and used by the occupant as a permanent residence which are located upon land the title to which is vested in a person or entity other than the occupant;

(b) all buildings and appurtenances located upon land owned by the occupant and used for the purposes of a homestead together with the land upon which they are located, if all of the following criteria are met:

(1) the occupant is using the property as his permanent residence;

(2) the occupant is paying the property taxes and any special assessments levied against the property;

(3) the occupant has signed a lease which has an option to purchase the buildings and appurtenances; and

(4) the term of the lease is at least five years.

Any taxpayer meeting all the requirements of this paragraph must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, as soon as possible after signing the lease agreement and occupying the buildings as his homestead.

Subd. 7. [HOMESTEAD OWNED BY FAMILY FARM CORPORATION OR PARTNERSHIP.] (a) Each family farm corporation and each partnership operating a family farm is entitled to class 1 assessment for one homestead occupied by a shareholder or partner thereof who is residing on the land and actively engaged in farming of the land owned by the corporation or partnership. Homestead treatment applies even if legal title to the property is in the name of the corporation or partnership and not in the name of the person residing on it. "Family farm corporation" and "family farm" have the meanings given in section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by corporations or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by shareholders or partners who are actively engaged in farming on behalf of the corporation or partnership must also be assessed as class 1 property, but the property eligible is limited to the residence itself and as much of the land surrounding the homestead, not exceeding one acre, as is reasonably necessary for the use of the dwelling as a home, and does not include any other structures that may be located on it.

Subd. 8. [HOMESTEAD ESTABLISHED AFTER ASSESSMENT DATE.] Any property that was not used for the purpose of a homestead on the assessment date, but which was used for the purpose of a homestead on June 1 of a year, constitutes class 1 to the extent of one-half of the valuation that would have been includable in class 1.

Any taxpayer meeting the requirements of this subdivision must notify the county assessor, or the assessor who has the powers of the county assessor pursuant to section 273.063, in writing, prior to June 15 of the year of occupancy in order to qualify under this subdivision.

The county assessor and the county auditor may make the necessary changes on their assessment and tax records to provide for proper homestead classification as provided in this subdivision.

The owner of any property qualifying under this subdivision, which has not been accorded the benefits of this subdivision, regardless of whether or not the notification has been timely filed, may be entitled to receive homestead classification by proper application as provided in section 270.07 or 375.192.

The county assessor shall publish in a newspaper of general circulation within the county no later than June 1 of each year a notice informing the public of the requirement to file an application for homestead prior to June 15.

Subd. 9. [REAL ESTATE PURCHASED FOR OCCUPANCY AS A

HOMESTEAD.] *Real estate purchased for occupancy as a homestead must be classified as class 1 if the purchaser is prevented from obtaining possession on January 2 next following the purchase by reason of federal or state rent control laws or regulations.*

Subd. 10. [LIMITATION ON HOMESTEAD CLASSIFICATION.] If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1 or the value of the first tier of assessment percentages provided under section 273.13, subdivision 25, paragraph (a) is entitled to homestead treatment.

If the assessor has classified a property as both homestead and nonhomestead, the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of both the homestead and the nonhomestead portions of the property.

Subd. 11. [HOMESTEAD OF MEMBER OF U.S. ARMED FORCES.] Real estate actually occupied and used for the purpose of a homestead by a member of the armed forces of the United States, or by a member of his immediate family shall, notwithstanding the absence of the person, while on active duty with the armed forces of the United States or his family under such conditions, be classified as a homestead provided that absence of the owner is solely by reason of service in the armed forces, and that he intends to return as soon as discharged or relieved from service, and claims it as his homestead. Every person who, for the purpose of obtaining or aiding another in obtaining any benefit under this subdivision, shall knowingly make or submit to any assessor any affidavit or other statement which is false in any material matter shall be guilty of a felony.

Sec. 51. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The homestead base value of class 1a property must be assessed at 18 percent of its market value. The homestead value of class 1a property that exceeds the homestead base value must be assessed at 30 percent of its value.

(b) Class 1b property includes real estate or manufactured homes used for the purposes of a homestead by

(1) any blind person, if the blind person is the owner thereof or if the blind person and his or her spouse are the sole owners thereof; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude

motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as his or her homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of his or her total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability.

Property is classified and assessed pursuant to clause (1) only if the commissioner of human services certifies to the assessor that the owner of the property satisfies the requirements of this subdivision. The commissioner of human services shall provide a copy of the certification to the commissioner of revenue.

Class 1b property is valued and assessed as follows: in the case of agricultural land, including a manufactured home, used for a homestead, the first \$32,000 of market value shall be valued and assessed at five percent, the next \$32,000 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 \$32,000 of market value shall be valued and assessed at five percent, the next \$32,000 of market value shall be valued and assessed at 19 percent, and the remaining market value shall be valued and assessed at 30 percent. In the case of agricultural land including a manufactured home used for purposes of a homestead, the commissioner of 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 19 percent rates. Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings him an income.

(c) Class 1c property is commercial use real property which abuts a lake-

shore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment, and includes a portion used as a homestead by the owner. It must be assessed at 12 percent of market value with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

Sec. 52. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 23. [CLASS 2.] (a) Class 2a property is agricultural land that is homesteaded, together with the house and garage. The homestead base value of an agricultural homestead is valued at 14 percent. The value of class 2a property that exceeds the homestead base value is assessed at 19 percent of market value.

Noncontiguous land shall constitute class 2a only if the homestead is classified as class 2a and the detached land is located in the same township or city or not farther than two townships or cities or combination thereof from the homestead.

Agricultural land used for purposes of a homestead and actively farmed by a person holding a remainder interest in it must be classified class 2a. If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a and is entitled to the homestead credit.

(b) Class 2b property is real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products. It is assessed at 19 percent of market value.

(c) Class 2c Property is real estate that is nonhomestead agricultural land. It is assessed at 19 percent of market value.

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

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

The assessor shall determine and list separately on 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. 53. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property is class 3a

that is assessed at 28 percent of the first \$60,000 of market value and 43 percent for the market value over \$60,000. In the case of state-assessed commercial or industrial property owned by one person or entity, only one parcel may qualify for the 28 percent assessment. In the case of other commercial or industrial property owned by one person or entity, only one parcel in each county may qualify for the 28 percent assessment.

(b) Employment property defined in section 273.1313, during the period provided in section 273.1313, shall constitute class 3b and shall be valued and assessed at 20 percent of the first \$60,000 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 \$60,000 of market value shall be valued and assessed at 28 percent 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 273.1314, subdivision 9, paragraph (a).

Sec. 54. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 25. [CLASS 4.] The following property is assessed at 33-1/3 percent of market value:

Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more.

Class 4b is tools, implements, and machinery 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, which are fixtures.

Sec. 55. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 26. [CLASS 5.] The following property is assessed at 28 percent of market value:

(a) Residential real estate containing less than four units, other than seasonal residential, recreational, and homesteads, is class 5a.

(b) Structures of five stories or more and constructed with materials meeting the requirements for type I or II construction as defined in the state building code, if at least 90 percent of the structure is used or to be used as apartment housing, is class 5b. The 28 percent assessment ratio applies to these structures for a period of 40 years from the date of completion of original construction, or the date of initial though partial use, whichever is earlier.

Sec. 56. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 27. [CLASS 6.] Except as provided in subdivision 22, real property devoted to temporary and seasonal residential occupancy for recreation purposes is class 6. It is assessed at 21 percent on the first \$64,000 of market value, and 30 percent on the market value in excess of \$64,000.

Sec. 57. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 28. [CLASS 7.] (a) Class 7a is a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or regulations promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. Class 7a property must, 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 21 percent of the market value.

(b) Class 7b is a structure which is

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

(2) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Class 7b property must, 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 21 percent of its market value.

(c) Class 7c is any structure

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

(2) located in a municipality of less than 10,000 population; and

(3) financed by a direct loan or insured loan from the farmers home administration;

Class 7c property must be assessed at five percent of its market value for 15 years from the date of the completion of the original construction or for the original term of the loan except that if (1) construction of the structure had been commenced after December 31, 1983; and (2) the project had been approved by the governing body of the municipality in which it is located after June 30, 1983; and (3) financing of the project had been approved by a federal or state agency after June 30, 1983, it must be assessed at 21 percent.

The 21 percent and five percent assessment ratios apply to the properties described in paragraphs (a), (b), and (c) only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate income families as defined in the applicable laws unless construction of the structure

had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983.

For all properties described in paragraphs (a), (b), and (c), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

The provisions of paragraphs (a) and (c) apply only to nonprofit and limited dividend entities.

(d) Class 7d property is a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families. Class 7d land and improvements, if any, shall be assessed at 21 percent of the market value. This paragraph shall not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this paragraph, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area as determined by the U.S. Secretary of Housing and Urban Development. For purposes of this paragraph, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (1) it is a nonprofit corporation organized under chapter 317; (2) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (3) it limits membership with voting rights to residents of the designated community; and (4) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust.

(e) Class 7e property is real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 200 days in the year preceding the year of assessment. Class 7e property and the remainder of class 1 resorts is assessed at 21 percent.

Sec. 58. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 29. [CLASS 8.] Distribution lines, and the attachments and appurtenances to them, used primarily for supplying electricity to farmers at retail, as described in section 273.37 is class 8 and is assessed at five percent of market value.

Sec. 59. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 30. [CLASS 9.] (a) Iron ore, whether mined or unmined, is class 9a and is assessed at 50 percent of market value.

(b) Class 9b consists of all low-grade iron-bearing formations as defined in section 273.14. Class 9b shall be assessed at the following percentages of its value: If the tonnage recovery is less than 50 percent and not less than 49

percent, the assessed value shall be 48-1/2 percent of the value; if the tonnage recovery is less than 49 percent and not less than 48 percent, the assessed value shall be 47 percent of the value; and for each subsequent reduction of one percent in tonnage recovery, the percentage of assessed value to value shall be reduced an additional 1-1/2 percent of the value, but the assessed value shall never be less than 30 percent of the value. The land, exclusive of the formations, shall be assessed as otherwise provided by law. The commissioner of revenue may estimate the reasonable market value of the iron ore on any parcel of land which at the assessment date is considered uneconomic to mine.

Sec. 60. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 31. [CLASS 10.] All property not included in any other class is class 10 property and is assessed at 43 percent of market value.

Sec. 61. Minnesota Statutes 1984, section 273.13, is amended by adding a subdivision to read:

Subd. 32. [VACANT LAND.] Real property which is not improved with a structure and which is not used as part of a commercial or industrial activity shall be classified according to its highest and best use.

Sec. 62. Minnesota Statutes 1984, section 273.1311, is amended to read:

273.1311 [FLEXIBLE HOMESTEAD BRACKETS.]

~~The maximum amount of the market value of the homestead brackets shall be adjusted as provided in this section. For taxes payable in 1986, the homestead base value is the first \$64,000 of market value.~~

For taxes payable in 1985 1987 and subsequent years, the commissioner shall adjust the ~~brackets~~ homestead base value used in the preceding assessment by the estimated percentage increase in the statewide average assessors' estimated market value, as equalized by the state board of equalization, of a residential home for the current assessment over the previous assessment. The revised ~~bracket~~ amount shall be rounded to the nearest \$500. The commissioner of revenue shall determine and announce the revised ~~bracket~~ homestead base value on December 15 of each year preceding the assessment date.

Sec. 63. Minnesota Statutes 1984, section 273.1313, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) As used in this section, the following terms have the meanings given them.

(b) "Commissioner" means the commissioner of revenue.

(c) "Employment property" means taxable property, excluding land but including buildings, structures, fixtures, and improvements that satisfy each of the following conditions:

(1) The property is located within an enterprise zone designated according to section 273.1312.

(2) The property is 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~~ *December 31, 1984*, or is property of a public utility.

(d) "Market value" of a parcel of employment property means the value of the taxable property 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 employment property is first placed in service. In each year, any change in the values of the employment property and the other property on the land shall be deemed to be proportionate unless caused by a capital improvement or loss.

(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 paragraphs (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, including land, used in a trade or business which is not used in a trade or business which either is described in section 103(b)(0)(ii) of the Internal Revenue Code of 1954, as amended through ~~January 15, 1983~~ *December 31, 1984*, or is the property of a public utility. 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 24, paragraph (4) (b).

Sec. 64. Minnesota Statutes 1984, section 273.1313, subdivision 2, is amended to read:

Subd. 2. [PROGRAM.] (a) The governing body of any municipality which contains a designated enterprise zone as provided by section 273.1312 shall by resolution establish a program for classification of new property or improvements to existing property as employment property pursuant to the provisions of this section. 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 probable time schedule for undertaking any construction or improvement, and information regarding the matters referred to in paragraph (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 if the property is to be improved or expanded, 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.

(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 (d), and the clerk or auditor shall transmit it to the commissioner.

(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.

(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:

(1) Is reasonably likely to create new employment or prevent a loss of employment in the municipality;

(2) Is not likely to have the effect of transferring existing employment from one or more other municipalities within the state;

(3) Is not likely to cause the total market value of 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 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

(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.

(e) In the case of enterprise zones qualifying pursuant to section 273.1312,

subdivision 4, paragraph (c), clause (3), an application for assessment as employment property under section 273.13, subdivision 9 24, *paragraph (b)*, or for a tax reduction pursuant to section 273.1314, subdivision 9, may not be approved unless the governing body finds and determines that the construction or improvement of the facility is not likely to have the effect of transferring existing employment from one or more other municipalities within the state.

Sec. 65. Minnesota Statutes 1984, section 273.1313, subdivision 3, is amended to read:

Subd. 3. [CLASSIFICATION.] Property shall be classified as employment property and assessed as provided for class 4d property in section 273.13, subdivision 9 24, *paragraph (4) (b)*, for taxes levied in the year in which the classification is approved and 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. 66. Minnesota Statutes 1984, section 273.1315, is amended to read:

273.1315 [CERTIFICATION OF ~~3EE~~ 1B PROPERTY.]

Any property owner seeking classification and assessment of his homestead as class ~~3ee 1b~~ property pursuant to section 273.13, subdivision 7, *clause (b) or (c) 22, paragraph (b), clause (2) or (3)*, shall file with the commissioner of revenue for each assessment year a ~~3ee 1b~~ homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that the property owner or his spouse satisfies the requirements of section 273.13, subdivision 7 22, for ~~3ee 1b~~ classification;

(b) the property owner's household income, as defined in section 290A.03, for the previous calendar year; and

(c) any additional information prescribed by the commissioner.

The declaration shall be filed on or before March 1 of each year to be effective for property taxes payable during the succeeding calendar year. The declaration and any supplementary information received from the property owner pursuant to this section shall be subject to section 290A.17.

The commissioner shall provide to the assessor on or before April 1 a listing of the parcels of property qualifying for ~~3ee 1b~~ classification.

Sec. 67. Minnesota Statutes 1984, section 273.135, subdivision 1, is amended to read:

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area on ~~class 3b property, on class 3e property, and on class 3ee homestead~~ property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Sec. 68. Minnesota Statutes 1984, section 273.135, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c).

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, provided that the reduction shall not exceed the maximum amounts specified in clause (c).

(c) (1) The maximum reduction of the net tax up to the taconite breakpoint is \$225.40 on property described in clause (a) and \$200.10 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by \$15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under *section 275.082 attributable to Minnesota Statutes 1984*, section 273.13, subdivision 6, 7, or 14a, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to *section 275.082 attributable to Minnesota Statutes 1984*, section 273.13, subdivision 7, rounded to the nearest whole dollar, and "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in *Minnesota Statutes 1984*, section 273.13, subdivision 7.

Sec. 69. *Minnesota Statutes 1984*, section 273.135, subdivision 5, is amended to read:

Subd. 5. For the purposes of this section, the amount of property tax to be paid shall be determined after the allowance of any reduction prescribed by *section 275.082 attributable to Minnesota Statutes 1984*, section 273.13, and the reduction prescribed by this section shall be in addition to that prescribed by *section 273.13 275.082*.

Sec. 70. *Minnesota Statutes 1984*, section 273.1391, subdivision 1, is amended to read:

273.1391 [SUPPLEMENTARY HOMESTEAD PROPERTY TAX RELIEF.]

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area described in subdivision 2 on ~~class 3b~~ property, on

class ~~3c~~ property, and on class ~~3c~~ homestead property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

Sec. 71. Minnesota Statutes 1984, section 273.1391, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint on qualified property located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in clause (c). The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the maximums specified in clause (c).

(c) (1) The maximum reduction of the net tax up to the taconite breakpoint is \$200.10 for taxes payable in 1985. This maximum amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under *section 275.082 attributable to Minnesota Statutes 1984*, section 273.13, subdivision 6, 7, or 14a, "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to *section 275.082 attributable to Minnesota Statutes 1984*, section 273.13, subdivision 7, rounded to the nearest whole dollar, and "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in *Minnesota Statutes 1984*, section 273.13, subdivision 7.

Sec. 72. Minnesota Statutes 1984, section 273.1391, subdivision 4, is amended to read:

Subd. 4. For the purposes of this section, the amount of property tax to be paid shall be determined after the allowance of any reduction prescribed by section 275.082, *attributable to Minnesota Statutes 1984, section 273.13*, and the reduction prescribed by this section shall be in addition to that prescribed by section ~~273.13~~ 275.082.

Sec. 73. Minnesota Statutes 1984, section 273.1392, is amended to read:

273.1392 [PAYMENT; AIDS TO SCHOOL DISTRICTS.]

The amounts of homestead credit *replacement aid paid* under section ~~273.13~~, ~~subdivisions 6, 7, and 14a~~ 273.1393; *agricultural credit replacement aid paid* under section 273.1394; wetlands credit and reimbursement under section 273.115; native prairie credit and reimbursement under section 273.116; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; ~~reimbursement under section 273.139~~; and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. *Homestead credit replacement aid and agricultural credit replacement aid shall be certified to the department of education at the time provided by section 477A.014, subdivision 1, for certification of local government aid. The department of education shall then certify by September 1 to the local school districts their levy limits pursuant to chapter 124A and section 275.012 after deduction of the homestead credit replacement aid and agricultural credit replacement aid. The amounts so certified shall be paid according to the schedule for payment of foundation aids pursuant to section 124.11 for fiscal year 1983. Beginning in fiscal year 1984,* The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

Sec. 74. [273.1393] [HOMESTEAD CREDIT REPLACEMENT AID.]

Subdivision 1. [PAYMENT.] There shall be paid to each taxing jurisdiction in 1986 and subsequent years a homestead credit replacement aid, determined as provided in this section.

Subd. 2. [COMPUTATION.] The aid will be the sum of

(1) the amount of homestead credit reimbursement paid to the taxing jurisdiction in 1985 pursuant to Minnesota Statutes 1984, section 273.13, subdivision 15a, on agricultural homesteads;

(2) for aid paid in 1986 only, the additional amount of homestead credit reimbursement that would have been paid to the taxing jurisdiction in 1985 pursuant to Minnesota Statutes 1984, section 273.13, subdivision 15a, if there had been no \$650 maximum on homestead credits paid on nonagricultural homesteads;

(3) the taxing jurisdiction's nonfarm homestead increase share. That share is determined by multiplying the amount determined in clause (2) by a fraction, the numerator of which is the ratio of the estimated assessed value of the total homestead base value of nonagricultural homesteads in the taxing jurisdiction for the current assessment year to the estimated total assessed value of all property within the taxing jurisdiction for the current assessment year, and the denominator of which is the ratio of the estimated assessed value of the total homestead base value of nonagricultural homesteads in the taxing jurisdiction for the previous assessment year to the estimated total

assessed value of all property within the taxing jurisdiction for the previous assessment year. The resultant fraction shall be adjusted for the percentage change in the total homestead base value from the previous assessment year to the current assessment year. The county auditor shall certify the estimated assessed value of the total homestead base value, of nonagricultural homesteads and the estimated assessed value of all property in the taxing jurisdiction as of July 15 to the commissioner of revenue; plus

(4) for distributions made in 1986 and thereafter, the amounts determined under clauses (1), (2), and (3) for counties that are attributable to current year levy for general assistance, medical assistance and general assistance medical care shall be adjusted for estimated change in these levy amounts. The commissioners of health and human services shall certify these amounts for counties to the commissioner of revenue on August 15. For school districts, the amounts determined under clauses (1), (2), and (3) that are attributable to current year levies certified pursuant to sections 124A.03, subdivisions 1 and 3, 124A.06, 124A.08, 124A.10, 124A.12, 124A.14, and 275.125, subdivisions 5, 5b, and 5c shall be adjusted for estimated change in these levy amounts. The commissioner of education shall certify these amounts for school districts to the commissioner of revenue on August 15. All remaining amounts determined under clauses (1), (2), and (3) shall be increased by a percentage equal to the implicit price deflator increase as determined in section 477A.011, subdivision 6.

Subd. 3. [PAYMENT.] The commissioner shall certify and pay the homestead credit certification and replacement aid at the times provided in section 273.1392 for certification and payments to school districts and at the times provided in sections 477A.014 and 477A.015 for certification and payment of local government aid to other taxing jurisdictions. Aids to school districts must be certified to the commissioner of education. Payment shall not be made to any special taxing jurisdiction that has ceased to levy a property tax.

Subd. 4. [APPROPRIATION.] An amount sufficient to make the payments required in this section is annually appropriated from the general fund to the commissioner of revenue.

Sec. 75. [273.1394] [AGRICULTURAL CREDIT REPLACEMENT AID.]

Subdivision 1. [PAYMENT.] There shall be paid to each taxing jurisdiction in 1986 and subsequent years an agricultural credit replacement aid determined as provided in this section.

Subd. 2. [COMPUTATION.] The aid will be the sum of

(1) the amount of aid that would have been paid to a taxing jurisdiction in 1985 pursuant to Minnesota Statutes 1984, section 124.2137, if the aid paid to school districts under that provision had been distributed among all taxing jurisdictions containing property with respect to which the credit had been paid in proportion to the mill rates of each such taxing jurisdiction applied to the properties receiving the credit; and as if the amount of agricultural credit paid pursuant to Minnesota Statutes 1984, section 124.2137, had been paid as if the percentages utilized had been changed as follows: 33 percent to 35 percent, 15 percent to 23 percent, and 10 percent to 23 percent, provided

that for noncommercial seasonal recreational residential property the 15 percent factor shall be used, plus

(2) the taxing jurisdiction's agricultural increase share. For purposes of this section, agricultural values shall include timberlands. That share is determined by multiplying the amount determined in clause (1) by a fraction, the numerator of which is the ratio of the estimated assessed value of property qualifying for the agricultural credit under Minnesota Statutes 1984, section 124.2137, in the taxing jurisdiction for the current assessment year to the estimated total assessed value of all property within the taxing jurisdiction for the current assessment year, and the denominator of which is the ratio of the estimated assessed value of property qualifying for the agricultural credit under Minnesota Statutes 1984, section 124.2137, in the taxing jurisdiction for the previous assessment year to the estimated total assessed value of all property within the taxing jurisdiction for the previous assessment year. The county auditor shall certify the estimated assessed value of property qualifying for the agricultural credit under Minnesota Statutes 1984, section 124.2137, and the estimated assessed value of all property in the taxing jurisdiction as of July 15 to the commissioner of revenue; plus

(3) for distributions made in 1986 and thereafter, the amounts determined under clauses (1) and (2) for counties that are attributable to current year levy for general assistance, medical assistance and general assistance medical care shall be adjusted for estimated change in these levy amounts. The commissioner of health and human services shall certify these amounts for counties to the commissioner of revenue on August 15. For school districts, the amounts determined under clauses (1) and (2) that are attributable to current year levies certified pursuant to sections 124A.03, subdivisions 1 and 3, 124A.06, 124A.08, 124A.10, 124A.12, 124A.14, and 275.125, subdivisions 5, 5b, and 5c shall be adjusted for estimated change in these levy amounts. The commissioner of education shall certify these amounts for school districts to the commissioner of revenue on August 15. All remaining amounts determined under clauses (1) and (2) shall be increased by a percentage equal to the implicit price deflator increase as determined in section 477A.011, subdivision 6.

Subd. 3. [CERTIFICATION AND PAYMENT.] The commissioner shall certify and pay the agricultural credit replacement aid at the times provided in section 273.1392 for certification and payments to school districts and at the times provided in sections 477A.014 and 477A.015 for certification and payment of local government aid to other taxing jurisdictions. Aids to school districts must be certified to the commissioner of education. Payment shall not be made to any special taxing district that has ceased to levy a property tax.

Subd. 4. [APPROPRIATION.] An amount sufficient to make the payments required in this section is annually appropriated from the general fund to the commissioner of revenue.

Sec. 76. [273.165] [TAXATION OF SEPARATE MINERAL INTERESTS AND UNMINED IRON ORE.]

Subdivision 1. [MINERAL INTEREST.] "Mineral interest," for the purpose of this subdivision, means an interest in any minerals, including but not limited to gas, coal, oil, or other similar interest in real estate, which is

owned separately and apart from the fee title to the surface of such real property. Mineral interests which are filed for record in the offices of either the county recorder or registrar of titles, whether or not filed pursuant to sections 93.52 to 93.58, are taxed as provided in this subdivision unless specifically excluded by this subdivision. A tax of 25 cents per acre or portion of an acre of mineral interest is imposed and is payable annually. If an interest is a fractional undivided interest in an area, the tax due on the interest per acre or portion of an acre is equal to the product obtained by multiplying the fractional interest times 25 cents, computed to the nearest cent. However, the minimum annual tax on any mineral interest is \$2. No such tax on mineral interests is imposed on the following: (1) mineral interests valued and taxed under other laws relating to the taxation of minerals, gas, coal, oil, or other similar interests; or (2) mineral interests which are exempt from taxation pursuant to constitutional or related statutory provisions. Taxes received under this subdivision must be apportioned to the taxing districts included in the area taxed in the same proportion as the surface interest mill rate of a taxing district bears to the total mill rate applicable to surface interests in the area taxed. The tax imposed by this subdivision is not included within any limitations as to rate or amount of taxes which may be imposed in an area to which the tax imposed by this subdivision applies. The tax imposed by this subdivision does not cause the amount of other taxes levied or to be levied in the area, which are subject to any such limitation, to be reduced in any amount. Twenty percent of the revenues received from the tax imposed by this subdivision must be distributed under the provisions of section 116J.64.

Subd. 2. [IRON ORE.] Unmined iron ore included in class 9 must be assessed with and as a part of the real estate in which it is located, but at the rate established in section 273.13, subdivision 30. Iron ore which either (a) is mined by underground methods and either placed in stockpile or concentrated and placed in stockpile or (b) is mined by open-pit methods and, in accordance with good engineering and metallurgical practice, requires concentration other than crushing or screening or both to make it suitable for commercial blast furnace use, and is either placed in stockpile for the purpose of concentration in the course of a concentration operation, or is concentrated and placed in stockpile, for three taxable years after being mined only, must be listed and assessed in the taxing district where mined at the same amount per ton as it would be assessed if still unmined, except that if the ore contains phosphorous in excess of 180 percent or is classified in the trade as manganiferous ore, then irrespective of whether it requires concentration or has been concentrated it must be so listed and assessed as if it were unmined or for five taxable years after being mined only, and thereafter the ore in stockpiles must be valued and assessed as mined iron ore, as otherwise provided by law. The real estate in which iron ore is located, other than the ore, must be classified and assessed in accordance with the provisions of the appropriate classes. In assessing any tract or lot of real estate in which iron ore is known to exist, the assessable value of the ore exclusive of the land in which it is located, and the assessable value of the land exclusive of the ore must be determined and set down separately and the aggregate of the two must be assessed against the tract or lot.

Sec. 77. Minnesota Statutes 1984, section 273.38, is amended to read:

273.38 [PERCENTAGE OF ASSESSMENTS; EXCEPTIONS.]

The commissioner of revenue shall assess ~~at five percent of market value~~ distribution lines, and the attachments and appurtenances thereto, used primarily for supplying electricity to farmers at retail, ~~and~~ which shall be taxed at the average rate of taxes levied for all purposes throughout the county, and which shall be entered, certified and credited as provided in section 273.42. It is further provided that the distribution lines and the attachments and appurtenances thereto of cooperative associations organized under the provisions of Laws 1923, Chapter 326, and laws amendatory thereof and supplemental thereto, and engaged in the electrical heat, light and power business, upon a mutual, non-profit and cooperative plan, shall be assessed and taxed as provided in sections 273.40 and 273.41.

Sec. 78. Minnesota Statutes 1984, section 273.42, subdivision 2, is amended to read:

Subd. 2. Owners of land defined as class ~~3, 3b, 3e, 3ee, 3d or 3f~~ *1a, 1b, 2a, 2c, 4a, or 5a*, pursuant to section 273.13 listed on records of the county auditor or county treasurer over which runs a high voltage transmission line as defined in section 116C.52, subdivision 3, except a high voltage transmission line the construction of which was commenced prior to July 1, 1974, shall receive a property tax credit in an amount determined by multiplying a fraction, the numerator of which is the length of high voltage transmission line which runs over that parcel and the denominator of which is the total length of that particular line running over all property within the city or township by ten percent of the transmission line tax revenue derived from the tax on that portion of the line within the city or township pursuant to section 273.36. In the case of property owners in unorganized townships, the property tax credit shall be determined by multiplying a fraction, the numerator of which is the length of the qualifying high voltage transmission line which runs over the parcel and the denominator of which is the total length of the qualifying high voltage transmission line running over all property within all the unorganized townships within the county, by the total utility property tax credit fund amount available within the county for that year pursuant to section 273.42, subdivision 1. Where a right-of-way width is shared by more than one property owner, the numerator shall be adjusted by multiplying the length of line on the parcel by the proportion of the total width on the parcel owned by that property owner. The amount of credit for which the property qualifies shall not exceed 20 percent of the total gross tax on the parcel prior to deduction of the state paid agricultural credit and the state paid homestead credit, provided that, if the property containing the right of way is included in a parcel which exceeds 40 acres, the total gross tax on the parcel shall be multiplied by a fraction, the numerator of which is the sum of the number of acres in each quarter-quarter section or portion thereof which contains a right of way and the denominator of which is the total number of acres in the parcel set forth on the tax statement, and the maximum credit shall be 20 percent of the product of that computation, prior to deduction of those credits. The auditor of the county in which the affected parcel is located shall calculate the amount of the credit due for each parcel and transmit that information to the county treasurer. The county auditor, in computing the ~~credits~~ *credit* received pursuant to ~~sections 273.13 and section 273.135 and the credit amount computed pursuant to section 275.082~~, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than \$10.

If, after the county auditor has computed the credit to those qualifying

property owners in unorganized townships, there is money remaining in the utility property tax credit fund, then that excess amount in the fund shall be returned to the general school fund of the county.

Sec. 79. Minnesota Statutes 1984, section 274.19, subdivision 1, is amended to read:

Subdivision 1. Each manufactured home ~~constituting class 2a property~~ shall be valued each year by the assessor and be assessed with reference to its value on January 2 of that year. Notice of the value shall be mailed to the person to be assessed at least ten days before the meeting of the local board of review or equalization. The notice shall contain the amount of valuation in terms of market value, the assessor's office address, and the date, place, and time set for the meeting of the local board of review or equalization and the county board of equalization.

Sec. 80. Minnesota Statutes 1984, section 274.19, subdivision 2, is amended to read:

Subd. 2. On or before May 1, the assessor shall return to the county auditor his assessment books relating to the assessment of ~~class 2a property manufactured homes~~. After receiving the assessment books, the county auditor shall determine the tax to be due by applying the rate of levy of the preceding year and shall transmit a list of the taxes to the county treasurer not later than May 30.

Sec. 81. Minnesota Statutes 1984, section 274.19, subdivision 3, is amended to read:

Subd. 3. Not later than July 15 in the year of assessment the county treasurer shall mail to the taxpayer a statement of tax due on ~~class 2a property a manufactured home~~. The taxes shall be due on the last day of August. Taxes remaining unpaid after the due date shall be deemed delinquent, and a penalty of eight percent shall be assessed and collected as part of the unpaid taxes. On September 30 the county treasurer shall make a list of taxes remaining unpaid and shall certify the list immediately to the clerk of district court, who shall issue warrants to the sheriff for collection.

Sec. 82. Minnesota Statutes 1984, section 274.19, subdivision 4, is amended to read:

Subd. 4. Any person who claims that his ~~class 2a property manufactured home~~ has been unfairly or unequally assessed, or that such property 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 filing a petition for such determination, in the office of the clerk of the district court on or before the first day of September of the year in which such tax becomes payable. A petition for determination under this section may be transferred by the district court to the tax court.

Sec. 83. Minnesota Statutes 1984, section 274.19, subdivision 6, is amended to read:

Subd. 6. If the local board of review or equalization or the county board of

equalization change the assessor's valuation of ~~class 2a property~~ *a manufactured home*, the change shall be transmitted to the county auditor, who shall immediately recompute the tax and advise the treasurer of the corrected tax. If the property is entitled to homestead classification and tax credit pursuant to ~~section 273.13, subdivision 16~~, the auditor shall also take appropriate action to reflect the reduction in tax.

Sec. 84. Minnesota Statutes 1984, section 274.19, subdivision 7, is amended to read:

Subd. 7. The tax assessed on ~~class 2a property~~ *manufactured homes* shall be deemed to be a personal property tax and laws relating to assessment, review, and collection of personal property taxes shall be applicable to this tax, if not inconsistent with provisions in ~~Laws 1975, Chapter 376~~ *this section*.

Sec. 85. Minnesota Statutes 1984, section 274.19, is amended by adding a subdivision to read:

Subd. 8. [MANUFACTURED HOMES; SECTIONAL STRUCTURES.]

(a) *For purposes of this section, a "manufactured home" means a structure transportable in one or more sections, which is built on a permanent chassis, and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and contains the plumbing, heating, air-conditioning, and electrical systems therein, including any accessory structure which is an addition or supplement to the manufactured home and, when installed, becomes a part of the manufactured home.*

(b) *A manufactured home which meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification shall apply and the valuation is subject to review and the taxes payable in the manner provided for real property:*

(i) *the owner of the unit holds title to the land upon which it is situated;*

(ii) *the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the manufactured home building code contained in sections 327.31 to 327.34, and the rules adopted thereto, or is affixed to the land in a manner comparable to other real property in the taxing district; and*

(iii) *the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.*

(c) *A manufactured home which meets each of the following criteria must be assessed at the rate provided by the appropriate real property classification but must be classified as a manufactured home, and the valuation is subject to review and the taxes payable thereon in the manner provided in this section:*

(i) *the owner of the unit is a lessee of the land pursuant to the terms of a lease;*

(ii) *the unit is affixed to the land by a permanent foundation or is installed at its location in accordance with the manufactured homes building code contained in sections 327.31 to 327.34, and the rules adopted thereto, or is*

affixed to the land in a manner comparable to other real property in the taxing district; and

(iii) the unit is connected to public utilities, has a well and septic tank system, or is serviced by water and sewer facilities comparable to other real property in the taxing district.

(d) Sectional structures must be valued and assessed as an improvement to real property if the owner of the structure holds title to the land upon which it is located or is a qualifying lessee of the land under the provisions of section 273.19. For purposes of this paragraph "sectional structure" means a building or structural unit which has been in whole or substantial part manufactured or constructed at an off site location to be wholly or partially assembled on site alone or with other units and attached to a permanent foundation.

(e) The commissioner of revenue may adopt rules pursuant to the administrative procedure act for the purpose of establishing additional criteria for the classification of manufactured homes and sectional structures under this subdivision.

Sec. 86. Minnesota Statutes 1984, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities, and towns, and school districts shall be certified by the proper authorities to the county auditor on or before October tenth in each year. The taxes of a school district must be certified to the commissioner of education by October tenth in each year. The commissioner of education will certify the net levy of the school districts, after adjustment for the homestead credit replacement aid paid pursuant to section 74 and the agricultural credit replacement aid paid pursuant to section 75, to the county auditor by October 30. If a city, town, county, school district or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year. If the local unit notifies the commissioner of revenue, or the commissioner of education in the case of a school district, before October tenth of its inability to certify its levy by that date, and the commissioner is satisfied that the delay is unavoidable and is not due to the negligence of the local unit's officials or staff, the commissioner shall extend the time within which the local unit shall certify its levy.

Sec. 87. [275.081] [FARM AND HOMESTEAD VALUE EXEMPTION.]

Subdivision 1. [PROCEDURE.] After certification of assessed valuations pursuant to section 274.04 and adjustments pursuant to sections 270.13, 274.01, 274.08, 274.09, 274.12, 274.16, and 274.17, the county auditor shall reduce the assessed value of each farm and homestead according to this section.

Subd. 2. [NONAGRICULTURAL HOMESTEADS.] The assessed value of a nonagricultural homestead is reduced by 54 percent of the assessed value attributable to the homestead base value determined under subdivision 5.

Subd. 3. [AGRICULTURAL HOMESTEADS.] The assessed value of the homestead dwelling, and the first 320 acres is reduced by (1) 35 percent of

the assessed value of the first 320 acres less the value of the homestead dwelling, garage, and one acre on which the dwelling is situated, plus (2) the lesser of (i) 54 percent of the remaining assessed value of the first 320 acres including the value of the dwelling or (ii) \$9,200. The assessed value of the property in excess of 320 acres is reduced by 23 percent of its assessed value.

Subd. 4. [NONHOMESTEAD FARMS.] The assessed value of a non-homestead farm is reduced by 23 percent of the assessed value, excluding the value of any dwelling, garage, and one acre surrounding it. For purposes of this section, nonhomestead farms shall include timberlands.

Subd. 5. [SEASONAL RESIDENTIAL RECREATIONAL PROPERTY.] The assessed value of seasonal residential recreational property is reduced by 15 percent of the first \$32,500 of assessed value.

Subd. 6. [HOMESTEAD EXEMPTION BASE VALUE.] For purposes of this section, for taxes levied in 1985, the homestead exemption base value is \$68,000. For taxes levied in 1986 and subsequent years, the commissioner of revenue shall adjust the homestead exemption base value used for the preceding year by the estimated percentage increase in the statewide average assessors' estimated market value, as equalized by the state board of equalization, of a residential home for the current assessment over the previous assessment. The revised homestead exemption base value shall be rounded to the nearest \$500. The commissioner shall determine and announce the revised homestead base value on December 15 of each year preceding the assessment date.

Sec. 88. [275.082] [COMPUTATION OF TAX ON PARCELS.]

After the mill rate has been computed for a taxing jurisdiction, based on the reduced assessed value of homestead property determined under section 87, the tax on each homestead parcel shall be computed on the assessed value of the property determined under section 273.13, and without regard to any exemption provided in section 87. The tax so computed on the parcel shall be decreased by (1) the amount of credit that would have been paid on that parcel pursuant to Minnesota Statutes 1984, section 273.13, subdivision 6 or 7, provided that the credit amount shall be computed with respect to a nonagricultural homestead without regard to the \$650 maximum, and with respect to an agricultural homestead as if the \$650 maximum were replaced with a maximum equal to \$9,200 multiplied by the local mill rate; and (2) the amount of credit that would have been paid on that parcel pursuant to Minnesota Statutes 1984, section 124.2137, provided that the credit amount shall be computed as if the maximum assessed value subject to the credit was \$400,000.

Sec. 89. Minnesota Statutes 1984, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in 1983 payable in 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 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. Except for the costs of general assistance as defined in section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the costs of hospital care pursuant to section 261.21, the aggregate amounts levied pursuant to this clause are subject to a maximum increase of 18 percent over the amount levied for these purposes in the previous year;

(e) pay the costs of principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(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; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

(g) fund the payments made to the Minnesota state armory building com-

mission 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~~ 274.19, subdivision 3 8, as amended, is less than the distribution of the manufactured homes tax to the governmental subdivision pursuant to *Minnesota Statutes 1969*, 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 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 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 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 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;

(t) pay the costs of implementing section 18.023, including sanitation and reforestation; and

(u) pay the estimated cost for the following calendar year of the county's share of funding the Minnesota cooperative soil survey.

Sec. 90. Minnesota Statutes 1984, section 275.51, subdivision 3i, is

amended to read:

Subd. 3i. [LEVY LIMITATION.] The levy limitation for a governmental subdivision shall be equal to the adjusted levy limit base determined pursuant to subdivision 3h, reduced by (a) the total amount of local government aid that the governmental subdivision has been certified to receive pursuant to sections 477A.011 to 477A.014; (b) taconite aids pursuant to sections 298.28 and 298.282 including any aid received in the levy year which was required to be placed in a special fund for expenditure in the next succeeding year; (c) state reimbursements for wetlands and native prairie property tax exemptions pursuant to sections 273.115, subdivision 3 and 273.116, subdivision 3; ~~and~~ (d) 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 certified to be paid in the calendar year in which property taxes are payable; (e) *homestead credit replacement aid paid under section 273.1393*; and (f) *agricultural credit aid paid under section 273.1393*. If the sum of the taconite aids deducted exceeds the adjusted levy limit base, the excess must be used to reduce the amounts levied as special levies pursuant to section 275.50, subdivisions 5 and 7. The commissioner of revenue shall notify a governmental subdivision of any excess taconite aids to be used to reduce special levies.

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. 91. Minnesota Statutes 1984, section 276.04, is amended to read:

276.04 [NOTICE OF RATES; PROPERTY TAX STATEMENTS.]

On receiving the tax lists from the county auditor, the county treasurer shall, if directed by the county board, give three weeks' published notice in a newspaper specifying the rates of taxation for all general purposes and the amounts raised for each specific purpose. He shall, whether or not directed by the county board, cause to be printed on all tax statements, or on an attachment, a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality and school district shall be separately stated but the amounts due other taxing districts, if any, may be aggregated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The statement shall include the following sentence, printed in upper case letters in bold face print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT." The property tax statements for ~~class 2a~~ *manufactured homes and sectional structures taxed as personal property* shall contain the same information that is required on the tax statements for real property. The county treasurer shall mail to taxpayers statements of their personal property taxes due, such statements to

be mailed not later than February 15 (except in the case of ~~Class 2a manufactured homes and sectional structures taxed as personal property~~), statements of the real property taxes due shall be mailed not later than January 31; provided, that the validity of the tax shall not be affected by failure of the treasurer to mail such statement. The taxpayer is defined as the owner who is responsible for the payment of the tax. Such real and personal property tax statements shall contain the market value, as defined in section 272.03, subdivision 8, used in determining the tax. The statement shall show the amount attributable to the decrease in tax under *Minnesota Statutes 1984*, section 124.2137 as "state paid agricultural credit" amount and the amount attributable to *Minnesota Statutes 1984*, section 273.13, subdivisions 6 and 7 as "state paid homestead credit amount." ~~The statement shall show the reduction attributable to the aid given pursuant to section 273.139 and shall indicate that the reduction is paid by the state of Minnesota.~~ If so directed by the county board, the treasurer shall visit places in the county as he deems expedient for the purpose of receiving taxes and the county board is authorized to pay the expenses of such visits and of preparing duplicate tax lists. Failure to mail the tax statement shall not be deemed a material defect to affect the validity of any judgment and sale for delinquent taxes.

Sec. 92. *Minnesota Statutes 1984*, 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~~ 22 or 23, 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 16th day of 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. 93. *Minnesota Statutes 1984*, 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~~ 22 or 23, has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class in that portion of the county in which the parcel is located, for which the commissioner is able to establish and publish a sales ratio study, the attorney representing the state, county, city or town in the proceedings may serve on the petitioner, or 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 16th day of 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 16th day of October of the year in which the taxes were payable, in which event interest shall not be taxable.

Sec. 94. Minnesota Statutes 1984, section 279.01, subdivision 1, is amended to read:

Subdivision 1. On May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified as class ~~3 or 3a 1c, 2c, or 7e~~, and on other commercial use real property classified as class ~~4e 3a~~, provided that over 60 percent of the gross income earned by the enterprise on the class ~~4e 3a~~ property is earned during the months of May, June, July, and August. Any property owner of such class ~~4e 3a~~ property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to his payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the 16th day of each month, up to and including October 16 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes. When the taxes against any tract or lot exceed \$10, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the 16th day of each month up to and including December 16 following, an additional penalty of two percent for each month shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the 16th day of each month up to and including December 16 following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and there-

upon no penalty shall attach to the remaining one-half until October 16 following; provided, also, that the same may be paid in installments as follows: One-fourth prior to March 16; one-fourth prior to May 16; one-fourth prior to August 16; and the remaining one-fourth prior to October 16, subject to the aforesaid penalties. Where the taxes delinquent after 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. 95. Minnesota Statutes 1984, section 279.06, is amended to read:

279.06 [COPY OF LIST AND NOTICE.]

Within five days after the filing of such list, the clerk shall return a copy thereof to the county auditor, with a notice prepared and signed by him, and attached thereto, which may be substantially in the following form:

State of Minnesota

)

) ss.

County of _____)

District Court

_____ Judicial District.

The state of Minnesota, to all persons, companies, or corporations who have or claim any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of land described in the list hereto attached:

The list of taxes and penalties on real property for the county of _____ remaining delinquent on the first Monday in January, 19_____, has been filed in the office of the clerk of the district court of said county, of which that hereto attached is a copy. Therefore, you, and each of you, are hereby required to file in the office of said clerk, on or before the 20th day after the publication of this notice and list, your answer, in writing, setting forth any objection or defense you may have to the taxes, or any part thereof, upon any parcel of land described in the list, in, to, or on which you have or claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will be entered against such parcel of land for the taxes on such list appearing against it, and for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to the state of Minnesota on the second Monday in May, 19_____. The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) homesteaded land as defined in section 273.13, subdivision 7 22; (b) *homesteaded agricultural land* as defined in section 273.13, subdivision 6 23, *paragraph (a)*; or (c) seasonal recreational land as defined in section 273.13, subdivision 4 22, *paragraph (c) or subdivision 28, paragraph (e)*, in which event the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Inquiries as to the proceedings set forth above can be made to the county auditor of _____ county whose address is _____.

(Signed) _____,

Clerk of the District Court of the County

of _____

(Here insert list.)

The list referred to in the notice shall be substantially in the following form:

List of real property for the county of _____, on which taxes remain delinquent on the first Monday in January, 19_____:

Town of (Fairfield),

Township (40), Range (20),

Names (and
Current Filed
Addresses) for
the Taxpayers
and Fee Owners
and in Addition
Those Parties
Who Have Filed
Their Addresses
Pursuant to
section 276.041

Subdivision of
Section

Tax
Parcel
Section Number

Total Tax
and Penalty
\$ cts.

John Jones
(825 Fremont
Fairfield, MN
55000)

S.E. 1/4 of S.W. 1/4

10

23101

2.20

Bruce Smith
(2059 Hand
Fairfield,
MN 55000)
and
Fairfield
State Bank
(100 Main
Street
Fairfield,
MN 55000)

That part of N.E. 1/4
of S.W. 1/4 desc. as
follows: Beg. at the
S.E. corner of said
N.E. 1/4 of S.W. 1/4;
thence N. along the E.
line of said N.E. 1/4
of S.W. 1/4 a distance
of 600 ft.; thence W.
parallel with the S.
line of said N.E. 1/4
of S.W. 1/4 a distance
of 600 ft.; thence S.
parallel with said E.
line a distance of 600
ft. to S. line of said
N.E. 1/4 of S.W. 1/4;
thence E. along said S.
line a distance of 600
ft. to the point of
beg. _____

21

33211

3.15

As to platted property, the form of heading shall conform to circumstances

and be substantially in the following form:

City of (Smithtown)
Brown's Addition, or Subdivision

Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who have Filed Their Addresses Pursuant to section 276.041	Lot	Block	Tax Parcel Number	Total Tax and Penalty \$ cts
John Jones (825 Fremont Fairfield, MN 55000)	15	9	58243	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	16	9	58244	3.15

The names, descriptions, and figures employed in parentheses in the above forms are merely for purposes of illustration.

The name of the town, township, range or city, and addition or subdivision, as the case may be, shall be repeated at the head of each column of the printed lists as brought forward from the preceding column.

Errors in the list shall not be deemed to be a material defect to affect the validity of the judgment and sale.

Sec. 96. Minnesota Statutes 1984, section 281.17, is amended to read:

281.17 [PERIOD FOR REDEMPTION.]

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) homesteaded land as defined in section 273.13, subdivision 7 22, (b) agricultural land as defined in section 273.13, subdivision 6 22, *paragraph (c) or subdivision 23, paragraph (a)*, or (c) seasonal recreational land as defined in section 273.13, subdivision 4 28, *paragraph (e)*, in which event the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Sec. 97. Minnesota Statutes 1984, section 290A.03, subdivision 6, is

amended to read:

Subd. 6. [HOMESTEAD.] "Homestead" means the dwelling occupied by a claimant as his principal residence and so much of the land surrounding it, not exceeding ten acres, as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivision 7 22, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 6 23, "homestead" is limited to 320 acres or, where the farm homestead is rented, one acre. The homestead may be owned or rented and may be a part of a multi-dwelling or multi-purpose building and the land on which it is built. A manufactured home, as defined in section 168.011, subdivision 8, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 98. Minnesota Statutes 1984, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead before reductions made pursuant to section 275.082 attributable to Minnesota Statutes 1984, section 273.13, subdivisions 6, 7 and 14a, but after deductions made pursuant to sections 275.082 attributable to Minnesota Statutes 1984, section 124.2137, 273.115, 273.116, 273.135, ~~273.139~~, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 168.011, subdivision 8, "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue and his decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.13, ~~subdivisions 6, 7, or 14a~~ subdivisions 22 or 23 on or before June 1 of the year in which the "property taxes payable" were levied; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made prior to October 1 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 99. Minnesota Statutes 1984, section 290A.03, subdivision 14, is

amended to read:

Subd. 14. [NET TAX.] "Net tax" means

(a) the property tax, exclusive of special assessments, interest, and penalties, and after reduction for any state paid property tax credits as required in subdivision 13 except for the reduction pursuant to *section 275.082, attributable to Minnesota Statutes 1984*, section 273.13, subdivisions 6, 7, and 14a, or

(b) the payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes,

for the calendar year in which the rent was paid. If a portion of the property is occupied as a homestead or is used for other than rental purposes, the net tax shall be the amount of tax reduced by the percentage that the nonrental use comprises of the total square footage of the building. If a portion of the property is used for purposes other than for residential rental and none of the property is occupied as a homestead, the net tax shall be the amount of the tax of the parcel multiplied by a fraction, the numerator of which is the assessed value of the residential rental portion and the denominator of which is the total assessed value of the parcel. If a portion of the property is used for other than rental residential purposes, the county treasurer shall list on the property tax statement the amount of net tax pertaining to the rental residential portion of the property.

The amount of the net tax shall not be reduced by an abatement or a court ordered reduction in the property tax on the property made after the certificate of rent constituting property tax has been provided to the renter.

Sec. 100. Minnesota Statutes 1984, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level and the state refund will be equal to an amount up to the state refund amount shown below.

Household Income	Percent of Income	State Refund
Net loss and up to \$2,999	0.5 percent	\$13
3,000 to 3,499	0.6 percent	\$15
3,500 to 3,999	0.6 percent	\$18
4,000 to 4,499	0.7 percent	\$20
4,500 to 4,999	0.7 percent	\$23
5,000 to 5,999	0.8 percent	\$40
6,000 to 6,999	0.9 percent	\$54
7,000 to 7,999	1.0 percent	\$70
8,000 to 8,999	1.1 percent	\$88
9,000 to 9,999	1.2 percent	\$108
10,000 to 10,999	1.3 percent	\$130
11,000 to 11,999	1.4 percent	\$154
12,000 to 12,999	1.5 percent	\$180
13,000 to 13,999	1.5 percent	\$195
14,000 to 14,999	1.5 percent	\$210
15,000 to 15,999	1.5 percent	\$225
16,000 to 16,999	1.5 percent	\$240

17,000 to 17,999	1.5 percent	\$255
18,000 to 18,999	1.5 percent	\$270
19,000 to 19,999	1.5 percent	\$285
20,000 to 20,999	1.6 percent	\$320
21,000 to 21,999	1.6 percent	\$336
22,000 to 22,999	1.6 percent	\$352
23,000 to 23,999	1.8 percent	\$414
24,000 to 24,999	1.8 percent	\$432
25,000 to 25,999	1.8 percent	\$450
26,000 to 26,499	2.0 percent	\$520
26,500 to 26,999	2.0 percent	\$530
27,000 to 27,499	2.0 percent	\$540
27,500 to 27,999	2.0 percent	\$550
28,000 to 28,499	2.0 percent	\$560
28,500 to 28,999	2.0 percent	\$570
29,000 to 29,499	2.0 percent	\$580
29,500 to 29,999	2.0 percent	\$590
30,000 to 30,499	2.0 percent	\$600
30,500 to 30,999	2.0 percent	\$610
31,000 to 31,499	2.2 percent	\$620
31,500 to 31,999	2.2 percent	\$630
32,000 to 32,499	2.2 percent	\$640
32,500 to 32,999	2.2 percent	\$650
33,000 to 33,999	2.2 percent	\$700
34,000 to 34,999	2.2 percent	\$600
35,000 to 35,999	2.2 percent	\$500
36,000 to 36,999	2.4 percent	\$400
37,000 to 37,999	2.4 percent	\$300
38,000 to 38,999	2.4 percent	\$200
39,000 to 39,999	2.4 percent	\$100

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision, less the homestead credit ~~given~~ *amount deducted* pursuant to section 275.082, *attributable to Minnesota Statutes 1984, section 273.13, subdivisions 6, 7 and 14a.*

Sec. 101. Minnesota Statutes 1984, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. A claimant whose property taxes payable or rent constituting property taxes are in excess of the sum of the amounts in subdivision 2 paid by the claimant and the state for the specified household income level shall be allowed an additional refund. The amount of the additional refund shall be equal to the remaining amount of the claimant's property taxes payable or rent constituting property taxes less the percentage to be paid by the claimant pursuant to the table below up to the specified maximum state refund. The refund shall be reduced by the homestead credit ~~given~~ *amount deducted* pursuant to section 275.082, *attributable to Minnesota Statutes 1984, section 273.13, subdivisions 6, 7, and 14a.* The sum of the state refunds provided in subdivision 2 and this subdivision shall not exceed a total of \$1,125.

Household Income	Percent Paid by Claimant	Maximum State Refund
Net loss and up to \$2,999	5 percent	\$1,125
3,000 to 3,499	6 percent	\$1,125

3,500 to 3,999	7 percent	\$1,125
4,000 to 4,499	8 percent	\$1,125
4,500 to 4,999	9 percent	\$1,125
5,000 to 5,999	10 percent	\$1,125
6,000 to 6,999	11 percent	\$1,125
7,000 to 7,999	12 percent	\$1,125
8,000 to 8,999	13 percent	\$1,125
9,000 to 9,999	14 percent	\$1,125
10,000 to 10,999	15 percent	\$1,125
11,000 to 11,999	16 percent	\$1,125
12,000 to 12,999	17 percent	\$1,125
13,000 to 13,999	18 percent	\$1,125
14,000 to 14,999	19 percent	\$1,125
15,000 to 15,999	20 percent	\$1,125
16,000 to 16,999	21 percent	\$1,125
17,000 to 17,999	22 percent	\$1,125
18,000 to 18,999	23 percent	\$1,125
19,000 to 19,999	24 percent	\$1,125
20,000 to 20,999	25 percent	\$1,125
21,000 to 21,999	27 percent	\$1,125
22,000 to 22,999	29 percent	\$1,125
23,000 to 23,999	31 percent	\$1,125
24,000 to 24,999	33 percent	\$1,105
25,000 to 25,999	35 percent	\$1,080
26,000 to 26,999	38 percent	\$1,050
27,000 to 27,999	41 percent	\$1,020
28,000 to 28,999	44 percent	\$990
29,000 to 29,999	47 percent	\$960
30,000 to 30,999	50 percent	\$930
31,000 to 31,999	50 percent	\$900
32,000 to 32,999	50 percent	\$800
33,000 to 33,999	50 percent	\$700
34,000 to 34,999	50 percent	\$600
35,000 to 35,999	50 percent	\$500
36,000 to 36,999	50 percent	\$400
37,000 to 37,999	50 percent	\$300
38,000 to 38,999	50 percent	\$200
39,000 to 39,999	50 percent	\$100
40,000 and over		-0-

No credit or payment will be allowed pursuant to subdivision 2 or 2a if the claimant's household income is \$40,000 or more. This subdivision shall not apply to a claimant who is disabled or has attained the age of 65 by June 1 of the year in which the taxes are payable.

Sec. 102. Minnesota Statutes 1984, 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, if the claimant's property taxes payable or rent constituting property taxes exceed the total amount in subdivision 2 to be paid by the claimant and by the state for the claimant's household income. The amount of the additional refund shall be equal to the remaining amount of the claimant's property taxes payable or rent constituting property taxes less the percentage to be paid by the claimant pursuant to the table below up to the specified maximum state refund. The refund shall be reduced by the home-

stead credit given amount deducted pursuant to section 275.082, attributable to Minnesota Statutes 1984, section 273.13, subdivisions 6, 7, and 14a. The sum of the state refunds provided in subdivision 2 and this subdivision shall not exceed a total of \$1,125.

Household Income	Maximum Percent Paid by Claimant	State Refund
Net loss and up to \$2,999	5 percent	\$1,125
3,000 to 3,499	5 percent	\$1,125
3,500 to 3,999	5 percent	\$1,125
4,000 to 4,499	5 percent	\$1,125
4,500 to 4,999	5 percent	\$1,125
5,000 to 5,999	5 percent	\$1,125
6,000 to 6,999	5 percent	\$1,125
7,000 to 7,999	5 percent	\$1,125
8,000 to 8,999	5 percent	\$1,125
9,000 to 9,999	5 percent	\$1,125
10,000 to 10,999	6 percent	\$1,125
11,000 to 11,999	7 percent	\$1,125
12,000 to 12,999	8 percent	\$1,125
13,000 to 13,999	9 percent	\$1,125
14,000 to 14,999	10 percent	\$1,125
15,000 to 15,999	10 percent	\$1,125
16,000 to 16,999	11 percent	\$1,125
17,000 to 17,999	11 percent	\$1,125
18,000 to 18,999	12 percent	\$1,125
19,000 to 19,999	12 percent	\$1,125
20,000 to 20,999	13 percent	\$1,125
21,000 to 21,999	15 percent	\$1,125
22,000 to 22,999	18 percent	\$1,125
23,000 to 23,999	21 percent	\$1,125
24,000 to 24,999	24 percent	\$1,105
25,000 to 25,999	27 percent	\$1,080
26,000 to 26,999	30 percent	\$1,050
27,000 to 27,999	35 percent	\$1,020
28,000 to 28,999	40 percent	\$990
29,000 to 29,999	45 percent	\$960
30,000 to 30,999	50 percent	\$930
31,000 to 31,999	50 percent	\$900
32,000 to 32,999	50 percent	\$800
33,000 to 33,999	50 percent	\$700
34,000 to 34,999	50 percent	\$600
35,000 to 35,999	50 percent	\$500
36,000 to 36,999	50 percent	\$400
37,000 to 37,999	50 percent	\$300
38,000 to 38,999	50 percent	\$200
39,000 to 39,999	50 percent	\$100
40,000 and over	-0-	

No credit or payment will be allowed pursuant to subdivision 2 or 2b if the claimant's household income is \$40,000 or more.

Sec. 103. Minnesota Statutes 1984, section 297A.01, subdivision 14, is amended to read:

Subd. 14. "Handicapped" means a permanent and total disability as de-

fined in section 273.13, subdivision 7 22.

Sec. 104. Minnesota Statutes 1984, section 360.301, subdivision 1, is amended to read:

Subdivision 1. The commissioner of finance shall maintain in the state bond fund a separate account, designated as the Minnesota aeronautics bond account, showing all taxes levied for such fund pursuant to this section and all moneys transferred to the fund pursuant to section 360.306 for the payment of Minnesota aeronautics bonds issued under section 360.302. The auditor shall levy each year on all taxable property within the state a tax sufficient, with all moneys then and theretofore transferred under section 360.306, to pay all such bonds and interest thereon which are due and to become due within the then ensuing year and to and including July 1 in the second ensuing year. Such tax shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and shall be and remain subject to no limitation of rate or amount until all such bonds and all interest thereon are fully paid. All proceeds of such taxes are appropriated and shall be credited to the state bond fund, and the principal and interest of state bonds shall be payable from the proceeds of such taxes, and so much thereof as may be necessary is hereby appropriated for such payments; provided that such principal and interest, if any, as may become due at any time when there is not on hand a sufficient amount from the proceeds of such taxes to pay the same, shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated, to be reimbursed from the proceeds of such taxes when received.

Sec. 105. Minnesota Statutes 1984, section 473.446, subdivision 1, is amended to read:

Subdivision 1. [TAXATION WITHIN TRANSIT TAXING DISTRICT.] For the purposes of sections 473.401 to 473.451 and the metropolitan transit system, except as otherwise provided in this subdivision the regional transit board shall levy each year upon all taxable property within the metropolitan transit taxing district, defined in subdivision 2, a transit tax consisting of:

(a) An amount up to two mills times the assessed value of all such property, based upon the level of transit service provided for the property, the proceeds of which shall be used for payment of the expenses of operating transit and paratransit service;

(b) An additional amount, if any, as the commission determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1977, to which property taxes under this section have been pledged; and

(c) An additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, or other obligations issued or to be issued pursuant to section 473.436 for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the commission has specifically pledged tax levies under this clause.

The county auditor shall reduce the tax levied pursuant to this subdivision on all property within cities or towns that receive full peak service and limited off-peak service by an amount equal to the tax levy that would be pro-

duced by applying a rate of 0.5 mills on the property. The county auditor shall reduce the tax levied pursuant to this subdivision on all property within cities or towns that receive limited peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.75 mills on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 273.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner shall review the certifications to determine their accuracy. He may make changes in the certification as he may deem necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the regional transit board the amounts certified by the county auditors on the dates provided in section 273.13, ~~subdivision 15a, clause (3)~~ 273.1393. There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments in fiscal year 1987 and thereafter.

For the purposes of this subdivision, "full peak and limited off-peak service" means peak period service plus weekday midday service with a frequency of more than 60 minutes on the route with the greatest frequency; and "limited peak period service" means peak period service only.

Sec. 106. Minnesota Statutes 1984, section 473F.02, subdivision 3, is amended to read:

Subd. 3. "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of such property ~~(a)~~ (1) which may, by law, constitute the tax base for a tax increment pledged pursuant to section 462.585 or 474.10, certification of which was requested prior to August 1, 1979, to the extent and while such tax increment is so pledged; ~~(b)~~ (2) which may, by law, constitute the tax base for tax revenues set aside and paid over for credit to a sinking fund pursuant to direction of the city council in accordance with Laws 1963, chapter 881, as amended, to the extent that such revenues are so treated in any year; or ~~(c)~~ (3) which is exempt from taxation pursuant to section 272.02:

(a) That portion of class 3 property *defined in Minnesota Statutes 1971, section 273.13*, consisting of stocks of merchandise and furniture and fixtures used therewith; manufacturers' materials and manufactured articles; and tools, implements and machinery, whether fixtures or otherwise.

~~(b) Class 3h property.~~

~~(c) Class 3j property.~~

~~(d)~~ That portion of class 4 property *defined in Minnesota Statutes 1971, section 273.13*, which is either used or zoned for use for any commercial or industrial purpose, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property shall be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision shall be to such successor class or classes of property, or portions thereof, as embrace the kinds of property designated in this subdivision.

Sec. 107. Minnesota Statutes 1984, section 473F.02, subdivision 4, is amended to read:

Subd. 4. "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of such property exempt from taxation pursuant to section 272.02:

(a) Class ~~3b~~ 1a, 1b, 2a, 4a, 5a, 5b, 7a, 7b, 7c, and 7d property

(b) ~~Class 3e~~ property

(c) ~~Class 3ee~~ property

(d) ~~Class 3f~~ property

(e) And that portion of class 4 3a, 3b, and 10 property used exclusively for residential occupancy.

~~(f) That property valued and assessed under section 273.13, subdivision 17.~~

Sec. 108. Minnesota Statutes 1984, section 473F.02, subdivision 17, is amended to read:

Subd. 17. "Public grants" means (1) the sum of all moneys received by a municipality pursuant to ~~sections 273.13, subdivisions 3 and 15(4), 290.361, subdivision 4, 297.13, and 340.60~~ section 74; and (2) one-tenth of all other moneys received by a municipality from the federal and state governments, and their agencies and political subdivisions, under programs of intergovernmental aids and grants distributed by formula or upon application. The state auditor shall certify the public grants of each municipality for each year to the commissioner of finance not later than September 1 of the subsequent year.

Sec. 109. Minnesota Statutes 1984, section 475.61, subdivision 3, is amended to read:

Subd. 3. [IRREVOCABILITY.] Tax levies so made and filed shall be irrevocable, except as provided in this subdivision.

In each year when there is on hand any excess amount in the debt redemption fund of a school district at the time the district makes its property tax levies, the amount of the excess shall be certified by the school board to the *commissioner of education who shall compute the reduced tax levy, after adjustment for the homestead credit replacement aid paid pursuant to section 74 and the agricultural credit replacement aid paid pursuant to section 75. The commissioner of education shall certify the adjusted reduced tax levy to the county auditor and the auditor shall reduce the tax levy otherwise to be included in the rolls next prepared by the amount certified, unless the school board determines that the excess amount is necessary to ensure the prompt and full payment of the obligations and any call premium on the obligations, or will be used for redemption of the obligations in accordance with their terms. An amount shall be presumed to be excess for a school district in the*

amount that it, together with the levy required by subdivision 1, will exceed 106 percent of the amount needed to meet when due the principal and interest payments on the obligations due before the second following July 1. This subdivision shall not limit a school board's authority to specify a tax levy in a higher amount if necessary because of anticipated tax delinquency or for cash flow needs to meet the required payments from the debt redemption fund.

If the governing body, including the governing body of a school district, in any year makes an irrevocable appropriation to the debt service fund of moneys actually on hand or if there is on hand any excess amount in the debt service fund, the recording officer may certify to the county auditor the fact and amount thereof and the auditor shall reduce by the amount so certified the amount otherwise to be included in the rolls next thereafter prepared.

Sec. 110. Minnesota Statutes 1984, section 475.754, is amended to read:

475.754 [DISASTERS OR PUBLIC EMERGENCIES, CERTIFICATES OF INDEBTEDNESS.]

If in any fiscal year the receipts from taxes or other sources are insufficient to meet the expenses incurred or to be incurred in said year by any city however organized, county or town by reason of any natural disaster or other public emergency requiring the making of extraordinary expenditures, the governing body of any such city, county or town may authorize the sale of certificates of indebtedness to mature within three years and to bear interest at a rate not to exceed the amount prescribed in this chapter. The certificates may be issued with or without advertising for bids on such terms and conditions as the governing body may determine and shall be in such form as the state auditor in cooperation with the commissioner of commerce shall prescribe. All certificates and interest thereon shall be payable from taxes levied within existing limitations or from other available revenue. Certificates of indebtedness issued under the provisions of this section shall not be considered bonded indebtedness for the purposes of ~~sections 273.13, subdivisions 6 and 7, and section 275.50, subdivision 5, clause (h).~~ The certificates shall not be included in the net debt of the issuing city, county or town.

Sec. 111. Minnesota Statutes 1984, section 475A.06, subdivision 6, is amended to read:

Subd. 6. On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the Minnesota state municipal aid bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota state municipal aid bonds. This tax ~~shall be levied upon all real property used for the purposes of a homestead, as well as other taxable property, notwithstanding the provisions of section 273.13, subdivisions 6 and 7, and~~ shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota state municipal aid bonds, such principal and interest

shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Sec. 112. Minnesota Statutes 1984, section 514.03, subdivision 3, is amended to read:

Subd. 3. The lien shall extend to all the interest and title of the owner in and to the premises improved, not exceeding 80 acres, except in the case of homesteaded agricultural land as used in section 273.13, subdivision 6 23, where the lien shall be limited to 40 acres.

Sec. 113. Minnesota Statutes 1984, section 583.02, is amended to read:

583.02 [DEFINITIONS.]

As used in sections 583.01 to 583.12, the term "homestead" means residential or agricultural real estate, a portion or all of which is entitled to receive homestead ~~credit~~ classification under section 273.13, subdivision 4 25.

Sec. 114. [1985 ASSESSMENT ADJUSTMENT BASED ON REAL ESTATE SALES ANALYSIS.]

Notwithstanding the provisions of Minnesota Statutes, section 270.12, subdivision 2, for property tax assessments made in 1985 only, the commissioner of revenue, acting as the state board of equalization, shall adjust the aggregate value of any class of real property in any county to reflect a decline in market values of greater than five percent in that class of property subsequent to the January 2, 1985, assessment. To determine changes in market values, the commissioner shall analyze real estate sales in the county from July 1, 1984, to June 30, 1985. If the commissioner determines that there are not a sufficient number of sales within the period indicated, the commissioner may extend the time period for which sales are analyzed.

Sec. 115. [REPEALER.]

(a) Minnesota Statutes 1984, sections 124.2131, subdivision 4; 124.2137; 124A.031, subdivision 4; 273.112, subdivision 9;

(b) 273.1105; 273.13, subdivisions 2, 2a, 3, 4, 5a, 6, 6a, 7, 7b, 7c, 7d, 8a, 9, 10, 11, 12, 14a, 15a, 16, 17, 17a, 17b, 17c, 17d, 19, 20, and 21; 273.133; and 273.15, are repealed.

Sec. 116. [EFFECTIVE DATE.]

Sections 2, 4 to 8, 13, 14, 17, 19, 21 to 23, 25 to 29, 31, the amendment to clause 15(a) of 32, 36, 37, 40 to 43, 45, 48, 49, the third paragraph of 52, 62, 68, 69, 71 to 76, 86 to 88, 90, 91, and 115, clause (a), are effective for taxes levied in 1985, payable in 1986 and thereafter.

Sections 99 to 102 are effective for claims based on rent paid in 1985 and property taxes payable in 1986 and thereafter. The remainder of the article is effective for taxes levied in 1986, payable in 1987 and thereafter.

ARTICLE 3

LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 1984, section 477A.011, subdivision 7a, is amended 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.~~

~~For the 1984 and 1985 aid distributions,~~ The adjusted local revenue base of a city that issued general obligation bonds in 1982 to pay for the construction or reconstruction of water wells which replaced a municipal water supply found to be an environmental health hazard by the state department of health shall be increased by one-fourth of the amount of the bonds issued. This increase shall be disregarded in computing the local revenue base for the succeeding year aid distribution.

Sec. 2. Minnesota Statutes 1984, section 477A.011, subdivision 10, is amended to read:

Subd. 10. [MAXIMUM AID AMOUNT.] ~~For the 1984 aid distribution, a municipality's maximum aid amount shall be 106 percent of the amount it was certified to receive in 1983 pursuant to sections 477A.011 to 477A.03, plus any amounts certified in 1983 pursuant to Minnesota Statutes 1982, sections 273.138 and 273.139, including any amount certified by a district as defined by section 273.73, subdivision 9, or which qualifies for exemption pursuant to section 273.78, which lies totally within the municipality, and including any amount which would have been received in 1983 pursuant to section 273.139 by a district as defined by section 273.73, subdivision 9, lying totally within the municipality, for a project approved by the Minnesota housing finance agency or the United States department of housing and urban development prior to March 1, 1983, had the project been completed and subject to taxation based upon full market value for taxes payable in 1983.~~

For the 1986 distribution, a municipality's maximum aid amount shall be 104.5 percent of the amount received in the previous year pursuant to sections 477A.011 to 477A.03.

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. 3. Minnesota Statutes 1984, section 477A.0131, subdivision 1, is amended to read:

Subdivision 1. (a) No home rule charter or statutory city shall receive a distribution in calendar year 1985 pursuant to sections 477A.011 to 477A.03 that is less than the amount certified in the previous calendar year pursuant to sections 477A.011 to 477A.03.

(b) No home rule charter or statutory city shall receive a distribution in calendar year 1986 or any subsequent calendar year pursuant to sections

477A.011 to 477A.03 that is less than the amount certified in the previous calendar year pursuant to sections 477A.011 to 477A.03 by more than an amount equal to three fourths of one mill times the city's equalized assessed value.

Sec. 4. Minnesota Statutes 1984, section 477A.015, is amended to read:

477A.015 [PAYMENT DATES.]

Subdivision 1. Except as provided in subdivision 2, the commissioner of revenue shall make the payments of local government aid to affected taxing authorities in six installments on July 15, August 15, September 15, October 15, November 15, and December 15 annually.

~~For calendar year 1981 only, the commissioner shall make the payments in seven installments computed as follows: one-fourth of the calendar year 1981 aid shall be paid on March 15; the remaining amounts shall be divided into six equal payments to be made on July 15, August 15, September 15, October 15, November 15, and December 15.~~

Subd. 2. [EXCEPTION TO PAYMENT DATES.] For payments made in 1985 only, any city that meets the following qualifications may apply to the commissioner of revenue to have its entire local government aid paid on July 15 instead of according to the payment schedule provided in subdivision 1:

(1) if it is a city located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class as well as a qualifying municipality as defined by section 273.134, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality as defined by section 273.134; and

(2) if its local government aid for 1985 is equal to 60 percent or more of the city's property tax levy payable in 1985.

Applications pursuant to this subdivision shall be in the form and accompanied by the data required by the commissioner. Applications must be received by the commissioner no earlier than January 1 and no later than June 1 of the aid payment year. A new application shall be required for each aid payment year.

Sec. 5. Minnesota Statutes 1984, section 477A.03, is amended by adding a subdivision to read:

Subd. 3. [APPROPRIATION LIMITATION.] Of the amount appropriated under subdivision 1 in 1986 the portion available for distribution to cities shall be limited to \$276,662,000. If the appropriation is insufficient to fully fund the distributions to cities calculated pursuant to section 477A.013, the distributions shall be adjusted by proportionately reducing the amount by which each city's distribution exceeds its distribution for the previous year pursuant to sections 477A.011 to 477A.03. Of the amount appropriated under subdivision 1 in 1986, the portion available for distribution to towns shall be limited to \$9,531,000. If the appropriation is insufficient to fund the distributions to towns calculated pursuant to section 477A.013, the distributions shall be adjusted by proportionately reducing the amount by which each town's distribution exceeds its distribution for the previous year pur-

suant to sections 477A.011 to 477A.03.

ARTICLE 4

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 1984, section 290A.03, subdivision 3, is amended to read:

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

(a) federal adjusted gross income as defined in the Internal Revenue Code of 1954 as amended through December 31, 1983/1984; and

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

(i) additions to federal adjusted gross income as provided in Minnesota Statutes, section 290.01, subdivision 20a, clauses (1), (2), (4), (9), (10), and (14);

(ii) all nontaxable income;

(iii) recognized net long term capital gains;

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

(v) cash public assistance and relief;

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

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

(viii) workers' compensation;

(ix) unemployment benefits;

(x) nontaxable strike benefits; and

(xi) the gross amounts of payments received in the nature of disability income or sick pay as a result of accident, sickness, or other disability; whether funded through insurance or otherwise. In the case of an individual who files an income tax return on a fiscal year basis, the term "federal adjusted gross income" shall mean federal adjusted gross income reflected in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be reduced by the amount of a net operating loss carryback; and

(xii) contributions to an individual retirement account, including a qualified voluntary employee contribution, simplified employee pension plan, or self-employed retirement plan.

(2) "Income" does not include

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

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

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

(d) relief granted under this chapter;

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

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

Sec. 2. Minnesota Statutes 1984, section 290A.04, subdivision 2, is amended to read:

Subd. 2. A claimant whose property taxes payable or rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level and the state refund will be equal to an amount up to the state refund amount shown below.

Household Income	Percent of Income	State Refund
Net loss and up to \$2,999	0.5 / 1.0 percent	\$13
3,000 to 3,499	0.6 / 1.0 percent	\$15
3,500 to 3,999	0.6 / 1.0 percent	\$18
4,000 to 4,499	0.7 / 1.0 percent	\$20
4,500 to 4,999	0.7 / 1.0 percent	\$23
5,000 to 5,999	0.8 / 1.0 percent	\$40
6,000 to 6,999	0.9 / 1.0 percent	\$54
7,000 to 7,999	1.0 percent	\$70 \$45
8,000 to 8,999	1.1 percent	\$88 \$63
9,000 to 9,999	1.2 percent	\$108 \$83
10,000 to 10,999	1.3 percent	\$130 \$105
11,000 to 11,999	1.4 percent	\$154 \$129
12,000 to 12,999	1.5 percent	\$180 \$155
13,000 to 13,999	1.5 percent	\$195 \$170
14,000 to 14,999	1.5 percent	\$210 \$185
15,000 to 15,999	1.5 percent	\$225 \$200
16,000 to 16,999	1.5 percent	\$240 \$215
17,000 to 17,999	1.5 percent	\$255 \$230
18,000 to 18,999	1.5 percent	\$270 \$245
19,000 to 19,999	1.5 percent	\$285 \$260
20,000 to 20,999	1.6 percent	\$320 \$295
21,000 to 21,999	1.6 percent	\$336 \$311
22,000 to 22,999	1.6 percent	\$352 \$327
23,000 to 23,999	1.8 percent	\$414 \$389
24,000 to 24,999	1.8 percent	\$432 \$407
25,000 to 25,999	1.8 percent	\$450 \$425
26,000 to 26,499	2.0 percent	\$520 \$495
26,500 to 26,999	2.0 percent	\$530 \$505
27,000 to 27,499	2.0 percent	\$540 \$515
27,500 to 27,999	2.0 percent	\$550 \$525
28,000 to 28,499	2.0 percent	\$560 \$535

28,500 to 28,999	2.0 percent	\$570 \$545
29,000 to 29,499	2.0 percent	\$580 \$555
29,500 to 29,999	2.0 percent	\$590 \$565
30,000 to 30,499	2.0 percent	\$600 \$500
30,500 to 30,999	2.0 percent	\$610 \$510
31,000 to 31,499	2.2 percent	\$620 \$520
31,500 to 31,999	2.2 percent	\$630 \$530
32,000 to 32,499	2.2 percent	\$640 \$540
32,500 to 32,999	2.2 percent	\$650 \$550
33,000 to 33,999	2.2 percent	\$700 \$600
34,000 to 34,999	2.2 percent	\$600 \$500
35,000 to 35,999	2.2 percent	\$500 \$400
36,000 to 36,999	2.4 percent	\$400 \$300
37,000 to 37,999	2.4 percent	\$300 \$200
38,000 to 38,999	2.4 percent	\$200 \$100
39,000 to 39,999	2.4 percent	\$100 \$50

The payment made to a claimant shall be the amount of the state refund calculated pursuant to this subdivision, less the homestead credit given pursuant to section 273.13, subdivisions 6, 7 and 14a.

Sec. 3. Minnesota Statutes 1984, section 290A.04, subdivision 2a, is amended to read:

Subd. 2a. A claimant whose property taxes payable or rent constituting property taxes are in excess of the sum of the amounts in subdivision 2 paid by the claimant and the state for the specified household income level shall be allowed an additional refund. The amount of the additional refund shall be equal to the remaining amount of the claimant's property taxes payable or rent constituting property taxes less the percentage to be paid by the claimant pursuant to the table below up to the specified maximum state refund. The refund shall be reduced by the homestead credit given pursuant to section 273.13, subdivisions 6, 7, and 14a. The sum of the state refunds provided in subdivision 2 and this subdivision shall not exceed a total of \$1,125.

Household Income	Percent Paid by Claimant	Maximum State Refund
Net loss and up to \$2,999	5 5.5 percent	\$1,125
3,000 to 3,499	6 6.5 percent	\$1,125
3,500 to 3,999	7 7.5 percent	\$1,125
4,000 to 4,499	8 8.5 percent	\$1,125
4,500 to 4,999	9 9.5 percent	\$1,125
5,000 to 5,999	10 10.5 percent	\$1,125
6,000 to 6,999	11 12 percent	\$1,125
7,000 to 7,999	12 13 percent	\$1,125
8,000 to 8,999	13 14 percent	\$1,125
9,000 to 9,999	14 15 percent	\$1,125
10,000 to 10,999	15 16 percent	\$1,125
11,000 to 11,999	16 17 percent	\$1,125
12,000 to 12,999	17 18 percent	\$1,125
13,000 to 13,999	18 19 percent	\$1,125
14,000 to 14,999	19 20 percent	\$1,125
15,000 to 15,999	20 21 percent	\$1,125
16,000 to 16,999	21 22 percent	\$1,125
17,000 to 17,999	22 23 percent	\$1,125

18,000 to 18,999	23 24 percent	\$1,125
19,000 to 19,999	24 25 percent	\$1,125
20,000 to 20,999	25 27 percent	\$1,125
21,000 to 21,999	27 29 percent	\$1,125
22,000 to 22,999	29 31 percent	\$1,125
23,000 to 23,999	31 33 percent	\$1,125
24,000 to 24,999	33 35 percent	\$1,105
25,000 to 25,999	35 37 percent	\$1,080
26,000 to 26,999	38 40 percent	\$1,050
27,000 to 27,999	41 43 percent	\$1,020
28,000 to 28,999	44 46 percent	\$990
29,000 to 29,999	47 49 percent	\$960
30,000 to 30,999	50 percent	\$930
31,000 to 31,999	50 percent	\$900
32,000 to 32,999	50 percent	\$800
33,000 to 33,999	50 percent	\$700
34,000 to 34,999	50 percent	\$600
35,000 to 35,999	50 percent	\$500
36,000 to 36,999	50 percent	\$400
37,000 to 37,999	50 percent	\$300
38,000 to 38,999	50 percent	\$200
39,000 to 39,999	50 percent	\$100
40,000 and over		-0-

No credit or payment will be allowed pursuant to subdivision 2 or 2a if the claimant's household income is \$40,000 or more. This subdivision shall not apply to a claimant who is disabled or has attained the age of 65 by June 1 of the year in which the taxes are payable.

Sec. 4. Minnesota Statutes 1984, section 290A.06, is amended to read:

290A.06 [FILING TIME LIMIT, LATE FILING.]

Any claim for property taxes payable shall be filed with the department of revenue on or before August 31 of the year in which the property taxes are due and payable. Any claim for rent constituting property taxes shall be filed with the department of revenue on or before August 31 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. 5. Minnesota Statutes 1984, section 290A.07, is amended by adding a subdivision to read:

Subd. 5. If the commissioner of finance determines that the forecasts of general fund revenues and expenditures prepared pursuant to chapter 16A prior to December 1, 1986, indicate a projected general fund balance for the biennium ending June 30, 1987, that exceeds 50 percent of the estimated amount of payments that will be made to claimants who had attained the age of 65 or had been disabled prior to June 1 of the year following the year for which taxes were levied or in which the rent was paid, those claimants shall receive payment in 1986 of one-half of the refund by May 1, 1986, and the second half by September 30, 1986. If the commissioner of finance determines that the forecasts indicate a projected general fund balance that exceeds 100 percent of the estimated amount of those payments, the full payment will be made to those claimants by May 1.

Sec. 6. Minnesota Statutes 1984, section 290A.19, is amended to read:

290A.19 [OWNER OR MANAGING AGENT TO FURNISH RENT CERTIFICATE; PENALTY.]

(a) The owner or managing agent of any property for which rent is paid for occupancy as a homestead shall furnish a certificate of rent constituting property tax to each person who is a renter on December 31, in the form prescribed by the commissioner. If the renter moves prior to December 31, the owner or managing agent shall at his option either provide the certificate to the renter at the time he moves, or mail the certificate to the forwarding address if an address has been provided by the renter. The certificate shall be made available to the renter not later than January 31 of the year following the year in which the rent was paid. Any owner or managing agent who willfully fails to furnish a certificate as provided herein shall be liable to the commissioner for a penalty of \$20 for each act or failure to act. The penalty shall be assessed and collected in the manner provided in chapter 290 for the assessment and collection of income tax.

(b) If the owner or managing agent elects to provide the renter with the certificate at the time he moves, rather than after December 31, the amount of rent constituting property taxes shall be computed as follows:

(i) The net tax shall be reduced by 1/12th for each month remaining in the calendar year.

(ii) In calculating the denominator of the fraction pursuant to section 290A.03, subdivision 11, the gross rent paid through the last month of claimant's occupancy shall be substituted for "the gross rent paid for the calendar year for the property in which the unit is located."

(c) The certificate of rent constituting property taxes shall include the address of the property, including the county, and the property tax parcel identification number and any additional information which the commissioner determines is appropriate.

(d) If the owner or managing agent fails to provide the renter with a certificate of rent constituting property taxes, the commissioner shall allocate the net tax on the building to the unit on a square footage basis or other appropriate basis as the commissioner determines. The renter shall supply the commissioner with a statement from the county treasurer which gives the amount of property tax on the parcel, the address and property tax parcel identification number of the property, and the number of units in the building.

(e) Effective January 1, 1986, the commissioner shall provide to the com-

missioner of energy and economic development a copy of all certificates of rent constituting property taxes that have been filed with the department. The copies of the certificates shall be provided by June 1 of each year.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 5 are effective for claims based on rent paid in 1985 and taxes levied in 1985, payable in 1986 and thereafter.

ARTICLE 5

SALES TAX

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

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

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

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

Subd. 5. [FARM MACHINERY PARTS.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax on repair and replacement parts for farm machinery is four percent for sales made after May 31, 1985, and before July 1, 1986, and two percent for sales made after June 30, 1986, and before July 1, 1987.

Sec. 3. Minnesota Statutes 1984, section 297A.25, subdivision 1, is amended to read:

Subdivision 1. The following are specifically exempted from the taxes imposed by sections 297A.01 to 297A.44:

(a) The gross receipts from the sale of food products including but not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices

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

(i) candy and candy products, except when sold for fundraising purposes by a nonprofit organization that provides educational and social activities for young people primarily aged 18 and under;

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

(b) The gross receipts from the sale of prescribed drugs and medicine intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings and products consumed by humans for the preservation of health, including prescription glasses, therapeutic and prosthetic devices, but not including cosmetics or toilet articles notwithstanding the presence of medicinal ingredients therein;

(c) The gross receipts from the sale of and the storage, use or other consumption in Minnesota of tangible personal property, tickets, or admissions, electricity, gas, or local exchange telephone service, which under the Constitution or laws of the United States or under the Constitution of Minnesota, the state of Minnesota is prohibited from taxing;

(d) The gross receipts from the sale of tangible personal property (i) which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use, or, if subject to tax in that other state, that state allows a similar exemption for property purchased therein and transported to Minnesota for use in this state; except that sales of tangible personal property that is shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the property is shipped or transported, unless that state has no use tax, in which case the sale shall be taxed at the rate generally imposed by this state; and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; or (ii) which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(e) The gross receipts from the sale of packing materials used to pack and ship household goods, the ultimate destination of which is outside the state of Minnesota and which are not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(f) The gross receipts from the sale of and storage, use or consumption of petroleum products upon which a tax has been imposed under the provisions of chapter 296, whether or not any part of said tax may be subsequently refunded;

(g) The gross receipts from the sale of clothing and wearing apparel except the following:

(i) all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with precious metals or imitations thereof; watches; clocks; cases and movements for watches and clocks; gold, gold-plated, silver, or sterling flatware or hollow ware and silver-plated hollow ware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars;

(ii) articles made of fur on the hide or pelt, and articles of which such fur is the component material or chief value, but only if such value is more than three times the value of the next most valuable component material;

(iii) perfume, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous and toilet powders. The tax imposed by this act shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the case of babies;

(iv) trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, salesmen's sample and display cases, purses, handbags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases;

(h) The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein;

(i) The gross receipts from the sale of and storage, use or other consumption in Minnesota of tangible personal property (except as provided in section 297A.14) which is used or consumed in producing any publication regularly issued at average intervals not exceeding three months, and any such publi-

cation. For purposes of this subsection, "publication" as used herein shall include, without limiting the foregoing, a legal newspaper as defined by Minnesota Statutes 1965, section 331.02, and any supplements or enclosures with or part of said newspaper; and the gross receipts of any advertising contained therein or therewith shall be exempt. For this purpose, advertising in any such publication shall be deemed to be a service and not tangible personal property, and persons or their agents who publish or sell such newspapers shall be deemed to be engaging in a service with respect to gross receipts realized from such newsgathering or publishing activities by them, including the sale of advertising. The term "publication" shall not include magazines and periodicals sold over the counter. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures used in such publication and fuel, electricity, gas or steam used for space heating or lighting, are not exempt;

(j) The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities or a state and its agencies, instrumentalities and political subdivisions. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

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

(l) The gross receipts from sales of rolling stock and the storage, use or other consumption of such property by railroads, freight line companies,

sleeping car companies and express companies taxed on the gross earnings basis in lieu of ad valorem taxes. For purposes of this clause "rolling stock" is defined as the portable or moving apparatus and machinery of any such company which moves on the road, and includes, but is not limited to, engines, cars, tenders, coaches, sleeping cars and parts necessary for the repair and maintenance of such rolling stock;

(m) The gross receipts from sales of airlight equipment and the storage, use or other consumption of such property by airline companies taxed under the provisions of sections 270.071 to 270.079. For purposes of this clause, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airlight equipment, and flight simulators;

(n) The gross receipts from the sale of telephone central office telephone equipment used in furnishing intrastate and interstate telephone service to the public;

(o) The gross receipts from the sale of and the storage, use or other consumption by persons taxed under the in lieu provisions of chapter 298, of mill liners, grinding rods and grinding balls which are substantially consumed in the production of taconite, the material of which primarily is added to and becomes a part of the material being processed;

(p) The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious or educational purposes if the property purchased is to be used in the performance of charitable, religious or educational functions, or any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation and other nonprofit purposes; no part of the net earnings of which inures to the benefit of any private shareholders. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

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

(r) The gross receipts from the sale of an automobile or other conveyance if the purchaser is assisted by a grant from the United States in accordance with 38 United States Code, section 1901, as amended;

(s) The gross receipts from the sale to the licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654, if the aircraft is resold while the permit is in effect;

(t) The gross receipts from the sale of building materials to be used in the construction or remodeling of a residence when the construction or remodeling is financed in whole or in part by the United States in accordance with 38 United States Code, sections 801 to 805, as amended. This exemption shall

not be effective at time of sale of the materials to contractors, subcontractors, builders or owners, but shall be applicable only upon a claim for refund to the commissioner of revenue filed by recipients of the benefits provided in title 38 United States Code, chapter 21, as amended. The commissioner shall provide by 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, hot water, propane gas, and L.P. gas sold to residential customers for residential use;

(ii) natural gas sold for residential use to customers who are metered and billed as residential users and who use natural gas for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

(iii) electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

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

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

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

(ii) the tangible personal property which is sold to or stored, used or con-

sumed by the organization or auxiliary unit is for charitable, civic, educational, or nonprofit uses and not for social, recreational, pleasure or profit uses;

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

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

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

(cc) *The gross receipts from the sales of tangible personal property at, admission charges for, and sales of food, meals, or drinks at fund-raising events sponsored by a nonprofit organization when the entire proceeds, except for the necessary expenses connected therewith, will be used solely and exclusively for charitable, religious, or educational purposes. This exemption does not apply to sales of tangible personal property used in a trade or business or to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities. For purposes of this clause, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, or fraternal purposes, no part of the net earnings of which inures to the benefit of a private individual. Nonprofit organization also includes organizations of military service veterans and auxiliary units of organizations of military service veterans if 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 of 1954, as amended through December 31, 1984.*

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

Each nonprofit organization shall keep records of its gross receipts and profits from each fund-raising event. The fund-raising receipts must be segregated from other revenues of the nonprofit organization and placed in a separate account. All deductions from gross receipts must be documented with receipts and other records. If records are not maintained as required, the entire gross receipts are subject to tax.

The exemption provided by this clause does not apply to any event where the event yields a profit to the promoter or to any individual contracted to provide services or equipment, or both, for the event.

(dd) *The gross receipts from the sales of and the storage, use or other consumption of repair or replacement parts for farm machinery after June 30, 1987.*

Sec. 4. [EFFECTIVE DATE.]

Section 3 is effective for all events occurring after June 30, 1985. Tickets shall be deemed sold and admissions shall be deemed charged at the time of

performance.

ARTICLE 6

ESTATE TAX

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

Subd. 20e. [MODIFICATION IN COMPUTING TAXABLE INCOME OF THE ESTATE OF A DECEDENT.] Amounts allowable under section 291.07, subdivision 1, clause (2) 2053 or 2054 of the Internal Revenue Code of 1954 in computing Minnesota inheritance or federal estate tax liability shall not be allowed as a deduction (or as an offset against the sales price of property in determining gain or loss) in computing the taxable income of the estate or any person unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have the amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents) an election is made for federal income tax purposes under section 642(g) of the Internal Revenue Code of 1954. The election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 is binding for Minnesota tax purposes.

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

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

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

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities. The Minnesota gross estate shall be valued pursuant to the provisions of section 291.215, subdivision 1.

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

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

(5) "Nonresident decedent" means an individual whose domicile at the

time of his death was not in Minnesota.

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

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

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

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

Subdivision 1. [~~GENERALLY TAX AMOUNT.~~] The tax imposed shall be an amount equal to the ~~greater of:~~

(1) A tax computed by applying to the Minnesota taxable estate the following prescribed rates:

10 percent on the first \$100,000,

11 percent on the next \$500,000 or part thereof,

12 percent on the excess, or

(2) A tax equal to the same proportion of the maximum credit allowable under section 2011 of the Internal Revenue Code for state death taxes described herein as the Minnesota gross estate bears to the value of the federal gross estate. The tax determined under this paragraph shall not be greater than the maximum credit allowable under section 2011 of the Internal Revenue Code.

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

291.075 [SPECIAL USE VALUATION OF QUALIFIED PROPERTY.]

When property subject to the tax imposed by this chapter qualifies for valuation based on its use pursuant to section 2032A of the Internal Revenue Code, it shall have the same value for Minnesota estate tax purposes as it has for federal estate tax purposes. If, after the final determination of the tax imposed by this chapter, the property valued pursuant to section 2032A of the Internal Revenue Code is disposed of or fails to qualify and an additional tax is imposed pursuant to section 2032A(c), any increase in the credit for state death taxes shall be reported to the commissioner within 90 days after final determination of the increased credit. Upon notification the commissioner may assess an additional tax in accordance with section 291.03, subdivision 1, clause (2). ~~No additional Minnesota estate tax computed in accordance with section 291.03, subdivision 1, clause (1) will be imposed nor will an additional deduction for federal estate taxes paid be allowed under section 291.07 or 291.08.~~

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

Subd. 1a. In all instances in which a decedent dies after December 31,

1979 and before January 1, 1981 leaving a federal gross estate in excess of \$161,000 and in all instances in which a decedent dies after December 31, 1980 and before January 1, 1982 leaving a federal gross estate in excess of \$175,000, and the decedent has an interest in property with a situs in Minnesota, the personal representative shall submit to the commissioner, on a form prescribed by the commissioner, a Minnesota estate tax return.

In the case of a decedent dying after December 31, 1984 1985, who has an interest in property with a situs in Minnesota, the personal representative shall submit to the commissioner, on a form prescribed by the commissioner, a Minnesota estate tax return in the following all instances:

In the case of a decedent dying in	A Minnesota estate tax return shall be filed if the federal gross estate equals or exceeds
1982	\$225,000
1983	275,000
1984	325,000
1985	400,000
1986	500,000
1987 and thereafter	600,000

in which a federal estate tax return is required to be filed.

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

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

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

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

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

(2) If the personal representative disagrees with the objection or does not wish to fully comply with the objection, he may request that the commis-

sioner hold a hearing on the objection. Within 30 days of receipt of a request, the commissioner shall set a time and place for hearing. Unless otherwise agreed upon, the hearing date shall not be earlier than 30 days nor later than 60 days from the date of the notice setting the hearing. The notice of hearing shall set forth the rights available to the personal representative under chapter 14. Not later than 30 days after the commissioner receives the report and recommendation of the administrative law judge, or a written waiver of his hearing rights by the personal representative, the commissioner shall issue an order determining the tax. Any such determination made by the commissioner may be appealed to the tax court as provided in section 271.09.

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

(4) In his objection, or at any time thereafter, the commissioner may assess any additional tax as the facts may warrant, subject to the right of the personal representative to demand a hearing under chapter 15. If the personal representative does not demand a hearing within 90 days of the date of the assessment, the tax so assessed shall be legally due and the commissioner may proceed to collect ~~any the~~ unpaid tax ~~after one year from the date of death~~. If the commissioner later finds the tax assessment to be erroneous, he may adjust the assessment prior to collection.

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

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

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

Sec. 8. Minnesota Statutes 1984, section 291.09, subdivision 5, is amended to read:

Subd. 5. ~~Notwithstanding other provisions of this chapter, when agreed in writing between the commissioner and the representative,~~ Values for purposes of the estate tax on both probate and non probate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.

Sec. 9. Minnesota Statutes 1984, section 291.11, subdivision 1, is

amended to read:

Subdivision 1. (1) All taxes imposed by this chapter shall take effect at and upon the death of the person whose estate is subject to taxation and shall be due and payable at the expiration of nine months from such death, except as otherwise provided in this chapter. Provided, that any taxpayer who owes at least \$5,000 in taxes ~~may choose to pay these taxes in five equal installments over a period of time not to exceed five years from the death of the person whose estate is subject to taxation or five years from the expiration of the extension granted by the commissioner pursuant to section 291.132, which-~~ *ever is later and who, under section 6161 or 6166 of the Internal Revenue Code, has been granted an extension for payment of the tax shown on the return, may elect to pay the commissioner the amount of tax due in equal amounts at the same time as required for federal purposes.* When a taxpayer elects to pay the tax in installments, he shall notify the commissioner in writing no later than nine months after the death of the person whose estate is subject to taxation. If the taxpayer fails to pay an installment on time, unless it is shown that such failure is due to reasonable cause, the election shall be revoked and the entire amount of unpaid tax plus accrued interest shall be due and payable 90 days after the date on which the installment was payable.

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

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

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

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

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

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

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

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

Subdivision 1. All property includable in the Minnesota gross estate of a

decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. Except as otherwise provided in section 291.075, the value of all property includable in the Minnesota gross estate of a decedent may be independently determined under said sections for Minnesota estate tax purposes.

Sec. 12. Minnesota Statutes 1984, section 524.3-1202, is amended to read:

524.3-1202 [EFFECT OF AFFIDAVIT.]

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

Sec. 13. [REPEALER.]

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

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

Sec. 14. [EFFECTIVE DATE.]

Sections 1 to 11 and 13, paragraph (a), are effective for estates of persons dying after December 31, 1985. Sections 12 and 13, paragraph (b), are effective the day after final enactment.

ARTICLE 7

ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 1984, section 15A.081, subdivision 8, is amended to read:

Subd. 8. [EXPENSE ALLOWANCE.] Notwithstanding any law to the contrary, positions listed in subdivision 1, constitutional officers, the president of each community college, the commissioner of the iron range resources and rehabilitation board, and the director of vocational-technical education are authorized an annual expense allowance not to exceed \$1,500 for necessary expenses in the normal performance of their duties for which no other reimbursement is provided. However, expense allowances for the

chancellor of the state university system and the president of each state university shall be governed only by section 136.063. The expenditures under this subdivision are subject to any laws and rules relating to budgeting, allotment and encumbrance, preaudit and post-audit. The commissioner of finance may promulgate rules to assure the proper expenditure of these funds, and to provide for reimbursement.

Sec. 2. Minnesota Statutes 1984, section 16A.128, subdivision 2, is amended to read:

Subd. 2. [NO RULEMAKING.] The kinds of fees that need not be fixed by rule unless specifically required by law are:

- (1) fees based on actual direct costs of a service;
- (2) one-time fees;
- (3) fees that produce insignificant revenues;
- (4) fees billed within or between state agencies; or
- (5) fees exempt from commissioner approval; or

(6) fees for admissions to or use of facilities operated by the iron range resources and rehabilitation board, if the fees are set according to prevailing market conditions to recover operating costs.

Sec. 3. Minnesota Statutes 1984, section 116J.58, subdivision 4, is amended to read:

Subd. 4. [FEDERAL LIMITATION ACT ALLOCATION.] The commissioner shall:

(1) in accordance with sections 474.16 to 474.23, review applications for and grant allocations of authority to issue bonds or other obligations subject to a federal limitation act; and

(2) adopt rules, including emergency rules under sections 14.29 to 14.36, to provide for the allocation of the amount of issuance authority allocated pursuant to section ~~462.556~~ 474.17, subdivision 3. The rules shall contain criteria and procedures for allocation of authority for use by the department, and to other state agencies, political subdivisions, or other authorities authorized by other law to issue bonds subject to a federal limitation act.

For the purposes of this subdivision, a "federal limitation act" is an act of congress defined in section 474.16, subdivision 5.

Sec. 4. Minnesota Statutes 1984, section 116M.07, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] The authority may make or purchase or participate with financial institutions in making or purchasing business loans, small business loans, energy loans, pollution control loans, *health care equipment loans*, and farm loans upon the conditions described in this section, and may enter into commitments therefor. In addition, the authority may engage in loans-to-lenders programs with respect to farm loans to the extent set forth in this section.

Sec. 5. Minnesota Statutes 1984, section 116M.07, is amended by adding a subdivision to read:

Subd. 7a. [HEALTH CARE EQUIPMENT LOANS; AUTHORITY.] The authority may make or participate in making health care equipment loans in any amount and may enter into commitments therefor. The loans may be made only from the proceeds of bonds or notes issued pursuant to subdivision 7b. Before making a commitment for a loan, the authority shall forward the application to the commissioner of health for review under subdivision 7c. The authority must not approve or enter into a commitment for a loan unless the application has been approved by the commissioner of health.

Sec. 6. Minnesota Statutes 1984, section 116M.07, is amended by adding a subdivision to read:

Subd. 7b. [HEALTH CARE EQUIPMENT LOANS; BONDS AND NOTES.] The authority may issue its bonds and notes to provide money for the purposes specified in subdivision 7a. For this purpose, the authority may exercise all of the powers conferred on it by sections 116M.03 and 116M.06 to 116M.08 with respect to business loans, except as limited by subdivisions 7a to 7c. The principal amount of bonds and notes issued and outstanding under this subdivision at any time, computed as specified in section 116M.08, subdivision 11, may not exceed \$95,000,000. This authorization is in addition to the authorization contained in section 116M.08, subdivision 11. The bonds and notes issued to make the loans may not be insured by the authority but shall be insured by a letter of credit or bond insurance issued by a private insurer.

Sec. 7. Minnesota Statutes 1984, section 116M.07, is amended by adding a subdivision to read:

Subd. 7c. [HEALTH CARE EQUIPMENT LOANS; ADMINISTRATION.] (a) The commissioner of health shall review each loan application received from the authority to determine whether the application is an approvable application. An application is approvable if the following criteria are satisfied:

(1) the hospital is owned and operated by a county, district, municipality or nonprofit corporation;

(2) the loan would not be used to refinance existing debt;

(3) the hospital was unable to obtain suitable financing from other sources;

(4) the loan is necessary to establish or maintain patient access to an essential health care service that would not otherwise be available within a reasonable distance from that facility; and

(5) the project to be financed by the loan is cost-effective and efficient.

(b) The commissioner shall determine whether the allocation available for the health care equipment loan program for a period of time specified in a rule is sufficient for all approvable applications received during the period of time. If the allocations are sufficient, the commissioner shall approve all approvable applications. If the allocations are not sufficient, the commissioner shall compare the relative merits of the approvable applications in relation to the criteria in clauses (4) and (5), rank the applications in order of priority, and approve the applications in order of priority to the extent possible within the available allocation.

(c) The commissioner of energy and economic development may charge a reasonable fee under section 16A.128 to an applicant for the costs of the departments of health and energy and economic development in the review of the application. The commissioner of energy and economic development shall transfer to the commissioner of health from the fees collected an amount sufficient to pay the costs of the commissioner of health in the review of applications effective July 1, 1985. The commissioner of health may adopt emergency and permanent rules to implement subdivisions 7a to 7c of this section. Notwithstanding section 14.25, emergency rules adopted under this section are effective until December 31, 1986. The commissioner of energy and economic development may adopt emergency rules under section 14.29, subdivision 3, and permanent rules to implement subdivisions 7a to 7c.

Sec. 8. Minnesota Statutes 1984, section 116M.08, subdivision 4, is amended to read:

Subd. 4. It may adopt, amend, and repeal rules, including emergency rules, not inconsistent with the provisions of this chapter and chapters 472 and 474 as necessary to effectuate its purposes. The authority to adopt emergency rules ~~expires June 30, 1985~~ is subject to section 14.29, subdivision 3.

Sec. 9. Minnesota Statutes 1984, section 273.1314, subdivision 8, is amended to read:

Subd. 8. [FUNDING LIMITATIONS.] The maximum amount of the tax reductions which may be authorized pursuant to designations of enterprise zones under section 273.1312 and this section is limited to ~~\$35,600,000~~ \$36,400,000. The maximum amount of this total 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 is limited to \$9,000,000. Of the total limitation and the 1984-1985 biennial limitation the commissioner shall allocate to enterprise zones designated under section 273.1312, subdivision 4, paragraph (c), clause (3), an amount equal to \$16,610,940 and \$5,000,000 respectively. These funds shall be allocated among such zones on a per capita basis except that the maximum allocation to any one city is \$6,610,940 and no city's allocation shall exceed \$210 on a per capita basis. An amount sufficient to fund the state funded property tax credits, the refundable income tax credits, and the sales tax exemption, as authorized pursuant to this section is appropriated to the commissioner of revenue. 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 for the zone, the commissioner shall implement a plan to reduce the available tax reductions in the zone to an amount within the sum certified for the zone. 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. *Of the \$36,400,000 in tax reductions authorized under this subdivision, an additional \$800,000 in tax reductions may be authorized within an enterprise zone located within five municipalities which was designated by the commissioner in 1984.*

Sec. 10. Minnesota Statutes 1984, section 273.1314, subdivision 16a, is amended to read:

Subd. 16a. [ZONE BOUNDARY REALIGNMENT.] The commissioner may approve specific applications by a municipality to amend the boundaries of a zone or of an area or areas designated pursuant to section 273.1314, subdivision 9, paragraph (e) at any time. Boundaries of a zone may not be amended to create noncontiguous subdivisions. If the commissioner approves the amended boundaries, the change is effective on the date of approval. *Notwithstanding the area limitation under section 273.1312, subdivision 4, paragraph (b), the commissioner may approve a specific application to amend the boundaries of an enterprise zone which is located within five municipalities and was designated in 1984, to increase its area to not more than 800 acres.*

Sec. 11. [273.1316] [ECONOMIC DIVERSIFICATION INCENTIVES PROGRAM.]

Subdivision 1. [LEGISLATIVE FINDINGS AND PURPOSE.] *The legislature finds that it is in the best interest of the state of Minnesota to facilitate the diversification of its economy and to encourage the development of new technologies which will result in long-term growth and expansion in state employment. The legislature also finds that the economic growth of the state is occurring unevenly, and that a significant area of the state has not participated in this general economic growth. Accordingly, the legislature hereby establishes a state economic diversification incentives program for the purpose of ensuring long-term growth and stability in the state's economy which will be beneficial to all areas of the state.*

Subd. 2. [DEFINITIONS.] *For the purposes of this section, the following terms have the meanings given.*

(a) "Commissioner" means the commissioner of energy and economic development.

(b) "Manufacturing" means a business that uses properties, real or personal, in connection with a revenue-producing enterprise engaged or to be engaged in assembling, fabricating, manufacturing, mixing, or processing any products of agriculture, forestry, mining, or manufacture. Properties used for storing, warehousing, or distributing qualify under this definition if they are used as part of or in connection with an assembly, fabricating, manufacturing, mixing, or processing facility. Manufacturing includes properties, real or personal, used in connection with research and development activity to develop or improve products, production processes, or materials. For purposes of this paragraph, "a product of manufacture" includes information and directions which dictate the functions to be performed by data processing equipment, commonly called computer software, regardless of whether they are embodied in or recorded on tangible personal property.

(c) "Project costs" means the cost of acquiring, installing, rehabilitating,

or constructing land, buildings, capital improvements, or equipment used in the operation of the business. Project costs include investments made in the public infrastructure which is needed to construct a new facility or expand an existing facility.

Subd. 3. [ECONOMICALLY DISTRESSED AREAS.] (a) The commissioner shall designate a county as economically distressed if:

(1) the unemployment rate for the entire county, as determined by the commissioner of economic security, was ten percent or more for at least six of the last 12 months ending the previous March 30; or

(2) the unemployment rate for the entire county was greater than 110 percent of the state average for the 12-month period ending the previous March 30, and 20 percent or more of the county's economy, as determined by the commissioner of economic security, is dependent upon agriculture.

(b) The commissioner may designate a portion of a county as an economically distressed area if:

(1) that portion of the county has an unemployment rate of at least ten percent for at least six of the last 12 months ending the previous March 30; and

(2) that portion of the county has a population of at least 50,000 as determined by the most recent federal decennial census.

Subd. 4. [DESIGNATION.] The commissioner may designate a business or businesses as eligible for an economic diversification allocation under this section if the applicant meets the eligibility requirements under subdivision 5, the allocation is within the funding limitations under subdivisions 7 and 10, and the local unit of government has made a qualifying contribution under subdivision 9.

Subd. 5. [ELIGIBILITY REQUIREMENTS.] (a) A business located outside an economically distressed area is eligible for an allocation under this section if:

(1) the business is principally engaged in manufacturing, as defined under subdivision 2;

(2) the primary market for the business' product is national or international in scope;

(3) the business would not locate or expand in this state if an allocation under this section was not approved;

(4) the approval of the allocation to the business would result in the addition of at least 50 permanent employees;

(5) the approval of the allocation to the business would result in the diversification of the state's economy through the potential for establishing new markets for Minnesota products or new technologies; and

(6) the approval of the allocation would not directly result in a reduction in the employment of other Minnesota businesses.

(b) A business located within an economically distressed area is eligible for an allocation if:

(1) the business is not principally engaged in the business of selling goods and services at retail unless the principal market for its products is outside of the development region designated under section 462.385 where the business will be located;

(2) the business would not locate or expand within the economically distressed area or within an adjacent county if an allocation under this section was not approved; and

(3) the business will employ at least 50 persons or increase employment by at least 50 permanent positions.

(c) A business that has received an allocation under this section is ineligible to receive any additional allocations under this section.

(d) A business located within an area designated as an enterprise zone under section 273.1312 is eligible to receive an allocation under this section provided that the business has applied for tax reductions under sections 273.1312 to 273.1314 and the total benefits to be received by a business under this section and sections 273.1312 to 273.1314 will not exceed 30 percent of the total cost of the project.

(e) A business located within an economically distressed area is eligible for a sales tax abatement for capital equipment if the business' capital investment is at least \$250,000,000.

Subd. 6. [DURATION.] An allocation to a business may not exceed 20 years in duration.

Subd. 7. [FUNDING LIMITATION.] (a) The maximum amount of allocations which the commissioner may approve to businesses located outside an economically distressed area under this section is limited to \$12,500,000, provided that during the 1986-1987 biennium the allocations made shall not reduce the state's revenue by more than \$5,000,000 as determined by the commissioner of revenue.

(b) The maximum amount of allocations which the commissioner may approve to businesses located within an economically distressed area under this section is limited to \$25,000,000, provided that during the 1986-1987 biennium the allocations made shall not reduce the state's revenue by more than \$10,000,000 as determined by the commissioner of revenue.

Subd. 8. [AUTHORIZED ALLOCATIONS.] The commissioner may approve an allocation to a business designated under subdivision 4 which will annually reimburse the business for expenses incurred which are directly attributable to increased employment within Minnesota. Expenses which may be reimbursed under this section are limited to:

(1) sales tax paid on capital equipment;

(2) income tax liability resulting from a new facility or an expansion of a new facility as determined by dividing the number of employees due to the new or expanded operations by the business' total number of employees in the state on December 31 of the tax year times the business' total state income tax liability under chapter 290;

(3) sales tax paid on construction materials;

(4) property taxes paid; and

(5) the cost to reduce the interest rate on a loan used to construct a new facility as provided under section 462.445.

Subd. 9. [LOCAL CONTRIBUTION.] The commissioner shall not approve an allocation under this section unless the local unit of government agrees to make a qualifying local contribution as provided under section 273.1314, subdivision 6. Allocations made under this section to fund needed infrastructure may not be considered qualifying local contributions under this subdivision.

Subd. 10. [ALLOCATION LIMITATION.] (a) No allocation may be approved by the commissioner under this section after June 30, 1990.

(b) An allocation under this section may not be approved for an amount greater than \$20,000 for each permanent job to be created by the project, except for a sales tax abatement for an eligible business under subdivision 5, paragraph (e), provided that the allocation may not exceed 25 percent of the total cost of the project, and the total allocation does not exceed \$5,000,000.

Subd. 11. [APPLICATIONS.] Applications for allocations under this section must contain the information as required under section 273.1314, subdivision 3, and any other information the commissioner considers relevant in designating a business to receive an allocation under this section.

Subd. 12. [ALLOCATION EVALUATION.] The commissioner shall review and evaluate applications for allocations under this section to determine whether the allocation should be approved. In determining whether to approve the allocation the commissioner shall consider the number of new jobs that the project will create, the investment to be made in the project, and the relative economic hardship of the area where the project is to be located.

Subd. 13. [LAC RECOMMENDATION.] Before the commissioner approves an allocation under this section it must be submitted to the legislative advisory commission for its recommendation.

Subd. 14. [ADMINISTRATIVE PROCEDURE ACT.] The provisions of chapter 14 do not apply to the designating of economically distressed areas or to the approval of any allocation under this section.

Sec. 12. [298.2212] [INVESTMENT OF FUNDS.]

All funds credited to the iron range resources and rehabilitation board account in the special revenue fund for the purposes of section 298.22 must be invested pursuant to law and the net interest and dividends from the investments are included and become part of the funds available for purposes of section 298.22.

Sec. 13. Minnesota Statutes 1984, section 298.292, is amended to read:

298.292 [POLICY.]

The legislature is cognizant of the severe economic dislocations and widespread unemployment that result when a single industry on which an area is largely dependent, experiences a drastic reduction in activity. The northeast Minnesota economic protection trust fund is hereby created to be devoted to economic rehabilitation and diversification of industrial enterprises where these conditions ensue as the result of the decline of such a single industry. Priority shall be given to using the northeast Minnesota eco-

conomic protection trust fund for the following purposes:

(a) projects and programs that are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses;

(b) projects and programs to encourage diversification of the economy and to promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism;

(c) projects and programs for which technological and economic feasibility have been demonstrated;

(d) loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than eight percent; and

(e) funding reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211;

(f) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources.

Money from the trust fund shall be expended only in or for the benefit of the tax relief area defined in section 273.134.

Sec. 14. [458.1951] [BOND ISSUANCE FOR WAREHOUSE PROJECT PROHIBITED.]

Subdivision 1. Notwithstanding any provision of this chapter or sections 474.16 to 474.23, bonds issued pursuant to this chapter or those sections may not be used for the financing of a warehouse project. For the purposes of this section, "warehouse project" means any building or structure that is used primarily for the self storage by an individual of goods, wares, or merchandise for compensation. "Warehouse project" does not include a safe deposit box or a storage area on the grounds of, and maintained primarily for the convenience of the occupants of, residential housing structures.

Subd. 2. For the purposes of subdivision 1, "warehouse project" includes facilities used for storing or warehousing, unless the facility (a) is used as a part of or in connection with an assembly, fabricating, manufacturing, mining, distributing, or processing facility, or (b) is used for the storing of agricultural products and is located outside of the metropolitan area, as defined in section 473.121, subdivision 2.

Sec. 15. Minnesota Statutes 1984, section 474.16, subdivision 1, is amended to read:

Subdivision 1. For the purposes of sections 474.16 to ~~474.23~~ 474.25, the terms defined in this section have the meaning given them.

Sec. 16. Minnesota Statutes 1984, section 474.16, subdivision 4, is amended to read:

Subd. 4. "Previous use" means the principal amount of obligations of a

type subject to limitation under the terms of a federal limitation act issued by a local issuer during a specified period and the principal amount of obligations issued during calendar year 1984 which would have been subject to limitation under the terms of the federal limitations, except for the exception for obligations subject to a preliminary resolution adopted on or before June 19, 1984. Prior to enactment by Congress of the United States of America of a federal limitation act, "previous use" means the principal amount of obligations of a type subject to limitation under the terms of section 721 of the Tax Reform Bill of 1984, H.R. 4170, as reported by the Ways and Means Committee of the United States House of Representatives on March 5, 1984, issued by a local issuer during a specified period.

For the purposes of calculating entitlement allocations for calendar year 1986 and thereafter the following limitations shall apply. In the case of obligations issued by a local issuer in a principal amount in excess of \$15,000,000 which qualify for an exemption from federal income taxation pursuant to section 103(b)(4)(F) of the Internal Revenue Code of 1954, as amended, the principal amount of such obligations shall not be counted as "previous use." In the case where an entitlement issuer's previous use calculation for 1984 and 1985 included bonds described in the previous sentence, "previous use" does not include obligations issued by an issuer other than the entitlement issuer pursuant to a transfer of the entitlement issuer's allocation in excess of \$10,000,000. "Previous use" does not include obligations issued prior to June 1, 1984, for the purpose of refunding or refinancing obligations issued by a local issuer which qualify for an exemption from federal income taxation pursuant to section 103(b) of the Internal Revenue Code of 1954, as amended.

Sec. 17. Minnesota Statutes 1984, section 474.16, subdivision 5, is amended to read:

Subd. 5. "Federal limitation act" means an act of Congress of the United States of America other than the Mortgage Subsidy Bond Tax Act of 1980, Public Law Number 96-499, section 1102(a) and amendments to it, amending the Internal Revenue Code of 1954, to limit the aggregate amount of obligations of a specified type or types which may be issued by an issuing authority during any calendar year whose interest is exempt from inclusion in gross income for purposes of federal income taxation pursuant to section 103(a) 103(n) of the Internal Revenue Code of 1954, as amended; and providing for an allocation of issuing authority by the legislature of a state as of January 1, 1985.

Sec. 18. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 6. "Preliminary resolution" means a resolution of the local issuer for a specific project that expresses a preliminary intention to issue obligations and that identifies the proposed project, the site for the project, and the proposed amount of the obligations to be issued. A preliminary resolution for a project which is authorized by chapter 115A, chapter 400, or sections 473.801 to 473.834 need not include the site for the project, provided that the resolution identifies a specific process and a deadline for site selection.

Sec. 19. Minnesota Statutes 1984, section 474.16, is amended by adding a subdivision to read:

Subd. 7. [DEPARTMENT.] "Department" means the department of energy and economic development.

Sec. 20. Minnesota Statutes 1984, section 474.17, subdivision 1, is amended to read:

Subdivision 1. [HIGHER EDUCATION COORDINATING BOARD ALLOCATION.] \$30,000,000 for calendar year 1984 and \$10,000,000 for calendar year 1985 of the aggregate limit of bond issuance authority allocated to the state pursuant to a federal limitation act is allocated to the higher education coordinating board for the issuance of obligations pursuant to chapter 136A. On September 1, 1985, any unused portion of the bonding authority allocated to the higher education coordinating board shall be canceled and the authority shall be allocated pursuant to section 474.19. If the ~~energy and economic development authority department~~ determines that pursuant to a federal limitation act, the higher education coordinating board cannot issue obligations whose interest is exempt from inclusion in gross income for purposes of federal income taxation pursuant to section 103(a) of the Internal Revenue Code of 1954, as amended, this allocation shall cancel and the allocation provided in subdivision 3 shall be increased to \$55,000,000 for calendar year 1984 and to \$65,000,000 for calendar year 1985.

Sec. 21. Minnesota Statutes 1984, section 474.17, subdivision 2, is amended to read:

Subd. 2. [IRON RANGE RESOURCES AND REHABILITATION ALLOCATION.] From January 1 to August 31 of each calendar year, \$25,000,000 of the aggregate limit of bond issuance authority allocated to the state for any calendar year pursuant to a federal limitation act is allocated to the iron range resources and rehabilitation commissioner. From September 1 to October 31 of each year, the iron range resources and rehabilitation commissioner may retain his allocation or a portion of it only if he has submitted to the ~~energy and economic development authority department~~ on or before September 1 a letter which states (a) his intent to issue obligations pursuant to his allocation or a portion of it before the end of the calendar year or within the time period permitted by a federal limitation act and (b) a description of the specific project or projects for which the obligations will be issued, together with an application deposit in the amount of one percent of the amount of the remaining unused allocation or the portion of it pursuant to which he intends to issue obligations. If the iron range resources and rehabilitation commissioner does not submit the required letter of intent and the application deposit, the amount originally allocated to the iron range resources and rehabilitation commissioner or the portion not already used not subject to a letter of intent shall be canceled and subject to reallocation in accordance with section 474.19. If the iron range resources and rehabilitation commissioner returns for reallocation all or any part of his allocation on or before October 31, that portion of his application deposit equal to one percent of the amount returned shall be refunded within 30 days. The iron range resources and rehabilitation commissioner may enter into a joint powers agreement with any other state or municipal entity which has authority to issue obligations subject to a federal limitation act whereby the other entity issues the bonds on behalf of the iron range resources and rehabilitation commissioner. *The iron range resources and rehabilitation commissioner shall give priority*

consideration to projects which are authorized by chapter 115A or chapter 400.

Sec. 22. Minnesota Statutes 1984, section 474.17, subdivision 3, is amended to read:

Subd. 3. [ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY ALLOCATION.] From January 1 to August 31 of calendar year 1984, \$40,000,000 and for each calendar year 1985, \$60,000,000 of the aggregate limit of bond issuance authority allocated to the state pursuant to a federal limitation act is allocated to the ~~energy and economic development authority department~~ for use or allocation pursuant to section 116J.58, ~~clause (2) subdivision 4~~, except that priority must be given to the agricultural resource loan guaranty fund. From September 1 to October 31 of each year, the energy and economic development authority or any entity which receives an allocation from the ~~energy and economic development authority department~~ pursuant to section 116J.58, ~~clause (2) subdivision 4~~, may retain its allocation or a portion of it only if it has submitted to the division of the ~~energy and economic development authority department~~ responsible for administering Laws 1984, chapter 582, on or before September 1 a letter which states (a) its intent to issue obligations pursuant to its allocation or a portion of it before the end of the calendar year or within the time period permitted by a federal limitation act, and (b) a description of the specific project or projects for which the obligations will be issued, together with an application deposit in the amount of one percent of the amount of its remaining unused allocation or the portion of it pursuant to which it intends to issue obligations. If the energy and economic development authority or any entity which receives an allocation from the ~~energy and economic development authority department~~ pursuant to section 116J.58, ~~clause (2) subdivision 4~~, does not submit the required letter of intent and the application deposit, the amount originally allocated to the energy and economic development authority or any entity which receives an allocation from the ~~energy and economic development authority department~~ pursuant to section 116J.58, ~~clause (2) subdivision 4~~, or the portion not already used and not subject to a letter of intent shall be canceled and subject to reallocation in accordance with section 472.09, subdivision 8. If the energy and economic development authority or any entity which receives an allocation from the ~~energy and economic development authority department~~ pursuant to section 116J.58, ~~clause (2) subdivision 4~~, returns for reallocation all or any part of its allocation on or before October 31, that portion of its application deposit equal to one percent of the amount returned shall be refunded within 30 days.

Sec. 23. Minnesota Statutes 1984, section 474.17, subdivision 4, is amended to read:

Subd. 4. [~~LOCAL ISSUER POOL ALLOCATION.~~] Any amount of the aggregate limit of bond issuance authority allocated to the state for any calendar year pursuant to a federal limitation act which is not allocated pursuant to subdivisions 1 to 3 shall be allocated among ~~local~~ issuers pursuant to sections 474.18 to 474.23.

Sec. 24. Minnesota Statutes 1984, section 474.18, subdivision 1, is amended to read:

Subdivision 1. [ALLOCATION AMOUNTS.] From January 1 to August

31 of each calendar year, ~~80~~ 77-1/2 percent of the amount of authority determined pursuant to section 474.17 shall be available solely for issuance of obligations by entitlement issuers.

Sec. 25. Minnesota Statutes 1984, section 474.18, subdivision 2, is amended to read:

Subd. 2. [ALLOCATION PROCEDURE.] To obtain an allocation pursuant to this section, an entitlement issuer shall within 30 days after April 27, 1984, *and on or before January 15, 1986, and of each calendar year thereafter*, submit to the ~~energy and economic development authority department~~ a certification as to previous use for the four preceding calendar years, and the average annual previous use for the highest three of the four preceding calendar years. Within 15 days thereafter, the ~~energy and economic development authority department~~ shall determine and publish the amount of issuance authority allocated to each entitlement issuer which submitted the information required above. The amount of authority for an issuer is the aggregate authority allocated to entitlement issuers pursuant to subdivision 1, multiplied by a fraction. The numerator of the fraction is the highest three-year previous use average as certified by the entitlement issuer. The denominator of the fraction is the combined highest three-year previous use average as certified by all entitlement issuers. Local issuers with boundaries which are coterminous shall be treated as a single issuer for purposes of determining their entitlement allocation, if any.

In such cases the amount of the issuance authority to be allocated to each issuer shall be determined by the city council in the case of a city or the county board in the case of a county. The entitlement issuer may allocate its entitlement allocation to any project for which obligations are issued or are to be issued after December 31, 1983, without regard to any preliminary resolutions which have been adopted for any project.

Within 15 days after the effective date of a federal limitation act, any issuer who submitted a certification in accordance with the first paragraph of this subdivision shall submit a new certification as to previous use as defined in accordance with the federal limitation act for the highest three of the four preceding calendar years. Within 15 days thereafter, the ~~energy and economic development authority department~~ shall determine and publish the revised amount of issuance authority allocated to each issuer that is an entitlement issuer that submitted the information required by this subdivision. Failure to submit the new certification required by this paragraph shall result in forfeiture of unused previously allocated issuance authority. The revised amount of issuance authority for each entitlement issuer shall be determined in accordance with the first paragraph of this subdivision, but shall be reduced by the principal amount of obligations issued by the entitlement issuer prior to the date of the determination. If the revised amount of issuance authority for any entitlement issuer is less than zero, the amount shall reduce the amount otherwise available for allocation pursuant to section 474.19, subdivision 1. The principal amount of any obligations issued by a local issuer that does not qualify as an entitlement issuer based on previous use determined in accordance with the federal limitation act, but issued pursuant to an allocation published in accordance with the first paragraph of this subdivision, shall reduce the amount otherwise available for allocation pursuant to section 474.19, subdivision 1.

Sec. 26. Minnesota Statutes 1984, section 474.18, subdivision 3, is amended to read:

Subd. 3. [LETTER OF INTENT.] From September 1 to October 31 of each year, an entitlement issuer may retain its allocation or a portion of it only if it has submitted to the ~~energy and economic development authority department~~ on or before September 1 a letter which states its intent to issue obligations pursuant to its allocation or a portion of it before the end of the calendar year or within the time period permitted by a federal limitation act, together with an application deposit in the amount of one percent of the amount of its remaining unused allocation or the portion of it pursuant to which it intends to issue obligations. If an entitlement issuer does not submit the required letter of intent and the application deposit, the amount originally allocated to the entitlement issuer or the portion not already used and not subject to a letter of intent shall be canceled and subject to reallocation in accordance with section 474.19. If an entitlement issuer returns for reallocation all or any part of its allocation on or before October 31, that portion of its application deposit equal to one percent of the amount returned shall be refunded within 30 days.

Sec. 27. Minnesota Statutes 1984, section 474.18, subdivision 4, is amended to read:

Subd. 4. [JOINT POWERS.] An entitlement issuer may enter an agreement with a local issuer or the iron range resources and rehabilitation commissioner or the ~~energy and economic development authority department~~ by which the local issuer or the iron range resources and rehabilitation commissioner or the ~~energy and economic development authority department~~ issues bonds pursuant to issuance authority allocated to the entitlement issuer pursuant to this section. *For obligations issued during calendar year 1985 and thereafter, one-half of the amount of the issuance shall be considered as issued by the issuer granting use of its allocation for purposes of previous use determination and one-half of the issuance shall be considered issued by the issuer issuing the bonds. The issuer transferring its authority may only recover from the transferee its costs involved in the transfer and any application deposit. Any application deposit deposited with respect to the transferred allocation shall be transferred by the department to the credit of the issuer receiving the transferred allocation.*

Sec. 28. Minnesota Statutes 1984, section 474.18, is amended by adding a subdivision to read:

Subd. 5. [ENTITLEMENT ISSUER WITHDRAWAL.] *A local issuer designated as an entitlement issuer may reject the designation as an entitlement issuer for the years subsequent to the designation by notifying the department, on or before December 31 of any year, that it rejects its designation as an entitlement issuer. The rejection is effective the year following the year in which the rejection is filed with the department.*

Sec. 29. Minnesota Statutes 1984, section 474.19, subdivision 1, is amended to read:

Subdivision 1. [POOL AMOUNT.] *For calendar year 1986 and each year thereafter, from January 1 to August July 31 of each year, 20 22-1/2 percent of the amount determined pursuant to section 474.17 shall be available solely*

for local issuers that do not qualify as entitlement issuers and shall be allocated as provided in this section. *After July 31, an allocation may be made for an application submitted by an entitlement issuer.* From September 1 to October 31 of any calendar year, any amounts remaining available for allocation or reallocation pursuant to section 474.18 or this section shall be allocated among all local issuers and the ~~energy and economic development authority department~~ and the iron range resources and rehabilitation commissioner, pursuant to this section. An entitlement issuer, the ~~energy and economic development authority department~~ or the iron range resources and rehabilitation commissioner may apply for an allocation pursuant to this section only if the applicant has issued bonds equal to any allocation received pursuant to section 474.17 or 474.18 or has returned any remaining allocation for reallocation pursuant to this section. *After July 31, 1985, a county may apply for an allocation for an amount in excess of the amount reserved by section 474.19, subdivision 4, for projects authorized by chapter 115A, chapter 400 or sections 473.801 to 473.834 for such a project provided that allocations for all projects authorized by chapter 115A, chapter 400 or sections 473.801 to 473.834 shall not exceed 49 percent of the total amount available for allocation pursuant to section 474.19. Applications submitted pursuant to the prior sentence shall be considered on the same basis as other applications submitted pursuant to section 474.19.*

Sec. 30. Minnesota Statutes 1984, section 474.19, subdivision 2, is amended to read:

Subd. 2. [APPLICATION.] A local issuer that is not an entitlement issuer may apply for an allocation of bond issuance authority pursuant to this section by submitting to the ~~energy and economic development authority department~~ on or before the ~~20th~~ 25th day of any month from December to September an application on forms provided by the ~~energy and economic development authority department~~, accompanied by (i) a preliminary resolution of the local issuer ~~expressing a preliminary intention to issue obligations adopted in accordance with section 474.01, subdivision 7b, if applicable, which identifies the proposed project and the proposed amount of the obligations to be issued;~~ and (ii) an application deposit in the amount of one percent of the requested allocation. A local issuer may enter into a joint powers agreement with any other state or municipal entity which has authority to issue obligations subject to a federal limitation act whereby the other entity issues the bonds on behalf of the local issuer for the project for which an allocation was received by the local issuer. A local issuer may request an allocation for obligations issued prior to the effective date of this subdivision. A local issuer may elect not to submit an application for an allocation of bond issuance authority for a project for which the local issuer previously adopted a preliminary resolution.

After ~~July 31~~ June 30 of any year, an entitlement issuer may also apply for an allocation under this section. Its application need not comply with clause (i).

Sec. 31. Minnesota Statutes 1984, section 474.19, subdivision 3, is amended to read:

Subd. 3. [ALLOCATION CRITERIA.] The ~~energy and economic development authority department~~ shall rank each application on the basis of the

number of points awarded to it, with one point being awarded for each of the following criteria satisfied:

(1) The current rate of unemployment for the applicant is at or above 110 percent of the statewide average unemployment rate for the previous year, as determined by the department of economic security. The unemployment rate for the applicant shall be the greater of (i) the most recent estimate available for the smallest jurisdiction which wholly includes the jurisdiction of the applicant, as reported by the department of economic security, or (ii) another estimate supplied by the applicant with respect to its jurisdiction, which is documented by the applicant.

(2) The number of individuals employed in the applicant's jurisdiction declined from the second calendar year before the application, to the first calendar year before the application. The estimate of the number of individuals employed for each year shall be based on the same source, and shall be (i) the most recent estimate available for the smallest jurisdiction which wholly includes the applicant, as reported by the department of economic security, or (ii) another estimate supplied by the applicant with respect to its jurisdiction, which is documented by the applicant.

(3) The number of *permanent* jobs to be created by the project described in the application is at least 1/10 of one percent of the number of individuals employed in the applicant's jurisdiction in the first calendar year before the application as determined in the manner provided in clause (2).

(4) The number of *permanent* jobs to be created by the project described in the application is at least ~~two~~ five jobs for each \$100,000 of issuance authority requested for the project.

(5) As of the date of application the total market value of all taxable property in the applicant's jurisdiction, as based on the most recent certification of assessed value to the commissioner of revenue, has either (i) declined in relation to the first calendar year before the certification, or (ii) increased in relation to the first calendar year before the certification at a rate which is not in excess of 90 percent of the rate of increase of the state average market value over the same period.

(6) The estimated market value of the project described in the application is at least one-half of one percent of the total market value of all taxable property in the applicant's jurisdiction as based on the most recent certification of assessed value to the commissioner of revenue.

(7) The project is wholly located in an enterprise zone designated pursuant to section 273.1312.

(8) The project site meets the criteria necessary to qualify as a tax increment redevelopment district as defined in section 273.73, subdivision 10. To qualify under this clause the project need not be included in a tax increment financing district.

(9) The project meets one of the following energy conservation criteria: (i) the project is eligible for the additional federal investment tax credits for energy property, (ii) the project involves construction or expansion of a district heating system as defined in section 116J.36, or (iii) the project involves construction of an alternative energy source as described in section 116J.26,

clause (a), (b), or (d), or 116J.922, subdivision 6 or 7.

(10) Ninety percent or more of the proceeds of the proposed obligations will be used for construction, installation, or addition of equipment used primarily to abate or control pollutants to meet or exceed state laws, rules, or standards.

(11) The project consists of the renovation, rehabilitation, or reconstruction of an existing building which is (i) located in a historic district designated under section 138.73, or on a site listed in the state registry of historical sites under sections 138.53 to 138.5819; or (ii) designated in the National Register pursuant to United States Code, title 16, section 470a; or (iii) designated as a state historic site pursuant to sections 138.51 to 138.581.

~~(12) Ninety percent or more of the proceeds of the proposed obligations will be used to finance facilities for waste management as defined in section 115A.03, subdivision 36, or solid waste as defined in section 116.06, subdivision 10.~~

~~(13)~~ (12) Service connections to sewer and water systems are available to the project at the time the application is submitted.

~~(14)~~ (13) The minority population in the applicant's jurisdiction is at least 110 percent of the statewide average as determined by the affirmative action division of the department of economic security according to the most recent census data.

~~(15)~~ (14) When the application is submitted either (a) neither the anticipated owner of the project, nor any party of which the owner was a controlling partner or shareholder, or which was a controlling shareholder or partner of the owner; owned or operated a substantially similar business within the state or; (b) the project is an expansion of the operations of an existing business which is not likely to have the effect of transferring existing employment from one or more other municipalities within the state to the municipality in which the project is located; or (c) the applicant reasonably expects that without construction of the project, the anticipated owner of the project will either cease operations within the state, or reduce its work force in the state by the number of persons to be employed by the project.

~~(16)~~ (15) A controlling interest in the project will be owned by one or more women or minority persons.

~~(17)~~ ~~Seventy-five~~ (16) Fifty percent or more of the proceeds of the proposed issue will be used to rehabilitate an existing structure.

~~(18)~~ (17) At the time of application, the property on which the project is to be located is properly zoned for the proposed use.

~~(19)~~ (18) The bond issue involves a credit enhancement device providing additional security for bondholders involving commitments or fees to be paid by the issuer other than from bond proceeds or the issuer provides other financial assistance to the project. No points shall be awarded for credit enhancement devices or financial assistance provided or financed directly or indirectly by a private, for-profit party which has a financial interest in or is related to any party which has a financial interest in the project.

(19) The project is comprised of properties, real or personal, used or

useful in connection with a revenue producing enterprise engaged or to be engaged in assembling, fabricating, manufacturing, mixing, processing, or distributing any products of agriculture, forestry, mining, or manufacture, and properties, real or personal, used or useful in connection with research and development activity to develop or improve products, production processes, or materials. For purposes of this clause, "a product of manufacture" includes information and directions which dictate the functions to be performed by data processing equipment, commonly called computer software, regardless of whether they are embodied in or recorded on tangible personal property. A project qualifies under this clause only if 75 percent of the proceeds of the proposed obligations will be used for construction, acquisition, installation, or addition of properties described in this subdivision.

Sec. 32. Minnesota Statutes 1984, section 474.19, subdivision 4, is amended to read:

Subd. 4. [ALLOCATION PROCEDURE.] The ~~energy and economic development authority~~ department shall allocate available issuance authority to applications by the fifth day of the month succeeding each application deadline specified in subdivision 2 on the basis of the numerical rank determined pursuant to this section, but (i) no allocation shall be awarded to an application demonstrating less than four points, (ii) any project which is authorized by chapter 115A, chapter 400, or sections 473.801 to 473.834, shall receive an allocation of issuance authority without regard to its numerical rank to the extent that the amount of issuance authority allocated to the project when added to the issuance authority previously allocated during the calendar year pursuant to this clause does not exceed 49 percent of the amount ~~provided in~~ available pursuant to subdivision 1 between January 2 and August 31 of the year in which the allocation is to be made, provided that if obligations for any project described in this clause are not subject to a federal limitation act, no allocation shall be made pursuant to this clause, (iii) if on or before September 1, the ~~energy and economic development authority~~ department returns a portion of its allocation for reallocation pursuant to this section, and the iron range resources and rehabilitation commissioner has issued obligations in an amount equal to its allocation or has submitted a letter of intent for any amount not issued, applications from the iron range resources and rehabilitation commissioner which demonstrate four or more points shall receive an allocation up to an amount equal to \$10,000,000 or the amount returned for reallocation by the ~~energy and economic development authority~~ department or the amount remaining to be allocated, whichever is less, (iv) if on or before September 1, the iron range resources and rehabilitation commissioner returns a portion of his allocation for reallocation pursuant to this section, and the ~~energy and economic development authority~~ department has issued obligations in an amount equal to its allocation or has submitted a letter of intent for any amount not issued, applications from the ~~energy and economic development authority~~ department which demonstrate four or more points shall receive an allocation up to an amount equal to \$10,000,000 or the amount returned for reallocation by the iron range resources and rehabilitation commissioner or the amount remaining to be allocated, whichever is less, and (v) if two or more applications have the same numerical rank, the allocation of issuance authority as between the applications shall be by lot unless otherwise agreed by the respective local issuers. If an application is rejected, the ~~energy and economic development authority~~ department shall return the application deposit to the applicant within 30 days.

Sec. 33. Minnesota Statutes 1984, section 474.19, subdivision 5, is

amended to read:

Subd. 5. [LETTER OF INTENT.] A local issuer which has received an allocation pursuant to this section prior to September 1 and which intends to issue obligations pursuant to it after August 31 of the year in which the allocation was received, shall submit to the ~~energy and economic development authority department~~ on or before September 1 a letter stating its intent to issue bonds before the end of the calendar year or within the time period permitted by a federal limitation act. If the letter of intent is not submitted to the ~~energy and economic development authority department~~, the one percent application deposit shall be returned to the local issuer, the issuance authority shall be canceled, and the issuance authority previously allocated to the local issuer will be available for reallocation pursuant to this section. If a local issuer returns for reallocation all or any part of its allocation on or before October 31, that portion of its application deposit equal to one percent of the amount returned shall be refunded within 30 days.

Sec. 34. Minnesota Statutes 1984, section 474.19, subdivision 6, is amended to read:

Subd. 6. [FINAL ALLOCATION.] From November 1 to December 31 of each year any amount determined pursuant to section 474.17, which is not both previously allocated and subject to a preliminary resolution for a specific project, whether or not committed pursuant to a letter of intent, *shall be available for allocation or reallocation and shall be allocated among local issuers based on a ranking of points for criteria as set forth in subdivisions 3 and 4. No minimum number of points shall be required for allocation. If two or more applications receive an equal number of points, allocation among them shall be made by lot unless otherwise agreed by the respective applicants. Amounts available for allocation under this subdivision shall be allocated on November 5 and December 5, and may be allocated after December 5. An application for this allocation shall be submitted by October 20 on or before October 25 for an allocation on November 5 and on or before November 25 for an allocation on or after December 5, shall include evidence of passage of a preliminary resolution giving approval to a specific project and stating that it is the intent of the applicant that the obligations will be issued by the end of the year or within the time period permitted by a federal limitation act, and shall be accompanied by an application deposit in the amount of one percent of the requested allocation. The energy and economic development authority department shall notify applicants of their allocation on or before November 5 the fifth day of the month following the month in which an application was submitted.*

Any amounts of authority which ~~may become~~ are available for reallocation after ~~November~~ December 5 shall first be allocated among issuers which filed an application by ~~October 20 on or before November 25~~, pursuant to the criteria stated in subdivision 3. *Any amounts remaining, after all allocations to applicants that filed an application by November 25 have been made, may be allocated to applicants who filed applications after November 25. All allocations must be made pursuant to the criteria in subdivision 3.*

Sec. 35. Minnesota Statutes 1984, section 474.19, subdivision 7, is amended to read:

Subd. 7. [CARRYOVER ALLOCATION.] If prior to December 20 of any

year, an issuer determines that it will not issue obligations pursuant to authority allocated to it pursuant to this section or section 459.35 or 462.556 by the end of that year or within the time period permitted by a federal limitation act, the issuer may notify the **energy and economic development authority department** and such amount will be available for reallocation pursuant to this subdivision. In such case, the **energy and economic development authority department** shall refund to the issuer within 30 days that portion of any application deposit equal to one-third of one percent of the amount returned for reallocation. The amounts available for reallocation shall be allocated on or before December 31 of each year among issuers which have submitted an application by December 10, and which have certified that the project to which the application relates qualifies for carryover treatment of allocated authority according to the terms of a federal limitation act, such that obligations may be issued pursuant to such allocation of authority after the end of the year, without expiration of such authority. If there is insufficient authority for allocation among applications received pursuant to this subdivision, allocation among them shall be made by lot unless otherwise agreed by the respective applicants.

Sec. 36. Minnesota Statutes 1984, section 474.20, subdivision 1, is amended to read:

Subdivision 1. [NOTICE OF ISSUE.] Any issuer of obligations subject to limitation under a federal limitation act shall give a notice of issue stating the date of issuance of the obligations, the allocation under which the obligations are issued, and the principal amount of the obligations to the **energy and economic development authority department** within five days after the obligations are issued. *If obligations are to be issued as a series of obligations, the notice of issue shall be filed within five days after each of the series of obligations is issued.* If the notice of issue is not filed within five days after the obligations are issued, *or within five days after each of the series of obligations are issued that are a part of obligations issued or to be issued as a series of obligations,* the obligations shall be void unless this provision is waived by the **energy and economic development authority department**. Within 30 days after receipt of the notice, the **energy and economic development authority department** shall refund a portion of any application deposit equal to one percent of the principal amount of the obligations issued.

Sec. 37. Minnesota Statutes 1984, section 474.20, subdivision 2, is amended to read:

Subd. 2. [NOTICE OF AVAILABLE AUTHORITY.] The **energy and economic development authority department** shall as soon as possible after the fifth day of each month publish in the State Register a notice of the amount of authority available for allocation or reallocation in the following month as of the fifth day of the month during which the notice is published, after allocation of authority pursuant to section 474.19.

Sec. 38. Minnesota Statutes 1984, section 474.22, is amended to read:

474.22 [LEGISLATIVE REVIEW.]

On March 1, 1986, the **energy and economic development authority department** shall deliver a comprehensive report to the secretary of the senate and the clerk of the house which provides detailed information concerning

the allocation of issuing authority pursuant to sections 474.16 to 474.20.

Sec. 39. Minnesota Statutes 1984, section 474.23, is amended to read:

474.23 [ADDITIONAL CONDITIONS.]

If a federal limitation act as defined in section 474.16, subdivision 5, is adopted, Action under chapter 474 with respect to any project which is to be financed by obligations which are subject to the volume limitations of a federal limitation act shall be subject to the following conditions:

(a) No municipality or redevelopment agency shall undertake any project, except a project referred to in section 474.02, subdivision 1f, unless its governing body finds that the project would not be undertaken but for the availability of industrial development bond financing.

(b) Notwithstanding any provision of this chapter, the term "project" shall not include: an airplane; a private luxury box; a facility primarily used for gambling; or a store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(c) No more than ten percent of the proceeds of revenue bonds may be used to finance movable equipment not constituting a fixture; no more than 25 percent of the proceeds of revenue bonds may be used to finance the acquisition of land; and not more than \$10,000,000 in revenue bonds which are industrial development bonds subject to the exemption described in section 103(b)(6) of the Internal Revenue Code of 1954, as amended through December 31, 1983, may be issued with respect to any one building which is used for commercial, office or industrial purposes, without regard to ownership of condominium units within the building.

This section takes effect 90 days after the federal limitation act is signed by the president or passed over his veto.

Sec. 40. [CASINO GAMING; ELY.]

Subdivision 1. [LEGISLATIVE FINDINGS.] The legislature finds that the city of Ely is located in a uniquely depressed area. Further, the legislature finds that the city of Ely is in a unique position because of its remote location making it difficult to attract commercial or industrial development. Therefore, the legislature finds and declares that in order to aid the tourism industry in the city of Ely and encourage commercial development in the area, the city of Ely should be able to own and operate a casino gaming facility.

Subd. 2. [AUTHORIZATION.] The city of Ely is authorized to own or lease and to operate a casino gaming facility within the city of Ely subject to the limitations imposed by this section.

Subd. 3. [CONTRACTS.] No contract shall be entered into by the city of Ely for building or managing the casino gaming facility unless approved by the joint committee established under subdivision 4.

Subd. 4. [JOINT COMMITTEE.] There is created a joint committee consisting of seven members to review and approve all contracts relating to any casino gaming facility operated by the city of Ely. Three members of the joint committee shall be members of the city council of the city of Ely appointed by the city council of Ely. Three members shall be members of the charitable

gambling control board appointed by the board. The chairperson of the charitable gambling control board shall be a member of the joint committee but cannot vote on any matter unless there is a tie in the voting. The attorney general is the attorney for the joint committee.

Subd. 5. [INVESTIGATION.] Before approving any contract the joint committee shall conduct, or request the bureau of criminal apprehension to conduct, a comprehensive background and financial investigation of all of the parties to the contract. The joint committee may charge any person or corporation that is to be a party to a contract an investigation fee to cover the cost of the investigation, and shall from this fee reimburse the bureau for its share of the cost of the investigation.

Subd. 6. [GAMES AND PRIZE LIMITS PERMITTED.] The charitable gambling control board shall, after public hearing, establish the games that may be played and the rules of play and the prize limits for each game. The board shall not permit the gaming facility in the city of Ely to conduct bingo, pull-tabs, paddlewheels, tipboards, or raffles. The board shall select the games to be played from those normally found in a casino.

Subd. 7. [RECORDS AND REPORTS.] The gross receipts from the operation of the gaming casino must be segregated from all other revenues of the city of Ely and placed in a separate account. The city must report to the charitable gambling control board on its gross receipts, expenses, and profits from the operation of the gaming facility.

Subd. 8. [POWERS OF CHARITABLE GAMBLING CONTROL BOARD.] (a) The charitable gambling control board must enforce and investigate the provisions of this section. The board may, after public hearing, adopt any rule necessary to implement this section or to ensure the integrity of the gaming operation within the city of Ely.

(b) The board and its employees shall have the authority, without notice or warrant to:

- (1) inspect and examine the premises where casino gaming is conducted;
- (2) inspect all gambling equipment or supplies in, about, upon, or around the premises where casino gaming is conducted; and
- (3) inspect, examine, and audit all books, records, and other documents pertaining to the casino gaming operation.

Subd. 9. [GAMING BY CERTAIN PERSONS PROHIBITED.] No person under the age of 18 may participate in any game conducted at a casino gaming facility operating under this section.

Subd. 10. [TAX IMPOSED.] The city of Ely shall be required to pay a tax on its receipts from the gaming facility as required by Minnesota Statutes, section 349.212.

Subd. 11. [USE OF PROFITS.] Gross receipts collected by the city of Ely from the operation of the gaming facility less sums necessarily and actually expended for gaming supplies and equipment, prizes, rent, utilities, maintenance of gaming equipment or the facility, taxes imposed by this section, repayment of bonds or mortgage, insurance, compensation or wages paid for conducting or managing the operation, and advertising shall be trans-

ferred to the iron range resources and rehabilitation board account in the special revenue fund and the commissioner of energy and economic development as required by this subdivision. The city of Ely must transfer two-thirds of the profits from the operation of the gaming facility to the iron range resources and rehabilitation board and one-third of the profits to the commissioner of energy and economic development. One-half of the money transferred to the iron range resources and rehabilitation board under this subdivision shall be used for economic development loans or grants to local governments located within the Ely, Babbitt, or Tower school district, or to the town of Fall Lake, the remainder of any money must be used for economic development loans or grants to local governments located within the taconite tax relief area as defined under Minnesota Statutes, section 273.134. Money transferred to the commissioner of energy and economic development must be used for economic development grants or loans to Indian tribes in Minnesota.

In distributing any money under this subdivision the iron range resources and rehabilitation board and the commissioner of energy and economic development must give priority to the following:

- (1) projects and programs that are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses;
- (2) projects and programs to encourage diversification of the economy and to promote the development of tourism, small business, forestry, alternative energy sources utilizing indigenous fuels, and minerals; and
- (3) projects and programs for which technological and economic feasibility have been demonstrated.

Subd. 12. [LAWFUL GAMING.] Gaming conducted under this section is not a lottery or gambling within the meaning of Minnesota Statutes, sections 609.75 to 609.76.

Subd. 13. [DECLARATION OF STATE EXEMPTION.] As provided by United States Code, title 15, section 1172, as amended through December 31, 1984, the state of Minnesota declares that it is exempt from the provisions of section 1172 if the shipment of gambling devices is intended for the use of the casino gaming facility operated by the city of Ely.

Sec. 41. [ELY LIQUOR LICENSES.]

Notwithstanding any law to the contrary, the city of Ely may issue two on-sale intoxicating liquor licenses in addition to those authorized by law. The licenses authorized to be issued under this subdivision must be issued to a hotel, motel, or restaurant. The licenses are subject to all other provisions of Minnesota Statutes, chapter 340.

Sec. 42. [APPROPRIATION.]

The sum of \$15,000,000 is appropriated from the general fund to the commissioner of energy and economic development for the purposes of providing allocations or abatements as provided under section 11 to be available until June 30, 1987. Of the sum appropriated, up to \$5,000,000 may be allocated to businesses located outside economically distressed areas, and up to \$10,000,000 may be allocated to businesses located within economi-

cally distressed areas.

Sec. 43. [REPEALER.]

Laws 1984, chapter 582, section 23, is repealed.

Sec. 44. [EFFECTIVE DATE.]

Sections 3 to 8, 14 to 39, and 43 are effective the day following final enactment. Sections 34 and 39 are effective for allocations by the department of the 1984 state ceiling and allocations during subsequent years. All actions of the department of energy and economic development taken in allocating the 1984 state ceiling are ratified, confirmed, and approved. Section 28 is effective for notices filed during calendar year 1984 and thereafter. The amendments contained in section 39 apply to bonds issued pursuant to an allocation of the state ceiling whether issued before or after the effective date of that section, and no obligation shall be considered invalid for failure to comply with the provisions of Minnesota Statutes, section 474.23, clause (c).

Sections 1, 2, 9 to 13, and 42 are effective July 1, 1985. Notwithstanding Minnesota Statutes, section 645.021, subdivision 2, sections 40 and 41 are effective only upon approval by a majority of the voters of the city of Ely voting on the question at an election on the question of approval of sections 40 and 41, and the governing bodies of the Minnesota Chippewa Tribe, Red Lake Band of Chippewas, Lower Sioux, Upper Sioux, Prairie Island Sioux, and the Shakopee Mdewakanton Sioux entering into an agreement with the state not to conduct casino gambling within their reservations.

ARTICLE 8

JOBS

Section 1. [PURPOSE.]

The legislature finds that changes in the state economy and in the availability and nature of federal support have created new needs among the people of this state for assistance in their quest for jobs, for training to fill those jobs, for income maintenance programs, and for a wide array of other human services. At the same time, those changes have altered the role of state government in the planning, development, and delivery of all human services, creating a need for coordinating all the agencies that share responsibilities for those services. Accordingly, the legislature finds that in order to maximize productivity of human resources and economic opportunity within the state of Minnesota, it is necessary to streamline and coordinate the state's employment, training, and public assistance programs and to set new priorities so that state government might better meet its duty to help its citizens realize the dignity of a paycheck and achieve economic independence. Further, the legislature finds it necessary to act swiftly and decisively to achieve the dual goal of lowering the unemployment rate among the people of this state and decreasing the welfare caseload that is at once a reflection of the difficulties challenging some and a burden that must be borne by all.

Sec. 2. Minnesota Statutes 1984, section 15A.081, subdivision 1, is amended to read:

Subdivision 1. The governor shall set the salary rate within the ranges listed below for positions specified in this subdivision, upon approval of the

legislative commission on employee relations and the legislature as provided by section 43A.18, subdivisions 2 and 5:

Salary Range
Effective
July 1, 1983

Commissioner of education;
Commissioner of finance;
Commissioner of transportation;
Commissioner of human services;
Chancellor, community college system;
Chancellor, state university system;
Director, vocational technical
education;
Executive director, state board of
investment;

\$57,500-\$70,000

Commissioner of administration;
Commissioner of agriculture;
Commissioner of commerce;
Commissioner of corrections;
Commissioner of ~~economic security~~
employment and training;
Commissioner of employee relations;
Commissioner of energy and economic
development;
Commissioner of health;
Commissioner of labor and industry;
Commissioner of natural resources;
Commissioner of revenue;
Commissioner of public safety;
Chairperson, waste management board;
Chief administrative law judge; office of
administrative hearings;
Director, pollution control agency;
Director, state planning agency;
Executive director, higher education
coordinating board;
Executive director, housing finance
agency;
Executive director, teacher's
retirement association;
Executive director, state retirement
system;

\$50,000-\$60,000

Commissioner of human rights;
Director, department of public service;
Commissioner of veterans' affairs;
Director, bureau of mediation services;
Commissioner, public utilities commission;
Member, transportation regulation board;
Director, zoological gardens-;
Coordinator of full productivity

\$40,000-\$52,500

and opportunity.

Sec. 3. Minnesota Statutes 1984, section 86.33, is amended by adding a subdivision to read:

Subd. 2. [PROJECT COORDINATION.] Prior to submitting projects to the governor, the commissioner of natural resources shall consult with the full productivity and opportunity coordinator and shall develop a biennial plan which establishes: a priority for unemployed individuals who are economically disadvantaged as defined in Public Law 97-300; the ways in which participants will be assisted in gaining ongoing employment or training upon completing the projects; the ways in which exclusive bargaining representatives shall be notified and concurrence provided for with respect to the job duties of persons employed in projects; and how specific projects are coordinated with other publicly authorized or subsidized programs.

Sec. 4. Minnesota Statutes 1984, section 86.33, is amended by adding a subdivision to read:

Subd. 3. [REPORTING; CORPS MEMBER STATUS; FEES.] The commissioner of natural resources shall cooperate with the full productivity and opportunity coordinator in developing and implementing any evaluation and reporting systems for employment and training programs. Corps members are not eligible for unemployment compensation or other benefits except workers' compensation, and they are not employees of the state of Minnesota within the meaning of section 43A.02, subdivision 21. The commissioner may charge a fee for any service performed by the corps.

Sec. 5. Minnesota Statutes 1984, section 116J.035, is amended by adding a subdivision to read:

Subd. 3. [BIENNIAL PLAN.] The commissioner shall prepare a biennial plan which must cover the community development corporation program and which must be available to the full productivity and opportunity coordinator for use in developing a biennial statewide employment and training plan.

Sec. 6. Minnesota Statutes 1984, section 116L.03, subdivision 7, is amended to read:

Subd. 7. [OFFICES.] The commissioner of ~~administration~~ employment and training shall upon request provide office space and support services for the board ~~within the capitol area complex~~.

Sec. 7. Minnesota Statutes 1984, section 116L.04, is amended by adding a subdivision to read:

Subd. 3. [BIENNIAL PLAN.] The board shall prepare a biennial plan which must be available to the full productivity and opportunity coordinator for use in developing a biennial statewide employment and training plan.

Sec. 8. Minnesota Statutes 1984, section 129A.02, subdivision 2, is amended to read:

Subd. 2. [COMMISSIONER.] The commissioner is the chief executive officer of the department of employment and training and is the successor to the powers and duties of the former assistant commissioner of vocational rehabilitation. ~~The commissioner shall be appointed by the governor and~~

serve under the provisions of section 15.06. The commissioner shall be a person having substantial experience in the administration and financing of vocational rehabilitation programs.

Sec. 9. Minnesota Statutes 1984, section 136.63, is amended by adding a subdivision to read:

Subd. 1b. Before prescribing any program involving training in semi-professional and technical fields or adult education, the board shall consult with the full productivity and opportunity coordinator and shall develop a biennial plan.

Sec. 10. Minnesota Statutes 1984, section 136C.06, is amended to read:

136C.06 [SOLE STATE AGENCY.]

The state board of vocational technical education is the sole state agency to receive and disburse federal funds authorized by the Vocational Education Act of 1963, as amended in the education amendments of 1976, Public Law Number 94-482, and Code of Federal Regulations, title 34, part 400. The state board shall develop and submit the state plan for vocational technical education. The state board shall develop the state plan according to terms of agreement with the state board of education. *Before developing and submitting the state plan, the state board shall consult with the full productivity and opportunity coordinator and shall develop a biennial plan.*

Sec. 11. Minnesota Statutes 1984, section 178.03, is amended by adding a subdivision to read:

Subd. 5. [COORDINATION AND PLANNING.] The commissioner of labor and industry shall consult with the full productivity and opportunity coordinator and, in conjunction with the apprenticeship advisory council and the apprenticeship committees, shall develop a biennial plan for preparing, recruiting, and the successful participation of economically disadvantaged, chronically unemployed, minority, and female individuals in apprenticeship programs.

Sec. 12. Minnesota Statutes 1984, section 245.87, is amended to read:

245.87 [ALLOCATIONS.]

For the purposes of section 245.84, subdivision 2, the commissioner shall allocate money appropriated between the metropolitan area, comprising the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington, and the area outside the metropolitan area so that no more than 55 percent of the total fund goes to either area after excluding allocations for migrant day care services, administrative costs and statewide projects. At least ten percent of the total program allocation under section 245.84, subdivision 1 shall be designated for interim financing. The commissioner is further instructed that the allocation in each area be based on a need and population basis.

Sec. 13. Minnesota Statutes 1984, section 248.07, is amended to read:

248.07 [COMMISSIONER OF HUMAN SERVICES EMPLOYMENT AND TRAINING, DUTIES.]

Subdivision 1. [COOPERATION.] It shall be the duty of the commis-

sioner of ~~human services~~ *employment and training* to cooperate with state and local boards and agencies, both public and private, in preventing loss of sight, in alleviating the condition of blind persons and persons of failing sight, in extending and improving the education, advisement, training, placement, and conservation of the blind, and in promoting their personal, economic, social, and civic well being. *In furtherance of this duty, the commissioner shall create a distinct division with its own activity budget within the department of employment and training to provide and coordinate the services to the blind.*

Subd. 2. [STATISTICS.] The commissioner of ~~human services~~ *employment and training* shall collect statistics of the blind, including their present physical and mental condition, causes of blindness, capacity for education and industrial training, and any further information looking toward the improvement of their condition that may be desired.

Subd. 3. [SPECIAL ATTENTION.] The commissioner of ~~human services~~ *employment and training* shall give special attention to the cases of handicapped youth who are eligible to attend the Minnesota Braille and sight-saving school, the Minnesota school for the deaf, or the public school classes for handicapped children, but are not in attendance thereat, or are not receiving adequate instruction elsewhere. The commissioner shall report all such cases to the school district of the individual's residence and to the state board of education.

Subd. 4. [VOCATIONAL TRAINING.] The commissioner of ~~human services~~ *employment and training* shall endeavor to secure for the adult blind of the state and youths of legal working age such vocational training, labor, and employment as may be adapted to their respective capacity, and shall so far as may be feasible aid such persons in securing any provisions which may be made by the school for the blind or other state agencies for the betterment of their lot. When vocational training under the division of vocational rehabilitation is secured, such aid may take the form of payments for the maintenance of persons in training, under rules to be adopted by the commissioner of ~~human services~~ *employment and training*. Any person who shall be entitled to training under this subdivision shall have the right to choose from available programs such training as in his opinion would be suitable and practical for him.

Subd. 5. [AIDS.] The commissioner of ~~human services~~ *employment and training* shall further be empowered to aid the blind: (1) By home instruction and training; (2) by assisting them in securing tools, appliances, and supplies; (3) by aid in marketing the products of their labors; (4) by care and relief for blind persons who are not capable of self-support; and, (5) in any other practicable means of alleviating their condition.

Subd. 7. [BLIND, VENDING STANDS AND MACHINES ON GOVERNMENTAL PROPERTY.] *Notwithstanding any other law*, for the rehabilitation of blind persons the commissioner of ~~human services~~ *employment and training* shall have exclusive authority to establish and to operate vending stands and vending machines in all buildings and properties owned or rented exclusively by any department of the state of Minnesota except the department of natural resources properties operated directly by the Division of State Parks and not subject to private leasing. The merchandise to be

dispensed by such vending stands and machines may include soft drinks, (except 3.2 beer), milk, food, candies, tobacco, souvenirs, notions and related items. Such vending stands and vending machines herein authorized shall be operated on the same basis as other vending stands for the blind established and supervised by the commissioner of human services. The commissioner of ~~human services~~ *employment and training* may waive this authority to displace any present private individual concessionaire in any state-owned or rented building or property. With the consent of the governing body of a governmental subdivision of the state, the commissioner may establish and supervise vending stands and vending machines for the blind in any building or property exclusively owned or rented by the governmental subdivision.

Subd. 8. [USE OF REVOLVING FUND, LICENSES FOR OPERATION OF VENDING MACHINES.] The revolving fund created by Laws 1947, Chapter 535, Section 5, is continued as provided in this subdivision and shall be known as the revolving fund for vocational rehabilitation of the blind. It shall be used for the purchase of equipment and supplies for establishing and operating of vending stands by blind persons. All income, receipts, earnings, and federal grants due to the operation thereof shall also be paid into the fund. All equipment, supplies, and expenses for setting up these stands shall be paid for from the fund. Authority is hereby given to the commissioner of ~~human services~~ *employment and training* to use the moneys available in the revolving fund for the establishment, operation and supervision of vending stands by blind persons for the following purposes: (1) purchase, upkeep and replacement of equipment; (2) purchase of initial and replacement stock of supplies and merchandise; (3) expenses incidental to the setting up of new stands and improvement of old stands; (4) purchase of general liability insurance as deemed advisable for any vending stand by the commissioner; (5) reimbursement to individual blind vending operators for reasonable travel and maintenance expenses incurred in attending supervisory meetings as called by the commissioner of ~~human services~~ *employment and training*; (6) purchase of fringe benefits for blind vending operators and their employees such as group health insurance, retirement program, vacation or sick leave assistance provided that the purchase of any fringe benefit is approved by a majority vote of blind vending operators licensed pursuant to this subdivision after the commissioner provides to each blind vending operator information on all matters relevant to the fringe benefits. Fringe benefits shall be paid only from assessments of operators for specific benefits, gifts to the fund for fringe benefit purposes, and vending income which is not assignable to an individual stand.

The commissioner shall issue each license for the operation of a vending stand or vending machine for an indefinite period but he may terminate any license in the manner provided. In granting licenses for new or vacated stands preference on the basis of seniority of experience in operating stands under the control of the commissioner shall be given to capable operators who are deemed competent to handle the enterprise under consideration. Application of this preference shall not prohibit the commissioner from selecting an operator from the community in which the stand is located.

Subd. 9. [TRAINING OF SELECTED APPLICANTS.] Each applicant selected by the commissioner for a license to operate a vending stand or

vending machine shall be given training in the operation and conduct of such vending stand or vending machine.

Subd. 10. [REVOCATION OF LICENSES; HEARING.] The commissioner shall not revoke any license except for good cause shown. An opportunity for a fair hearing shall be afforded any operator within 30 days after revocation of license.

Subd. 11. [POLICY CHANGES; NOTICE AND HEARING.] Any major changes in policies made by the commissioner in the conduct of this program will be preceded by a public hearing. Each operator shall be given 30 days notice of such hearing.

Subd. 12. [REIMBURSEMENT OUT OF STATE DISTRIBUTION OF BRAILLE AND TALKING BOOKS.] The commissioner of ~~human services~~ *employment and training* shall obtain reimbursement from other states for the estimated cost of handling of Braille books and talking books for the blind distributed by the department of ~~human services~~ *employment and training* to users in such other states and may contract with the appropriate authorities of such states to effect such reimbursement. All money received hereunder shall be paid to the state treasurer and placed in the general fund.

Subd. 13. [REHABILITATION FACILITIES.] From the funds appropriated for vocational rehabilitation of the blind and matching federal funds available for the purpose, the commissioner of ~~human services~~ *employment and training* may make grants, upon such terms as he may determine, to public or nonprofit organizations for the establishment, maintenance or improvement of rehabilitation facilities or sheltered workshops for the blind.

Subd. 14. [TRAINING OF WORKERS FOR REHABILITATION OF BLIND.] From funds provided by the state or the United States for the rehabilitation of blind persons, the commissioner of ~~human services~~ *employment and training* may make provision for:

(1) Specialized supplementary training of professional workers employed by services for the blind, which shall consist of selected courses of study designed to improve worker techniques in providing assistance with adjustment to blindness, guidance, training and vocational placement services to blind children and adults;

(2) The employment of student trainees enrolled in graduate school programs. Such trainees to be employed on a one-third time basis during the regular school term and on a full time basis during the extra school term. Student trainees shall not be counted against the regular staff complement and shall not exceed eight in number employed concurrently.

Subd. 14a. [RULES.] The commissioner of ~~human services~~ *employment and training* shall, no later than February 1, 1985, adopt rules to set standards for the provision of rehabilitative services to blind and visually handicapped persons. The rules shall, at a minimum, contain program definitions and set standards for basic eligibility, including financial need eligibility and definitions of legal blindness.

The rules shall provide for the development of formal rehabilitation plans for eligible clients and shall govern the provision of direct rehabilitative services to clients, including placement in training programs, and providing

tools and equipment. In addition, the rules shall set standards for appeals filed under subdivision 15, and include specific requirements for timely responses by the agency.

Subd. 15. [APPEALS FROM AGENCY ACTION.] An applicant for or recipient of rehabilitation service who is dissatisfied with an agency's action with regard to the furnishing or denial of services may:

(1) File a request for an administrative review and redetermination of that action to be made by a ~~member or members of the supervisory staff of the state agency~~ *the commissioner*.

(2) ~~When an individual is dissatisfied with the findings of this administrative review, he shall be granted an opportunity for a fair hearing before the state administrator or his designee.~~

(3) If further appeal is deemed necessary by the applicant or recipient, his grievance shall be considered and relief if any recommended by an appeal committee. The committee shall be composed of one person nominated by the applicant or recipient, one person nominated by the agency, and a third person nominated jointly by the applicant or recipient and the agency. If the third person cannot be mutually agreed upon within ten days of the applicant's or recipient's request for a committee hearing, the judge of the district court in the applicant's or recipient's county of residence shall make the third appointment.

Sec. 14. Minnesota Statutes 1984, section 248.08, is amended to read:

248.08 [PAYMENTS BY COMMISSIONER OF HUMAN SERVICES EMPLOYMENT AND TRAINING.]

The commissioner of ~~human services employment and training~~ is hereby authorized to defray the necessary expenses of the work from the appropriation for the current expenses of the commissioner of ~~human services employment and training~~; provided, that in any county of this state now or hereafter having a population of over 150,000, and an assessed valuation of over \$200,000,000, including money and credits, the county board is hereby authorized to defray part or all of the necessary expenses of maintaining the work within the county from the general revenue fund of the county, not exceeding the total sum of \$3,600, in any one calendar year; and, in carrying on this work, may appoint and employ an assistant to the regular field agent for the blind in the county, who shall work under the direction of the agent in the county. The portion of the salary of the field agent, and of any assistant to be paid by the county, shall be fixed by the county board at its first meeting in January in each year; and such salary of the field agent and assistant shall be paid in the same manner as the salary of other county officers and employees are paid. All necessary expenses of the agent and assistant in carrying on this work in the county, not paid by the commissioner of ~~human services employment and training~~, shall be paid by the county board as other claims against the county are paid.

Sec. 15. Minnesota Statutes 1984, section 256.736, is amended to read:

256.736 [~~WORK INCENTIVE EMPLOYMENT AND TRAINING PROGRAM.~~]

Subdivision 1. [~~CREATION.~~] There is hereby established a program to

help appropriate recipients of aid to families with dependent children become self-supporting members of society.

Subd. 1a. [COMMISSIONER.] The commissioner of employment and training shall administer, on behalf of the commissioner of human services, those aspects of the aid to families with dependent children program, excluding categorical and financial eligibility, which directly relate to:

- (1) recipients' participation in employment and training programs;*
- (2) requirements for and conditions of participating in employment and training programs;*
- (3) the design and administration of such programs; and*
- (4) the supervision of county boards in carrying out responsibilities related to employment and training programs.*

The commissioner of employment and training and the commissioner of human services are authorized to implement those programs and authorities, including supported work programs and other demonstration projects which are authorized under federal regulations to increase services or federal reimbursement available for providing employment and training services for recipients of aid to families with dependent children.

Subd. 2. [DUTIES OF THE COMMISSIONER OF ECONOMIC SECURITY.] The commissioner of economic security shall develop a training and employment program for each appropriate relative and dependent child receiving aid to families with dependent children, with the objective of assuring, to the maximum extent possible, that the relative and child will enter the labor force, accept reasonable employment, and become self-sufficient.

Subd. 3. [OPERATION OF PROGRAM.] To determine who shall be designated as an appropriate individual for certification to the commissioner of economic security, the commissioner of human services employment and training shall provide, by rule, standards for county welfare agencies boards and human services boards consistent with the standards promulgated by the secretary of health and human services. County welfare agencies boards shall certify appropriate individuals to the commissioner of economic security employment and training and shall require that every individual, as a condition of receiving aid to families with dependent children, register for employment services, training, and employment, unless such individual is:

- (1) a child who is under age 16, a child age 16 or 17 who is attending elementary or secondary school or a secondary level vocational or technical school full time, or a full-time student age 18 who is attending a secondary school or a secondary level vocational or technical program and who is expected to complete the school or program before reaching age 19;*
- (2) a person who is ill, incapacitated or of advanced age;*
- (3) a person so remote from a work incentive an employment and training project that his effective participation is precluded;*
- (4) a person whose presence in the home is required because of illness or incapacity of another member of the household;*
- (5) a parent or other caretaker relative of a child under the age of six who*

personally provides full-time care for the child;

(6) a parent or other caretaker if another adult relative in the house is registered and has not, without good cause, failed or refused to participate or accept employment; or

(7) a pregnant woman in the last trimester of pregnancy; or

(8) a parent who is not the principal earner if the parent who is the principal earner is not exempt under clauses (1) to (6) (7).

Any individual referred to in ~~clause~~ clauses (5) to (8) shall be advised of the option to register for employment services, training services, and employment if the individual so desires, and shall be informed of the child care and other services, if any, which will be available if the individual decides to register.

If, after planning with a recipient, a decision is made that the recipient must register for employment services, training, and employment, the county ~~welfare department~~ boards shall give notice in writing to the recipient stating that he or she must register with the commissioner of ~~economic security employment and training~~ for participation in a ~~work incentive~~ an employment and training program and that the recipient has a right to a fair hearing under section 256.045 with respect to the appropriateness of the registration.

Subd. 4. [CONDITIONS OF CERTIFICATION.] The commissioner of human services shall:

(1) Arrange for or provide any relative or child certified to the commissioner of ~~economic security employment and training~~ pursuant to this section with child-care services, transportation, and other necessary family services;

(2) Pay ten percent of the cost of ~~programs of training and employment established by the commissioner of economic security for persons certified hereunder the work incentive program and of other costs that are required by federal regulation for employment and training programs for recipients of the aid to families with dependent children program;~~

(3) Provide that in determining a recipient's needs any monthly incentive training payment made to the recipient by the department of ~~economic security employment and training~~ is disregarded and the additional expenses attributable to his participation in a program are taken into account in grant determination to the extent permitted by federal regulations; and

(4) Provide that when it has been certified by the commissioner of ~~economic security employment and training~~, certification to be binding upon the commissioner of human services, that a relative or child certified under the ~~work incentive employment and training~~ program to the commissioner of economic security has been found by the commissioner, after a hearing conducted in the manner prescribed by section 268.10, subdivision 3, with the right of review in accordance with the provisions of section 268.10, subdivision 8, to have refused without good cause to participate under a ~~work incentive an employment and training~~ program or to have refused without good cause to accept a bona fide offer of public or other employment, the county welfare departments shall provide that:

(a) If the relative makes the refusal, the relative's needs shall not be taken

into account in making the grant determination, and aid for any dependent child in the family will be made in the form of *protective or vendor payments except that when protective payments are made, the local agency may continue payments to the relative if a protective payee cannot reasonably be found.*

(b) Aid with respect to a dependent child will be denied if a child who makes the refusal is the only child receiving aid in the family.

(c) If there is more than one child receiving aid in the family, aid for the child who makes the refusal will be denied and his or her needs will not be taken into account in making the grant determination.

(d) If the assistance unit's eligibility is based on the *nonexempt* principal earner's unemployment and the principal earner fails or refuses without good cause to participate or to accept employment, the entire assistance unit is ineligible for benefits under sections 256.72 to 256.87, *if the family is subject to requirements of the work incentive program.*

Subd. 5. [EXTENSION OF ~~WORK INCENTIVE EMPLOYMENT AND TRAINING OPPORTUNITIES.~~] The commissioner of human services shall cooperate with the commissioner of ~~economic security~~ *employment and training* to ~~promote~~ *extend* the availability of training and employment opportunities on a state wide basis.

Subd. 6. [PROTECTION FROM GARNISHMENT.] Earnings of a recipient while participating in full or part-time employment or training shall be protected from garnishment. This protection shall extend for a period of six months from the date of termination of a recipient's grant of assistance.

Subd. 7. [~~COMPLIANCE WITH FEDERAL CHANGES RULEMAKING.~~] The commissioner of human services ~~is and the commissioner of employment and training are~~ authorized to promulgate such *coordinated rules and regulations* as are necessary to qualify for any federal funds available under this section ~~and to carry out the provisions of this section.~~

Subd. 8. *The commissioner of human services shall amend the state plan for aid to families with dependent children to provide as special needs payments funds for the costs of child care, transportation, tuition, and items associated with education or seeking employment to the extent allowed under federal regulations and state appropriations.*

Subd. 9. [CHANGES IN STATE PLAN AND RULES; WAIVERS.] *The commissioner of human services shall make changes in the state plan and rules or seek any waivers or demonstration authority necessary to minimize barriers to participation in the employment and training programs or to employment. Changes must be sought in at least the following areas: allowances, child care, work expenses, the amount and duration of earnings incentives, medical care coverage, limitations on the hours of employment, and administrative standards and procedures. The commissioner shall implement each change as soon as possible.*

Sec. 16. Minnesota Statutes 1984, section 256.737, is amended to read:

256.737 [COMMUNITY WORK EXPERIENCE PROGRAM.]

In order that persons receiving aid under this chapter may be assisted in

achieving self-sufficiency by enhancing their employability through meaningful work experience and training and the development of job search skills, the commissioner of human services may continue the pilot community work experience demonstration programs that were approved by January 1, 1984. No new pilot community work experience demonstration programs may be established. The commissioner shall: (a) assist counties in the design, implementation, and evaluation of these demonstration programs; (b) promulgate, in accordance with chapter 14, emergency rules necessary for the implementation of this section, except that the time restrictions of section 14.35 shall not apply and the rules may be in effect until the termination of the demonstration programs; and (c) seek any federal waivers necessary for proper implementation of this section in accordance with federal law. The commissioner shall prohibit use of participants in the programs to do work that was part or all of the duties or responsibilities of an authorized public employee position established as of January 1, 1983. The exclusive bargaining representative shall be notified no less than 14 days in advance of any placement by the community work experience program. Concurrence with respect to job duties of persons placed under the community work experience program shall be obtained from the appropriate exclusive bargaining representative. The appropriate oversight committee shall be given monthly lists of all job placements under a community work experience program.

Projects shall end no later than June 30, ~~1985~~ 1987, and a preliminary report shall be made to the legislature by February 15, ~~1985~~ 1987, on the feasibility of permanent implementation and on the cost effectiveness of each of the demonstration programs.

Sec. 17. Minnesota Statutes 1984, section 256C.24, is amended to read:

256C.24 [REGIONAL SERVICE CENTERS.]

Subdivision 1. [LOCATION.] The commissioner of ~~economic security~~ *human services* shall establish up to eight regional service centers for hearing impaired persons. The centers shall ~~be co-located with existing vocational rehabilitation field offices~~ and be distributed regionally to provide access for hearing impaired persons in all parts of the state. The center shall maintain a current registry of those persons having or suspected of having a hearing impairment who live in that region. A special task of the registry is to assure that referrals and follow-up services are completed with respect to persons in the register.

Subd. 2. [RESPONSIBILITIES.] The regional service center shall:

(a) Serve as the central entry point for hearing impaired persons in need of human services and make referrals to the services needed;

(b) Employ staff trained to work with hearing impaired persons;

(c) Provide to all hearing impaired persons interpreter services which are necessary to help them obtain human services;

(d) Serve as the regional interpreter referral center for hearing impaired persons and human services agencies;

(e) Loan equipment and resource materials to hearing impaired persons; and

(f) Cooperate with ~~the department of human services~~ *responsible depart-*

ments and administrative authorities to provide access for hearing impaired persons to services provided by state, county and regional human services agencies.

Subd. 3. [ADVISORY COMMITTEE.] The commissioner of ~~economic security, in consultation with the commissioner of~~ human services shall appoint an advisory committee of eight persons for each regional service center. Members shall include four persons who are hearing impaired persons or who are the parents of a hearing impaired child and four representatives of county and regional human services, including representatives of private service providers. Members shall serve without payment by the state of per diem or expense. The commissioner of ~~economic security human services~~ shall designate one member as chairperson. The ~~commissioners of economic security and commissioner of~~ human services shall assign staff to serve as ex officio members of the committee.

Sec. 18. Minnesota Statutes 1984, section 256C.25, is amended to read:

256C.25 [INTERPRETER SERVICES.]

Subdivision 1. [ESTABLISHMENT.] The commissioner of ~~economic security human services~~ shall supervise the development and implementation of a statewide interpreter referral service. The commissioner of ~~economic security human services~~ shall contract with appropriate organizations to provide this centralized service.

Subd. 2. [DUTIES.] The central interpreter referral service shall:

(a) Establish and maintain a statewide directory of interpreters who have received appropriate training and certification;

(b) Provide technical assistance to the regional service centers in implementing the interpreter referral service; and

(c) Assess the present and projected supply and demand for interpreting services statewide.

Sec. 19. Minnesota Statutes 1984, section 256C.26, is amended to read:

256C.26 [EMPLOYMENT SERVICES.]

The commissioner of ~~economic security~~ employment and training shall ~~develop and implement~~ *include in the biennial plan under section 45, subdivision 3, clause (9), a method to deal with the underemployment of hearing impaired persons. The plan shall provide for training regarding the nature of hearing handicaps for department staff who consult with prospective employers or who provide job placement services.*

Sec. 20. [256C.265] [COUNCIL FOR THE HEARING IMPAIRED.]

Subdivision 1. [MEMBERSHIP.] *There is created the Minnesota council for the hearing impaired within the department of human services. The council consists of seven members appointed by the commissioner and a representative of each advisory council established under section 256C.24, subdivision 3. At least four of the members appointed by the commissioner must be hearing impaired. Council members are appointed for four-year terms, except for the members first appointed, of whom three are appointed for a term ending December 31, 1990, two for terms ending December 31,*

1989, and two for terms ending December 31, 1988.

Subd. 2. [REMOVAL; VACANCIES.] *The compensation, removal of members, and filling of vacancies on the council shall be as provided in section 15.0575.*

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

(1) *advise the commissioner regarding the development of policies, programs, services affecting the hearing impaired, and on the use of appropriate federal funds;*

(2) *create a public awareness of the special needs and potentialities of hearing impaired persons; and*

(3) *provide the commissioner with a review of ongoing services, programs, and proposed legislation affecting the hearing impaired.*

Sec. 21. Minnesota Statutes 1984, section 256D.02, subdivision 13, is amended to read:

Subd. 13. "Suitable employment" means an appropriate income producing job including, but not limited to, all ~~public~~ publicly subsidized jobs procured through the ~~work equity program~~ programs administered by or coordinated with the commissioner of employment and training. "Suitable employment" does not mean employment in a community investment program under section 51.

Sec. 22. Minnesota Statutes 1984, section 256D.03, subdivision 2, is amended to read:

Subd. 2. After December 31, 1980, state aid shall be paid to local agencies for 75 percent of all general assistance grants up to the standards of section 256D.01, subdivision 1a, and according to procedures established by the commissioner. After October 1, 1985, state aid shall be paid to local agencies for 60 percent of the cost of wages paid to individuals who are eligible for and were receiving general assistance prior to their placement in a part-time publicly subsidized job in a community investment program under section 51, up to the standards of section 256D.01, subdivision 1a, plus 100 percent of the amounts established by the commissioner of employment and training to account for employment expenses and necessary equipment costs.

After June 30, 1986, state aid shall be paid to local agencies for 25 percent of general assistance grants paid to individuals who are not exempt from work requirements under section 256D.111, subdivision 2, or who are not employed in a permanent job subsidized by grant diversion pursuant to section 256D.09, subdivision 3, if the county does not have an approved and operating community investment program.

Any local agency may, from its own resources, make payments of general assistance: (a) at a standard higher than that established by the commissioner without reference to the standards of section 256D.01, subdivision 1; or, (b) to persons not meeting the eligibility standards set forth in section 256D.05, subdivision 1, but for whom the aid would further the purposes established in the general assistance program in accordance with rules promulgated by the commissioner pursuant to the administrative procedure act.

Sec. 23. Minnesota Statutes 1984, section 256D.09, subdivision 3, is amended to read:

Subd. 3. [EMPLOYMENT PAYMENTS FUNDED BY GRANT DIVERSION.] Notwithstanding the provisions of subdivision 1, the commissioner ~~may of employment and training shall~~ establish by rule ~~or emergency rule~~ a grant diversion program for payment of all or a part of a recipient's grant to a private, nonprofit, or public employer who agrees to employ the recipient ~~in a permanent job~~. The commissioner of employment and training shall design the program to provide, to the extent possible, employment or employment-related training that will enable recipients to become self-supporting. A recipient shall be eligible for general assistance medical care during the term of the grant diversion contract to the extent that medical care coverage is not provided by the employer. Any rule adopted by the commissioner of employment and training:

(a) Shall require the local agencies to administer and deliver the grant diversion program directly or to ~~delegate administration contract for the delivery of the program to~~ with another unit of government or service provider certified by the full productivity and opportunity coordinator;

(b) Shall require that grants paid to employers be paid pursuant to a written grant diversion contract;

(c) Shall determine the amount of the grant to be paid to the employer and the term of the grant diversion contract;

(d) Shall establish standards to ensure that recipients hired pursuant to grant diversion contracts do not displace other workers;

(e) Shall provide for the amount of the wage to be paid to the recipient, which shall not be less than the minimum wage ~~for jobs with nonprofit and public employers~~ and shall be the usual and customary wage for similar jobs with ~~private~~ the employers;

(f) Shall provide for the minimum number of hours per month the recipient ~~must work job must provide~~, which shall be sufficient to provide a net monthly wage equal to or exceeding the difference between the amount of the grant retained by the recipient and ~~150~~ 175 percent of the recipient's monthly grant standard if the recipient were not employed; and

(g) May establish other terms and conditions for the operation of the grant diversion program.

Sec. 24. Minnesota Statutes 1984, section 256D.09, is amended by adding a subdivision to read:

Subd. 4. [PART-TIME EMPLOYMENT PAYMENTS.] If an individual who is not exempt from work requirements is not placed in permanent employment, in training, or in an employment and training program, the individual must be advised no later than six months after he or she has begun to receive public assistance of the option to receive part-time employment in a community investment program under section 51, if such a program is approved and operating.

The recipient must be offered a community investment program job, commensurate with his or her skills, at the wage rate paid to employees doing

comparable work in that locality, plus amounts for work expenses and necessary equipment costs as established by the commissioner of human services.

Eligibility for general assistance medical care continues during the time of employment.

Sec. 25. Minnesota Statutes 1984, section 256D.111, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS.] A recipient is not required to register with the department of ~~economic security~~ *employment and training* and comply with the other requirements of subdivision 1 if he is:

(a) a person who is suffering from a permanent or temporary illness, injury, or incapacity which is medically certified and which prevents the person from obtaining or retaining employment;

(b) a person whose presence in the home on a substantially continuous basis is required because of the certified illness, injury, incapacity, or the age of another member of the household;

(c) a person who has been placed in a licensed or certified facility for purposes of physical or mental health or rehabilitation, or in an approved chemical dependency domiciliary facility, if the placement is based on illness or incapacity and is pursuant to a plan developed or approved by the local agency through its director or designated representative;

(d) a person who resides in a shelter facility described in section 256D.05, subdivision 3;

(e) a person who is or may be eligible for displaced homemaker services, programs, or assistance under section 4.40, but only if that person is enrolled as a full-time student;

(f) a person not described in clause (a) or (c) who is diagnosed by a licensed physician or licensed consulting psychologist as mentally retarded or mentally ill, and that condition prevents the person from obtaining or retaining employment;

(g) a person who has an application pending for the social security disability program or the program of supplemental security income for the aged, blind and disabled, or who has been terminated from either program and has an appeal from that termination pending;

(h) a person who is unable to obtain or retain employment because his advanced age significantly affects his ability to seek or engage in substantial work;

(i) a person completing a secondary education program or one who has been referred to, has applied for, or is in a work training, work experience, vocational rehabilitation, or other vocational or technical training program, *including those persons receiving grants from the higher education coordinating board as part-time students*; however, the period of time that the person is exempted under this clause waiting for acceptance into the program shall not be more than two months;

(j) an adult member of a household with children in which another adult is

employed full time or has registered for employment services with the department of ~~economic security~~ *employment and training* or been accepted in a work training program;

(k) a person who has substantial barriers to employment, including but not limited to factors relating to work or training history, as determined by the local agency in accordance with permanent or emergency rules adopted by the commissioner after consultation with the commissioner of ~~economic security~~ *employment and training*; or

(l) a person who is certified by the commissioner of ~~economic security~~ *employment and training* as lacking work skills or training or as being unable to obtain work skills or training necessary to secure employment, as defined in a permanent or emergency rule adopted by the commissioner of economic security in consultation with the commissioner.

The exemption of a person described in clause (k) or (l) shall be reassessed annually.

Sec. 26. Minnesota Statutes 1984, section 268.04, is amended by adding a subdivision to read:

Subd. 34. [COORDINATOR.] "Coordinator" means the full productivity and opportunity coordinator.

Sec. 27. Minnesota Statutes 1984, section 268.04, is amended by adding a subdivision to read:

Subd. 35. [LOCAL SERVICE UNIT.] "Local service unit" means a county, one or more counties operating under a joint powers agreement, city of the first class, or a service delivery area designated under the jobs training partnership act or under sections 268.671 to 268.686.

Sec. 28. [268.041] [COUNCIL FOR THE BLIND.]

Subdivision 1. [MEMBERSHIP.] There is created the Minnesota council for the blind within the department of employment and training. The council consists of seven members appointed by the commissioner. At least four of the council members shall be blind or visually handicapped. Council members are appointed for four-year terms, except for the members first appointed, of whom three are appointed for a term ending December 31, 1990, two for terms ending December 31, 1989, and two for terms ending December 31, 1988.

Subd. 1a. [REMOVAL; VACANCIES.] The compensation, removal of members, and filling of vacancies on the council shall be as provided in section 15.0575.

Subd. 2. [DUTIES.] The council shall:

(1) advise the commissioner on the qualifications for the director of the division of services for the blind;

(2) advise the commissioner regarding the development of policies, programs, services affecting the blind and visually impaired, and on the use of appropriate federal funds;

(3) advise the commissioner regarding policies relating to eligibility determinations;

(4) create a public awareness of the special needs and potentialities of blind and visually impaired persons; and

(5) provide the commissioner with a review of ongoing services, programs, and proposed legislation affecting the blind and visually impaired.

Sec. 29. Minnesota Statutes 1984, section 268.08, is amended by adding a subdivision to read:

Subd. 10. [APPROVED TRAINING.] (a) [CREATION.] There is created a training program for structurally unemployed workers in Minnesota under which individuals may be enrolled in an on-the-job training program, and an additional 1,000 individuals may be enrolled in classroom training in accordance with the provisions of this subdivision. Nothing in this subdivision shall be considered to limit or adversely affect the approved training provisions applicable to an individual under section 268.08, subdivision 1, clause (3). An individual approved under this subdivision shall be eligible for tuition aid under the provisions of chapter 136A. The commissioner shall report to the legislature annually regarding the status of the training program under this subdivision.

(b) [APPROVAL OF TRAINING.] An individual's enrollment in a training course shall be approved for the purposes of this subdivision if the commissioner finds that:

(1) the individual is not unemployed due to the seasonal nature of the work or a temporary work shortage;

(2) the individual's separation from most recent employment was caused by job obsolescence, plant shutdown, regional decline in the individual's customary occupation, or industry slowdown;

(3) the individual has received a notice of layoff and is unlikely to return to work for that employer or in that occupation within the 12-month period immediately following the separation;

(4) reasonable and suitable work opportunities for which the individual is fitted by training, experience, and physical capabilities do not exist within the local labor market;

(5) the training course is designed to provide preparation for available employment within the local labor market or in an area to which the individual is willing to relocate;

(6) the training is conducted by an agency, education institution, or employing unit which has been approved by the department of education or state board for vocational technical education or higher education coordinating board to conduct training programs; except that any agency, education institution, or employing unit which is not subject to regulation and approval by one of the above agencies may be approved by the commissioner if it is determined that the curriculum, facilities, staff, and other essentials are adequate to achieve the training objective;

(7) the training consists of a full course load, as defined by the institution, necessary to achieve the approved training objective, and the individual is making satisfactory progress in the course. The department may require the training institution to periodically certify to the individual's attendance and

progress.

(c) [ON-THE-JOB TRAINING.] *An individual who meets the criteria set forth under paragraph (b) shall be eligible for participation in a full-time on-the-job training program provided that:*

(1) *the on-the-job training position is in an occupation for which the commissioner has determined a demand exists or will exist. In making this determination, the commissioner shall consider labor market information as contained in state and national occupational outlook publications, as well as other generally accepted authoritative sources with verifiable validity;*

(2) *the employer pays an hourly wage during training of at least the state minimum wage;*

(3) *the employer guarantees to provide at least 12 months of employment to the trainee after the completion of training at the prevailing area labor market wage for a trained individual in that occupation;*

(4) *the employer will not terminate the trainee during the period of training or guaranteed employment except for misconduct or demonstrated substandard performance;*

(5) *the employer may not terminate, lay off, or reduce the hours of any employee for the purpose of hiring an individual with funds available, and may not hire an individual if any other person is on layoff from the same or substantially equivalent job.*

(d) [TRAINING ALLOWANCE.] *During participation in an approved on-the-job training program, the trainee shall maintain both satisfactory progress and attendance. During the period of training specified in the agreement between the commissioner and the employer, individuals participating in an approved on-the-job training program shall be paid with respect to each week claimed during the benefit year and prior to exhaustion a benefit in an amount equal to the weekly benefit amount, less that part of the earnings, including holiday pay, which is in excess of \$100. The benefit shall be computed by rounding down to the nearest dollar amount. Notwithstanding any other provision, an individual participating in on-the-job training on a full-time basis shall not be considered employed for purposes of benefit eligibility.*

(e) [EMPLOYER PENALTY.] *An employer who enters into an on-the-job training agreement with the department and terminates the trainee in a manner other than provided in this subdivision shall repay 70 percent of the amount of unemployment insurance benefits paid to the individual while in the training program with that employer if terminated during the training period. If terminated during the 12-month period of guaranteed employment, the employer shall receive a proportional reduction in the amount it must repay. The commissioner shall use any funds collected by him under this paragraph for job search and relocation expenses of structurally unemployed workers participating in the training program.*

(f) [FUNDING.] *In arranging for training, existing federal and state financed job training service deliverers and Wagner-Peyser mechanisms and funds shall be utilized in the most efficient and effective manner.*

Sec. 30. Minnesota Statutes 1984, section 268.31, is amended to read:

268.31 [DEVELOPMENT OF YOUTH EMPLOYMENT OPPORTUNITIES.]

To the extent of available funding, the commissioner of ~~economic security~~ *employment and training* shall ~~hire~~ *establish a program to employ* individuals from the ages of 14 years up to 22 years. *Funds must be used to support employment under this section for a maximum of 12 weeks, not to exceed 40 hours per week per individual, during the summer for the purpose of placing such individuals in service with the department of economic security and with community investment programs under section 51 or with other departments, agencies and instrumentalities of the state, county, local governments, school districts and with nonprofit organizations and for job related support services not to exceed ten percent of the allocation for eligible youths placed in public or private-sector summer employment. Priority for employment shall be given to those young individuals between the ages of 16 years up to 22 years. The commissioner shall cooperate with the commissioner of human services in determining and implementing the most effective means of disregarding a youth's earnings from family income for purposes of the aid to families with dependent children program, to the extent permitted by the federal government.*

Sec. 31. Minnesota Statutes 1984, section 268.32, is amended to read:

268.32 [RATE OF PAY.]

Persons ~~hired~~ *employed* pursuant to sections 268.31 to 268.36 shall be compensated at the federal minimum wage rate. Persons hired in a supervisory capacity shall be compensated ~~at a rate according to criteria~~ established by the commissioner *in rules*.

Sec. 32. Minnesota Statutes 1984, section 268.33, is amended to read:

268.33 [ELIGIBILITY FOR EMPLOYMENT AND PLACEMENT.]

~~Subdivision 1.~~ The ~~department of economic security~~ *commissioner of employment and training* shall promulgate rules determining the *priority* and eligibility for employment and placement pursuant to sections 268.31 to 268.36. The ~~department~~ *commissioner* shall have emergency ~~powers~~ and *permanent rulemaking authority* to implement rules for carrying out sections 268.31 to 268.36.

~~Subd. 2.~~ The ~~department of economic security~~ *commissioner of employment and training* shall, for the purposes of sections 268.31 to 268.36, be exempt from complying with any law relating to hiring by departments, agencies or instrumentalities of the state.

Sec. 33. Minnesota Statutes 1984, section 268.34, is amended to read:

268.34 [EMPLOYMENT CONTRACTS.]

The commissioner ~~may~~ *shall* enter into arrangements with existing public and private nonprofit organizations and agencies with experience in administering ~~summer~~ youth employment programs for the purpose of providing employment opportunities in furtherance of sections 268.31 to 268.36 and to advance up to 20 percent of a summer youth employment contract to any participating organization or agency. The department of ~~economic security~~ *employment and training* shall retain ultimate responsibility for the adminis-

tration of this employment program, including but not limited to, approval of summer job opportunities, ~~review~~ *eligibility* of applicants therefor, placement of youth in jobs and the disbursement of funds.

Sec. 34. Minnesota Statutes 1984, section 268.36, is amended to read:

268.36 [REPORT TO THE GOVERNOR COORDINATOR AND THE LEGISLATURE.]

The commissioner, after consultation with the ~~CETA prime sponsors~~ *counties and providers of employment and training services*, shall evaluate the effectiveness of ~~the youth employment program programs~~ *the youth employment program programs*, taking into account the extent of ~~other~~ *all* programs which are providing summer employment opportunities for youth ~~covered under sections 268.31 to 268.36~~, and shall report to the ~~governor coordinator~~ *governor coordinator* and the legislature no later than January 15 of each ~~even~~ *even*-numbered year with an evaluation of ~~the program~~ *this and other programs* and any recommendations for improvements.

Sec. 35. Minnesota Statutes 1984, section 268.672, subdivision 6, is amended to read:

Subd. 6. [ELIGIBLE JOB APPLICANT.] "Eligible job applicant" means a person who: (1) has been a resident of this state for at least one month, (2) is unemployed, (3) is not receiving and is not qualified to receive unemployment compensation or workers' compensation, and (4) is determined by the employment administrator to be likely to be available for employment by an eligible employer for the duration of the job.

~~In addition, For the purposes of this subdivision, a farmer who resides in a county qualified under Federal Disaster Relief and or any member of a farm family household who can demonstrate severe household financial need may shall be considered to be unemployed under this subdivision.~~

Sec. 36. Minnesota Statutes 1984, section 268.676, subdivision 1, is amended to read:

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;
- (3) applicants who are eligible for aid to families with dependent children; and
- (4) applicants who live in a farm household who demonstrate severe household financial need.

~~In service delivery areas where the unemployment rate for the 12-month period ending the most recent March 31 is below the statewide unemployment rate at that time, the employment administrator shall give higher priority to applicants described in clause (2) than to those described in clause (1).~~

Sec. 37. Minnesota Statutes 1984, section 268.686, is amended to read:

268.686 [SUNSET SUSPENSION.]

Laws 1983, chapter 312, article 7, sections 1 to 18 are ~~repeated~~ suspended January 1, 1986.

Sec. 38. [267.01] [PURPOSE.]

The legislature finds that changes in the state economy and the structure of federal support have altered the role of state government in the planning, development, and delivery of employment, job training, job creation, income maintenance, and human service programs; that the proliferation of these programs, coupled with the rapidly changing characteristics and requirements of people who seek public assistance, has produced a need for the state to coordinate the delivery of services and programs; that there exists no office of sufficient interagency and intergovernmental focus to develop a plan to achieve full economic productivity and opportunity in Minnesota and effectively coordinate the delivery of services and programs for the purpose of simultaneously reducing unemployment rates and welfare caseloads.

Sec. 39. [267.02] [DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] For purposes of sections 38 to 42, the following terms have the meanings given them.

Subd. 2. [BIENNIAL PLAN.] "Biennial plan" means the plan submitted by the coordinator to the governor in accordance with section 41, subdivision 2.

Subd. 3. [COORDINATOR.] "Coordinator" means the full productivity and opportunity coordinator.

Subd. 4. [EMPLOYMENT PROGRAMS.] "Employment programs" means programs related to job training, job placement, job creation, and job-related counseling, including but not limited to job service programs, job training partnership act programs, wage subsidy programs, work incentive programs, community work experience programs, displaced homemaker programs, disadvantaged job training programs, grant diversion, youth employment programs, conservation corps, apprenticeship programs, and community investment programs, supported work programs, and opportunities industrialization centers.

Subd. 5. [INCOME MAINTENANCE AND SUPPORT SERVICES.] "Income maintenance and support services" means programs through which the state or its subdivisions provide direct financial or in-kind support to unemployed or underemployed persons, including but not limited to unemployment compensation, aid to families with dependent children, general assistance, food stamps, energy assistance, disability determination unit, and child care; but not including medical assistance; aging, and deaf services; social services; community social services; mental health services; or services for the emotionally disturbed, the mentally retarded, or residents of nursing homes.

Subd. 6. [LOCAL SERVICE UNIT.] "Local service unit" means a county, one or more counties operating under a joint powers agreement, city of the first class, or a service delivery area designated under the jobs training partnership act or under sections 268.671 to 268.686.

Subd. 7. [SERVICE PROVIDER.] "Service provider" means a public, private, or nonprofit agency that is capable of providing one or more of the

services or administering one or more of the programs for which the full productivity and opportunity coordinator has responsibility under the scope of this section.

Subd. 8. [WAGE SUBSIDIES.] "Wage subsidies" means subsidizing of wages and fringe benefits for eligible employees. All wage subsidies are subject to the restrictions in sections 268.672, subdivisions 3 to 7, and 9; 268.676, subdivision 1; 268.677, clauses (a), (c), (d), (e), and (f); 268.68; 268.681, subdivision 1, clauses (c), (d), and (f), and subdivisions 2, 3, and 4; and 268.682.

Sec. 40. [267.03] [OFFICE OF FULL PRODUCTIVITY AND OPPORTUNITY; COORDINATOR.]

Subdivision 1. [OFFICE OF FULL PRODUCTIVITY AND OPPORTUNITY.] The office of full productivity and opportunity is created in the executive branch.

Subd. 2. [FULL PRODUCTIVITY AND OPPORTUNITY COORDINATOR.] The governor, with the advice and consent of the senate, shall appoint a full productivity and opportunity coordinator to serve at the pleasure of the governor in the unclassified service. The salary of the coordinator is set under section 15A.081. The coordinator is head of the office of full productivity and opportunity and chairs the full productivity and opportunity council. The coordinator shall administer the provisions of sections 38 to 41.

Subd. 3. [POWERS.] The coordinator of full productivity and opportunity is authorized to:

(1) appoint a deputy and a confidential secretary, who shall serve at the coordinator's pleasure in the unclassified service;

(2) appoint other employees under chapter 43A;

(3) issue, revoke, and amend rules under the administrative procedure act;

(4) enter into contracts;

(5) where it would further the purposes of the biennial plan, recommend to the governor interdepartmental transfer of programs included in section 39, subdivisions 4, 5, and 8, which the commissioner of administration, if so ordered by the governor, shall carry out as provided in section 16B.37, subdivisions 1, 2, and 3, and implement so as not to lead to a reduction of federal funds to the state or its political subdivisions;

(6) where it would further the purposes of the biennial plan, recommend to the governor transfer of one or more programs included in section 39, subdivisions 4 and 8, to a service provider other than a state agency;

(7) initiate and oversee wage subsidies;

(8) require the department of employment and training, the department of human services, the department of energy and economic development, and the state planning agency to furnish such assistance as the coordinator may deem necessary to fulfill the duties of his or her office;

(9) require agencies to submit any permanent rule that relates to programs or activities included in section 39, subdivisions 4, 5, and 8, for the coordi-

nator's approval or disapproval before the publication of the notice of intent required by section 14.22 or 14.30, and prevent any rule disapproved by the coordinator taking effect;

(10) based on performance related to standards established by the coordinator for the reduction of unemployment rates and welfare caseloads, the coordinator with the approval of the governor may increase or decrease the county share of payments for general assistance, under section 256D.03, subdivision 2, by as much as five percent; aid to families with dependent children, under section 256.82, subdivision 1, by as much as three percent; and state reimbursements, under section 256D.22, by as much as ten percent;

(11) certify competent service providers and decertify service providers that fail to comply with performance criteria developed by the commissioner; and

(12) if the coordinator finds that a local service unit over the period of two years consistently fails to provide service of sufficient quantity and quality to satisfy criteria established for the receipt of state funds, the coordinator has the authority to contract with another service provider for employment and training programs in that local service unit.

Sec. 41. [267.04] [DUTIES AND RESPONSIBILITIES.]

Subdivision 1. [DUTIES.] The coordinator of full productivity and opportunity shall:

(1) coordinate the delivery of income maintenance and support services under the laws of the state;

(2) coordinate the delivery of employment programs under the laws of the state;

(3) review the operating performance, effectiveness, and degree of integration of income maintenance and employment programs;

(4) consult with the governor on the subjects of income maintenance and employment, provide assistance to the governor related to income maintenance and employment, and recommend to the governor improvements in delivery of employment and income maintenance services;

(5) confer with and advise state agencies and local service units that are responsible for income maintenance and employment programs;

(6) ensure coordination and cooperation among state and federal agencies, county and local governments, and private service providers serving on a contract basis;

(7) prepare and oversee the implementation of the biennial plan;

(8) review criteria established by the department of employment and training and the department of human services for receipt of state funds designated for employment, training, and income maintenance programs included in section 39, subdivisions 4, 5, and 8;

(9) review the performance of local service units and obtain from them the reports necessary to monitor and evaluate the success of their employment and training programs;

(10) report to the legislature regarding changes needed to more adequately serve the needs of those who are unemployed, underemployed or untrained;

(11) design and monitor the development and administration of the intake, referral, and inventory system;

(12) oversee and monitor the coordination of programs and the sharing of responsibility for employment and training between the department of employment and training and the department of human services;

(13) review and make recommendations concerning plans of the department of employment and training and the department of human services for federally sponsored programs and demonstration projects;

(14) develop guidelines governing the contents, submission, and updating of biennial plans by state agencies and local service units;

(15) establish performance objectives for individual local service units that include realistic goals for reducing or managing unemployment rates and welfare caseloads;

(16) work with the commissioner of administration to coordinate databases and information systems among state agencies, including, but not limited to, the departments of energy and economic development, employment and training, human services, transportation, natural resources, and public safety, and the state planning agency; and

(17) seek input from representatives of local service units, business, and labor on the delivery and development of employment and training programs.

Subd. 2. [BIENNIAL PLAN.] The coordinator shall submit a biennial plan to the governor by July 1 of each even-numbered year. Upon approval by the governor, the plan serves as a basis for the development of the governor's budget proposal for employment, training, and income maintenance. After the legislature has acted, and before July 1 of each odd-numbered year, the coordinator shall revise the biennial plan to incorporate legislative action. Upon approval by the governor, the revised plan governs the administration and delivery of all employment programs and income maintenance and support services.

The plan must provide at least the following:

(1) a strategy for achieving full productivity and opportunity in Minnesota that specifies priorities among employment, income maintenance and support services, and economic development programs;

(2) unemployment reduction goals;

(3) welfare caseload reduction goals;

(4) a review and comment on the vocational programs administered by the vocational technical education system and the community colleges;

(5) a strategy for efficient integration of federal, state, local, and private resources;

(6) a strategy to encourage local and private involvement in the full pro-

ductivity and opportunity program; and

(7) suggestions to maximize the effectiveness of appropriated funds.

Subd. 3. [INTAKE, REFERRAL, AND INVENTORY SYSTEM.] Within 30 days of appointment, the coordinator shall develop guidelines and a timetable for the development of an intake, referral, and inventory system (IRIS). The system must provide for localized, single-point client intake with direct access to a statewide database. The system must include information on all available public and private programs for employment and income maintenance. The system must emphasize methods to match client needs with employment opportunities, appropriate services, programs, providers, funding sources, and other sources of assistance. The system must be coordinated with other state databases. Access to the system, within federal and state data practices provisions, must be available in each public assistance office. Employees in public assistance offices shall actively use the system to assist clients.

Subd. 4. [DUTIES WITH RESPECT TO COMMUNITY INVESTMENT PROGRAMS.] The coordinator shall:

(1) confer with the commissioners of employment and training, energy and economic development, human services, education, agriculture, public safety, natural resources, and health, and representatives of local governments to determine the type of activities valuable to the state and local communities and the type of jobs that would provide valuable training, skills, and work experience to part-time program employees;

(2) adopt permanent rules governing plan content, criteria for approval, and administrative standards;

(3) refer community investment program administrators to the appropriate state agency for technical assistance to aid in developing and administering community investment programs;

(4) develop monitoring and evaluation criteria and institute ongoing methods for overseeing the administration and results of community investment programs;

(5) establish the method by which community investment programs will be approved or disapproved by the state and approve or disapprove county plans, which have been submitted on a timely basis, by November 1 of each even-numbered year;

(6) report to the governor and legislature, semiannually, on the operation and performance of the community investment programs; and

(7) inform the commissioners of human services and employment and training of those counties which do not have an approved plan.

Subd. 5. [ALLOCATION OF WAGE SUBSIDY FUNDS.] The coordinator shall allocate wage subsidy funds twice each fiscal year in the following manner. Seventy percent of the funds available for allocation to local service units for wage subsidy programs must be allocated among local service units as follows: the proportion of the wage subsidy funds available to each service delivery unit shall be based on the number of unemployed persons in the local service unit for the most recent six-month period and the

number of general assistance cases and aid to families with dependent children cases in the local service unit for the most recent six-month period; 30 percent of the funds allocated to local service units under the program must be allocated at the discretion of the coordinator.

Where federal and state law allow, wage subsidy funds may be pooled and used in combination with funds from other employment and training or income maintenance programs for the purpose of enhancing clients' opportunities to obtain full-time employment and achieve economic independence.

Subd. 6. [SPECIAL WAGE SUBSIDY PROGRAMS.] (a) The coordinator shall monitor local and statewide unemployment rates. If the coordinator determines that an economic emergency exists in one or more local service units, he may recommend to the governor to increase the wage subsidy funding received by service providers for the affected area or areas.

(b) When the unemployment rate for the state of Minnesota equals or exceeds nine percent, the coordinator shall recommend to the governor to increase statewide wage subsidy funding.

These funds shall be distributed to local service units in a proportion equal to the number of unemployed people in each local service unit divided by the total number of unemployed people in the state at the end of the most recent quarter.

Sec. 42. [267.05] [FULL PRODUCTIVITY AND OPPORTUNITY COUNCIL.]

Subdivision 1. [MEMBERSHIP.] The full productivity and opportunity council consists of the following members: the commissioners of education, economic security, finance, energy and economic development, and human services, the chancellor of the board for community colleges, the directors of the state planning agency, the job skills partnership, and the vocational technical education system, a representative of organized labor, and a representative of the president of the University of Minnesota.

Subd. 2. [DUTIES.] The council shall provide information and advise the coordinator in the preparation of the biennial plan.

Sec. 43. [267.06] [COOPERATION OF STATE AGENCIES AND COUNTY AND LOCAL GOVERNMENTS.]

All state agencies, counties, and units of local government shall cooperate fully with the plans and directives of the full productivity and opportunity coordinator.

Sec. 44. [268A.01] [CREATION.]

Subdivision 1. There is created the department of employment and training with broad responsibility to increase the economic independence of Minnesotans with special effort toward those who are currently unemployed or who face special disadvantages in the labor market.

The department shall develop employment policies and shall link training and employment-related services with temporary income replacement and income maintenance programs, veterans' programs, workers' compensation, vocational and post-secondary education, federal income insurance programs, and economic development programs.

Subd. 2. The department shall be supervised and controlled by the commissioner, appointed by the governor with the advice and consent of the senate under section 15.06. The commissioner serves at the pleasure of the governor.

Subd. 3. (a) The commissioner may establish positions in the unclassified service in accordance with section 43A.08. The commissioner shall appoint a deputy commissioner and may appoint and define the duties of other subordinate officers and employees as he or she deems necessary to discharge the functions of the department.

(b) The commissioner may delegate any powers or duties subject to his or her control to officers and employees in the department. Notwithstanding any other law, the commissioner may delegate the execution of specific contracts or specific types of contracts to his deputies, an assistant commissioner, or a program director if the delegation has been approved by the commissioner of administration and filed with the secretary of state.

(c) The commissioner may accept gifts, bequests, grants, payments for services, and other public and private funds to help finance the activities of the department.

Sec. 45. [268A.02] [POWERS AND DUTIES.]

Subdivision 1. [STATE AGENCY.] The commissioner of employment and training is designated the "state agency" as defined by United States Code 1976, title 29, sections 49 et seq., the Wagner-Peyser Act of the United States, as amended and the laws of this state.

Subd. 2. [SPECIFIC POWERS.] The commissioner of employment and training shall:

(1) administer and supervise all forms of unemployment insurance provided for by federal and state laws that are vested in the commissioner;

(2) administer and supervise all employment and training programs assigned to the department of employment and training by federal or state law;

(3) establish and maintain any administrative units reasonably necessary for the performance of administrative functions common to all divisions of the department;

(4) supervise the county boards of commissioners and any other units of government designated in federal or state law as responsible for employment and training programs;

(5) have authority to conduct and administer demonstration projects to test methods and procedures for providing employment and training services. The demonstration must provide alternative methods and procedures of administration and must not conflict with the basic purposes, coverage, or benefits provided by law;

(6) establish administrative standards and payment conditions for providers of employment and training services; and

(7) have authority to make permanent rules to carry out the purposes of this chapter.

Subd. 3. [DUTIES AS A STATE AGENCY.] The commissioner shall:

- (1) *administer the unemployment insurance laws and related programs;*
- (2) *administer those aspects of the aid to families with dependent children, general assistance, and food stamp programs which are related to providing employment and training services, subject to the limitations of federal regulations;*
- (3) *administer wage subsidy programs;*
- (4) *administer a national system of public employment offices as prescribed by United States Code 1976, title 29, sections 49 et seq., the Wagner-Peyser Act, as amended and other federal employment and training programs;*
- (5) *cooperate with the federal government and its employment and training agencies in any reasonable manner as may be necessary to qualify for federal aid for employment and training programs and funds;*
- (6) *enter into agreements with other departments of the state and local units of government as necessary;*
- (7) *administer all programs for which it is responsible or for which it coordinates with other state agencies so that the state provides consistent, integrated employment and training services across the state;*
- (8) *develop and administer a method for providing current state and sub-state labor market information and forecasts, in cooperation with other agencies;*
- (9) *prepare and submit a biennial plan to the coordinator on or before July 1 of each even-numbered year for the succeeding biennium;*
- (10) *submit to the governor, the coordinator, the commissioners of human services and finance, and the chairs of the senate finance and house appropriations committees a semiannual report which:*
 - (a) *reports by client type, an unduplicated count of the types and number of services furnished through each program administered or supervised by the department or coordinated with it;*
 - (b) *reports on the number of job openings listed, developed, available, and obtained by clients of the department;*
 - (c) *identifies the number of cooperative agreements in place and the number of individuals being served and the types of service;*
 - (d) *evaluates the performance of special state programs, such as the wage subsidy, community investment, and grant diversion programs;*
 - (e) *explains the effects of current employment levels, unemployment rates, and program performance on the unemployment insurance fund and general assistance and aid to families with dependent children caseloads and program expenditures;*
- (11) *with the advice and consultation of the coordinator prescribe the form, nature, and method of information collected by counties and providers of service;*
- (12) *under the plan and timetable issued by the coordinator, develop and maintain the intake, referral, and inventory system required under section*

41, subdivision 3; and

(13) consult with the council for the blind on matters pertaining to programs and services for the blind and visually impaired.

Sec. 46. [268A.03] [GENERAL DUTIES WITH RESPECT TO APPLICANTS FOR AND RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN, GENERAL ASSISTANCE, AND FOOD STAMPS.]

Subdivision 1. The commissioner shall develop grant diversion processes for both aid to families with dependent children and general assistance recipients. In selecting employers, priorities shall be given to small businesses, businesses which have the potential for offering new jobs on a long-term basis, and businesses which make use of Minnesota resources and which operate primarily in Minnesota. Businesses shall be subject to the terms and conditions of sections 268.681, subdivision 3, and 268.682.

Subd. 2. Under the direction of the coordinator, the commissioner shall supervise the counties in the administration of the community investment programs to meet the needs and circumstances of public assistance recipients.

Subd. 3. (a) The department shall register clients within time limits necessary to avoid delaying a client's receipt of assistance, denying benefits, or reducing the amounts of benefits.

(b) The department shall assure that a client's employment status is appraised within 30 days and that a written employability development plan is prepared for each participating recipient in consultation with the recipient within 90 days of the referral from the local agency.

The plan must be designed to aid the recipient in obtaining suitable permanent employment, training, or work skills necessary to secure suitable employment, and may include an arrangement with another service provider or agency for specialized employment, education, training, or support services.

A copy of the plan must be given to the recipient at the time it is prepared; an additional copy must be given to the local agency for its files.

(c) If either the recipient or the local agency disagrees with the determination that the individual is lacking work skills or training, the individual or the county may appeal the decision to the commissioner.

Subd. 4. The commissioner has permanent rulemaking authority to implement this section.

Sec. 47. [268A.04] [SERVICE PRIORITIES FOR EMPLOYMENT AND TRAINING PROGRAMS, GRANT DIVERSION, AND WAGE SUBSIDIES.]

Subdivision 1. To the extent that the state has the authority to establish priority groups to be served under these programs, greatest consideration must be given to client groups identified as experiencing the most severe disadvantages to employment. Individuals volunteering for employment, regardless of whether or not they are required to register, must also be given preference to avoid the effects of long-term unemployment or dependence on

public assistance.

Subd. 2. (a) The priority for services to be provided is:

(1) permanent, unsubsidized, full-time private or nonprofit sector employment;

(2) permanent, subsidized, full-time private sector employment;

(3) permanent, subsidized, full-time nonprofit sector employment;

(4) training or relocation; and

(5) part-time, subsidized, nonprofit, or public employment with continued employment assistance.

(b) Individuals receiving any of the priority services in paragraph (a) will be provided with child care, transportation, or other support services as necessary and in relation to their eligibility and the availability of funds.

Sec. 48. [268A.05] [EMPLOYMENT AND TRAINING PROGRAMS FOR APPLICANTS FOR AND RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN, GENERAL ASSISTANCE, AND FOOD STAMPS.]

Subdivision 1. The commissioner shall develop and administer employment and training programs to assist appropriate recipients of aid to families with dependent children, food stamps, and general assistance to become economically independent. The programs shall have as their objective improving clients' opportunities for economic independence through permanent employment. The programs shall provide sufficient employment and training options to allow local service units to effectively meet the support services, educational, and training needs of their public assistance clients.

Subd. 1a. Under agreements necessary to comply with federal regulations, the commissioner shall administer employment and training programs for applicants for or recipients of aid to families with dependent children and food stamps on behalf of the commissioner of human services. The commissioner shall administer employment and training services and programs for general assistance recipients in consultation with the commissioner of human services.

Subd. 2. The commissioner shall establish, by rule, the conditions under which individuals participate in programs, their rights and responsibilities while participating, and the standards by which the programs must be administered, and shall provide fair hearings procedure governing participation.

Subd. 3. In administering the work incentive program under section 256.736, the commissioner shall assure that no later than July 1, 1986, at least 25 percent of all state and federal funds appropriated to that program must be spent for direct client services, including child care, transportation, institutional training, and on-the-job training. Seventy-five percent or less of the funds must be spent for services provided directly by state or county staff.

Subd. 4. In developing employment and training programs and services, the commissioner shall identify and incorporate, to the extent possible, funding from both federal and state income maintenance, employment and

training, and educational programs.

Subd. 5. The commissioner of employment and training shall establish a supported work program for recipients of aid to families with dependent children who have received public assistance for more than three years and who are residents of counties that have had more than three percent of their aid to families with dependent children recipients on such assistance for three years or longer. The goals of the supported work program must be made a part of the biennial plan of the commissioner.

Sec. 49. [268A.06] [LOCAL DELIVERY OF EMPLOYMENT AND TRAINING PROGRAMS AND SERVICES FOR PUBLIC ASSISTANCE RECIPIENTS.]

Subdivision 1. Unless otherwise determined by the coordinator, the counties are responsible for the delivery of employment and training programs for public assistance recipients. In carrying out the employment and training programs in sections 44 to 55, counties shall contract with an established and certified public, nonprofit, or private employment and training agency or capable post-secondary education institution and, unless the county already operates the job training partnership act program, shall not develop new administrative bodies or assign responsibilities to existing county departments. In contracting, counties must give preference, whenever possible, to state employment and training providers, including, but not limited to, job service, opportunities industrialization centers, displaced homemaker programs, work incentive programs, and job training partnership act programs.

Subd. 1a. The counties are responsible for enforcing employment and training requirements for recipients of aid to families with dependent children, food stamps, and general assistance, and must include provisions for enforcement of these requirements in any contracts with providers under subdivision 1.

Subd. 2. In establishing a contract, the county shall agree to out-station income maintenance and social service staff as necessary to accept applications and determine eligibility, monitor ongoing client eligibility, and authorize services and grants available under programs administered by the county social service or income maintenance agencies that are related to employment and training or the client's successful participation in employment and training activities.

Subd. 3. The commissioner of employment and training shall furnish sufficient co-located or out-stationed staff as are necessary to make the services provided through the department of employment and training and the programs it administers or supervises available to clients being served by the contract agency.

Subd. 4. The commissioner shall have permanent rulemaking authority to implement this section and shall establish the circumstances under which the requirements for co-location or out-stationing may be waived.

Sec. 50. [268A.07] [JOBS TRAINING PARTNERSHIP ACT; ADMINISTRATION.]

Subdivision 1. [COORDINATION OF STATE AND FEDERAL PRO-

GRAMS.] *The commissioner shall act as the governor's agent in administering the federal jobs training partnership act. To the extent permitted under federal regulation, this program shall be administered in conjunction with a comprehensive state employment and training strategy and its resources used in coordination with state programs and to further state objectives.*

Subd. 2. The commissioner shall recommend to the governor the priorities, performance standards, and special projects which are consistent with the coordinator's biennial plan.

Subd. 3. Strong consideration for income maintenance recipients must be included in the goals, objectives, and criteria of the governor's coordination and special services plan under section 121 of Public Law 97-300. Local service delivery area plans and job service plans must describe methods of complying with the coordination criteria under the governor's coordination and special services plan as required under section 104 of Public Law 97-300 and under United States Code 1976, title 29, as amended.

Sec. 51. [268A.08] [COMMUNITY INVESTMENT PROGRAMS.]

Subdivision 1. In order to improve its use of natural, human, and economic resources, the state shall encourage the establishment of community investment programs. These programs shall hire people who are experiencing prolonged unemployment and economic hardship and who have been receiving public assistance for six months. The community investment programs shall be directed toward improving or maintaining the state's social and physical environment.

Subd. 2. [SCOPE OF ACTIVITIES.] Community investment programs shall consist of one or more projects. These projects must be beneficial to the state and the communities in which they are located and must provide program employees with training and work experience. The projects must include activities which:

(1) expand or improve public services, including, but not limited to, education, health, social services, recreation, and safety;

(2) improve or maintain natural resources, including, but not limited to, rivers, streams and lakes, forest lands and roads, and soil conservation;

(3) make permanent improvements to public lands and buildings; or

(4) weatherize public buildings and private residential dwellings.

Subd. 3. [ACCESS TO EMPLOYMENT.] The coordinator shall prohibit use of participants in the programs to do the work that was part or all of the duties or responsibilities of an authorized public employee position established as of January 1, 1985. The exclusive bargaining representative shall be provided notice in advance of any placements in a community investment program. Concurrence with respect to job duties of persons placed under the community investment program shall be obtained from the appropriate exclusive bargaining representative. In order to gain state approval, a county's community investment plan must (a) plan for, at a minimum, sufficient jobs to provide part-time employment for 50 percent of the individuals who have for six months received general assistance pursuant to sections 256D.01 to 256D.18, and aid to families with dependent children pursuant to

sections 256.72 to 256.879, who are not exempt from work requirements or not otherwise engaged in employment or training related activities, and who volunteer for the employment; and (b) plan for placements in programs that do not replace work that was part or all of the duties or responsibilities of an authorized public employee position established as of January 1, 1985. Community investment programs which include other funding sources or authorized programs may provide employment for the groups eligible for the included programs. These programs include, but are not limited to: the Minnesota conservation corps, Minnesota summer youth program, county emergency jobs program, and the jobs training partnership act.

Subd. 4. [EMPLOYMENT CONDITIONS.] (a) An eligible nonprofit or public employer may not terminate, lay off, or reduce the regular working hours of an employee for the purpose of hiring an individual with funds available under this program. An eligible employer may not hire an individual with funds available through this program if any other person is on layoff from the same or a substantially equivalent job.

(b) Community investment program participants are employees of the project site or the county within the meaning of workers' compensation laws, personal income tax, and the federal insurance contribution act, but not retirement or civil service laws.

(c) Each project and job shall be in compliance with all applicable affirmative action, fair labor, health, safety, and environmental standards.

(d) Individuals employed under the community investment program shall be paid a wage at the same wage rates as work site or employees doing comparable work in that locality, unless otherwise specified in law.

(e) Each general assistance recipient must have available no fewer hours of employment than are necessary to meet general assistance standards. Recipients of the aid to families with dependent children program who are eligible on the basis of an unemployed parent, shall not have available more than 100 hours per month. All employees shall be limited to a maximum of 32 hours or four days per week, so that they can continue to seek full-time private sector employment, unless otherwise specified in law.

(f) The commissioner shall establish, by rule, the terms and conditions governing the voluntary participation of public assistance recipients. The rules shall, at a minimum, establish the procedures by which the minimum and maximum number of work hours and maximum allowable travel distances are determined, the amounts and methods by which work expenses will be paid, the manner in which support services will be provided, and periodic reviews of clients continuing employment in community investment programs.

Subd. 5. [COUNTY BOARDS OF COMMISSIONERS.] (a) The county boards of commissioners shall:

(1) be encouraged to establish community investment programs that are administered jointly according to section 471.59, or through multi-county human service boards, pursuant to chapter 402;

(2) develop community investment programs in consultation with the exclusive representatives of their employees;

(3) plan community investment programs by involving nonprofit organizations and other governmental units, community action agencies, community-based organizations, local union representatives, and representatives of client groups;

(4) give preference to individual community investment projects utilizing existing programs that are administered under contract by nonprofit organizations and governmental units, including departments and agencies of cities, counties, towns, school districts, state and federal agencies, park reserve districts, and other special districts;

(5) submit plans which incorporate identified local human and environmental needs, jobs requiring skills at the level found among the area's unemployed, including public assistance recipients;

(6) submit reports and meet administrative standards established by rule;

(7) monitor the performance of entities under contract to administer individual community investment projects;

(8) enter into contracts with other governmental and private bodies to jointly fund or jointly administer approvable projects when agreements expand the resources available, the scope of people employed, or further recognized public purposes; and

(9) submit the first biennial plan between October 1, 1985, and May 1, 1986, and subsequent plans no later than September 1 of each odd-numbered year.

(b) The plan must be in the format prescribed by the coordinator.

Subd. 6. [STATE FINANCIAL PARTICIPATION.] The statutorily established state rates of financial participation or available state appropriations or grants shall not be affected by their incorporation into a community investment program.

Subd. 7. [RULEMAKING.] The commissioner shall have emergency and permanent rulemaking authority to implement this section.

Subd. 8. [VOLUNTARY PARTICIPATION.] Participation in the community investment program by any recipient of aid to families with dependent children or general assistance shall be voluntary.

Sec. 52. [268A.09] [STATE FUNDING OF EMPLOYMENT AND TRAINING PROGRAMS.]

Subdivision 1. Any administrative aid for employment and training programs administered under sections 44 to 55 must be paid to the counties by the commissioner according to the formula established in rules by the commissioner. The rules must provide that 75 percent of the funds are allocated among counties based on general assistance caseloads of individuals not exempt from work requirements as forecast by the department of human services and that 25 percent are allocated in a way that encourages full-time, private-sector job placement, program completion by public assistance clients, and other performance characteristics.

Subd. 2. The commissioner has permanent rulemaking authority to implement this section.

Sec. 53. [268A.10] [OFFICE OF INDIVIDUAL ENTERPRISE.]

Subdivision 1. The commissioner shall establish an office of individual enterprise that shall be responsible for coordinating state activities related to self-employment enterprises, including, but not limited to, home-based businesses, individual self-employment initiatives, and collective and cooperative efforts as involve individual entrepreneurs.

Subd. 2. The commissioner shall undertake activities to expand the marketing of goods or services produced by the state's independent entrepreneurs in public facilities and in conjunction with other state-funded activities and may establish a council or committee to select products and services to be included.

Subd. 3. The commissioner shall provide or arrange information, technical assistance, and support as necessary to help individuals determine whether they wish to become self-employed, to obtain needed training, to develop business plans and financing, and to sustain the initiatives.

Subd. 4. The commissioner of energy and economic development shall develop resources for a pilot program, in cooperation with the commissioners of employment and training and human services to enable low-income persons to start or expand self-employment opportunities or home-based businesses which are designed to make the individual entrepreneurs economically independent. The commissioner of human services shall seek necessary waivers from federal regulations to allow recipients of aid to families with dependent children to participate and retain eligibility while establishing a business.

Subd. 5. The commissioner shall conduct a study of the needs of individual entrepreneurs and beginning businesses and recommend to the governor how state programs and resources can provide further assistance.

Subd. 6. [RULEMAKING.] The commissioner shall have permanent rulemaking authority to implement this section.

Sec. 54. [268A.11] [FIRST SOURCE AGREEMENTS.]

Subdivision 1. Any business or private enterprise receiving grants or loans from the state in amounts over \$50,000 per year, shall as part of the grant or loan agree to list any vacant or new positions with the job services of the department of employment and training. An agreement obligates the employer to consider qualified applicants but does not establish an obligation to hire individuals referred by the department.

Subd. 2. The commissioner of energy and economic development shall incorporate the provisions of this section into grant and loan instruments and assist the commissioner of employment and training in promoting private sector listings with job services and in evaluating their effect on employers and individuals who are referred.

Subd. 3. [RULEMAKING.] The commissioner shall have permanent rulemaking authority to implement this section.

Sec. 55. [268A.12] [CHILD CARE SLIDING FEE PROGRAM.]

Subdivision 1. [DEFINITIONS.] For the purposes of this section the following terms have the meanings given.

(a) "Child care services" means family day care homes, group day care homes, nursery schools, day nurseries, child day care centers, play groups, head start, parent cooperatives, and in-home child care as defined in the Minnesota plan for social services to families and children.

(b) "Child" means any person 14 years of age or younger.

(c) "Commissioner" means the commissioner of employment and training.

Subd. 2. [DUTIES OF COMMISSIONER.] The commissioner shall develop standards for county boards regarding the provision of child care services to enable eligible families to participate in employment or training programs. The commissioner shall establish a program to allocate available appropriations to counties for the purpose of reducing the costs of child care for eligible families. The commissioner shall adopt rules to govern the program in accordance with this section. The rules must establish a sliding schedule of fees for parents receiving child care services. The commissioner shall require counties to collect and report data that the commissioner deems necessary to evaluate the effectiveness of the program in preventing and reducing participants' dependence on public assistance and in providing other benefits, including improvement in the care provided to children. The commissioner shall report to the full productivity and opportunity coordinator no later than January 15 of each even-numbered year on the effectiveness of the program.

Subd. 3. [ALLOCATION.] (a) No later than June 1 of each odd-numbered year, the commissioner shall notify all county boards of the allocation and the procedures used for the sliding fee program. Allocations must be made by July 1 of each odd-numbered year. If the appropriation is insufficient to meet the needs in all counties, the amount shall be prorated among the counties.

(b) For the purposes of this section, the commissioner shall allocate money appropriated between the metropolitan area, comprising the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and the area outside the metropolitan area so that no more than 55 percent of the total fund goes to either area after excluding allocations for statewide administrative costs. The commissioner shall allocate 50 percent of the funds among counties on the basis of the number of families below poverty, as determined from the most recent special census and 50 percent on the basis of caseloads of aid to families with dependent children for the preceding fiscal year as determined by the commissioner of human services.

Subd. 4. [FINANCIAL ELIGIBILITY.] (a) Child care services must be available to families who need child care to find or keep employment or to obtain the training or education necessary to find employment and who:

(1) receive aid to families with dependent children under sections 256.72 to 256.87; or

(2) have household income below the eligibility levels for aid to families with dependent children;

(3) have household income within a range established by the commissioner.

(b) Child care services for the families receiving aid to families with dependent children must be made available as in-kind services, to cover any difference between the actual cost and the amount disregarded under the aid to families with dependent children program. Services to families whose incomes are below the threshold for eligibility for aid to families with dependent children, but that are not receiving aid to families with dependent children, must be made available without cost to the families.

(c) Child care services to families with incomes in the commissioner's established range must be made available on a sliding fee basis. The lower limit of the sliding fee range must be the eligibility limit for aid to families with dependent children. The upper limit of the range must not be less than 70 percent, and must not be more than 90 percent, of the state median income for a family of four, adjusted for family size.

(d) If a disproportionate amount of the funds are provided to any one of the groups described in section 55, subdivision 4, paragraph (a), the county board shall document to the commissioner the reason the group received a disproportionate share.

Subd. 5. [EMPLOYMENT OR TRAINING ELIGIBILITY.] (a) Persons who are seeking employment and who are eligible for assistance under this section are eligible to receive the equivalent of one month of child care.

(b) Employed persons who work at least ten hours per week and receive at least minimum wage for all hours worked are eligible for child care assistance.

Persons eligible under this section for child care assistance for education or training shall receive assistance for the length of the program or 24 months, whichever is shorter. Any education or training program with demonstrated effectiveness may be approved by the department of education and accredited by the appropriate agency as an eligible program, including but not limited to high school or an equivalent program, an English competency program, technical or vocational training, or a four-year or associate degree program.

Subd. 6. [COUNTY CONTRIBUTION.] In addition to payments from parents, the program must be funded by county contributions. Counties shall contribute five percent of the cost of the program in the program's first year and 15 percent in the second and subsequent years. By rule, the commissioner may require each county to pay to the state treasurer the portion of sliding fee allocations paid by the state for which the county is responsible. The county shall advance its portion of sliding fee costs, based upon allocations made by the commissioner for that county for expenditures in the succeeding month. Adjustments of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month.

Subd. 7. [SLIDING FEE SCALE.] In setting the sliding fee schedule, the commissioner shall exclude from the amount of income used to determine eligibility, an amount for federal and state income and social security taxes attributable to that income level according to federal and state standardized tax tables. The fee schedule must be designed to use any available tax credits and to progress smoothly from appropriated assistance to tax-related assis-

tance.

Subd. 8. [LIMITS ON USE OF STATE FUNDS.] *The state's payment is limited to the difference between the fee set by the commissioner and the provider's charge for care. When the provider of child care services charges more than 125 percent of the median charge for similar care arrangements in the geographic area defined by the commissioner of human services for the purpose of ascertaining the median charge, the state's payment is limited to the difference between 125 percent of the median charge for similar care arrangements in the geographic area and the parents' fee.*

Subd. 9. [EXTENSION OF WORK INCENTIVE OPPORTUNITIES.] *The county board shall ensure that child care services available to county residents are well advertised and that everyone who receives or applies for aid to families with dependent children is informed of training and employment opportunities and programs, including child care services.*

Subd. 10. [ADMINISTRATIVE EXPENSES.] *A county must not use more than seven percent of its allocation for its administrative expenses under this section.*

Sec. 56. [TRANSFER OF POWERS.]

The department of economic security as now constituted is abolished. The responsibilities of the department of economic security are transferred to the department of employment and training and the department of human services as specified in sections 1 to 54. Responsibilities of the department of human services specified in sections 12, 13, 14, and 21, together with designated support functions, are transferred to the department of employment and training. Section 15.039 governs the transfer of powers, except that positions in the unclassified service established under section 268.011, subdivision 2, are abolished. Commencing with the passage and signing of this act, the commissioners of economic security, human services, administration, finance, and employee relations shall cooperate in assuring a smooth transfer of the designated personnel, equipment, and supplies to carry out the purposes of this act.

Sec. 57. [REVISOR'S INSTRUCTION; NAME CHANGES.]

In Minnesota Statutes 1986 and later editions of the statutes, the revisor shall change the words "economic security" to "employment and training," except as otherwise specified by sections 1 to 55.

Sec. 58. [REVISOR'S INSTRUCTION; RENUMBERING.]

In Minnesota Statutes 1986 and later editions of the statutes, the revisor shall renumber each section listed in column A with the number in column B. The revisor shall also make necessary cross-reference changes consistent with renumbering. In the renumbered sections, the revisor shall change the words "economic security" to "employment and training."

A	B
268.014	268A.13
268.021	268A.14
268.026	268A.15
268.03	268A.16
268.04	268A.17
268.05	268A.18
268.06	268A.19
268.061	268A.2

268.07	268A.21
268.071	268A.22
268.072	268A.23
268.08	268A.24
268.081	268A.25
268.09	268A.26
268.10	268A.27
268.11	268A.28
268.12	268A.29
268.121	268A.3
268.13	268A.31
268.14	268A.32
268.15	268A.33
268.16	268A.34
268.17	268A.35
268.18	268A.36
268.20	268A.37
268.21	268A.38
268.22	268A.39
268.23	268A.4, subdivision 1
268.231	268A.4, subdivision 2
268.24	268A.4, subdivision 3
268.25	268A.4, subdivision 4
268.31	268A.4, subdivision 5
268.32	268A.4, subdivision 6
268.33	268A.401
268.34	268A.402
268.35	268A.41
268.36	268A.411
268.37	268A.412
268.38	268A.42
268.52	268A.43
268.53	268A.44
268.54	268A.45
268.60	268A.46
268.61	268A.47
268.62	268A.48
268.63	268A.49
268.64	268A.5
268.671	268A.51
268.672	268A.52
268.673	268A.53
268.674	268A.54
268.675	268A.55
268.676	268A.56
268.677	268A.57
268.678	268A.58
268.679	268A.59
268.68	268A.6
268.681	268A.61
268.682	268A.62
268.683	268A.63
268.685	268A.64
268.82	268A.65
268.83	268A.66

268.84

268A.67

Sec. 59. [TRANSFER.]

The commissioner of finance shall transfer, according to section 15.039, positions and appropriations for existing programs and agencies as required by this act.

Sec. 60. [REPEALER.]

Minnesota Statutes 1984, sections 129A.02, subdivision 4; 245.84, subdivision 2; 256.736, subdivisions 1 and 2; 256D.02, subdivision 8a; 256D.111, subdivision 1a; 256D.112; 268.011; 268.012; 268.013; 268.12, subdivisions 1 and 1a; 268.683, subdivision 2; 268.684; 268.80; and 268.81 are repealed.

Sec. 61. [EFFECTIVE DATE.]

Section 56 and all transfers of responsibility in sections 1 to 37 are effective January 1, 1986. Sections 12; 15, subdivision 4; and 55 are effective July 1, 1985.

ARTICLE 9

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Section 1. [276A.01] [DEFINITIONS.]

Subdivision 1. The terms defined in this section have the meanings given to them for purposes of sections 1 to 9 unless context otherwise requires.

Subd. 2. "Area" means the territory included within all tax relief areas defined in section 273.134.

Subd. 3. "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of such property (1) which may, by law, constitute the tax base for a tax increment pledged pursuant to section 462.585 or 474.10, certification of which was requested prior to January 1, 1985, to the extent and while such tax increment is so pledged; or (2) which is exempt from taxation pursuant to section 272.02.

(1) That portion of class 3 property consisting of tools, implements, and machinery, except high voltage transmission lines, construction of which began after July 1, 1974; and

(2) That portion of class 4a, 4c, or 4d property which is either used or zoned for use for any commercial or industrial purpose, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property must be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision are to such successor class or classes of property, or portions thereof, as embrace the kinds of property designated in this subdivision.

Subd. 4. "Residential property" means the following categories of property, as defined in section 273.13, excluding that portion of such property exempt from taxation pursuant to section 272.02:

(1) Class 3b, 3c, 3cc, and 3f property limited to the homestead dwelling, a garage, and the one acre of land on which the dwelling is located.

(2) That portion of class 4 property used exclusively for residential occupancy.

(3) That property valued and assessed under section 273.13, subdivision 17, 17b, 17c, 17d, 19, or 20.

Subd. 5. "Governmental unit" means a county, city, town, school district, or other taxing unit or body which levies ad valorem taxes in whole or in part within the area.

Subd. 6. "Administrative auditor" means the person selected pursuant to section 2.

Subd. 7. "Population" means the most recent estimate of the population of a municipality made by the state demographer and filed with the commissioner of revenue. The state demographer shall annually estimate the population of each municipality as provided in section 116K.04, subdivision 4, clause (10), and, in the case of a municipality which is located partly within and partly without the area, the proportion of the total which resides within the area, and shall file the estimates with the commissioner of revenue.

Subd. 8. "Municipality" means a city, town, or township located in whole or part within the area. If a municipality is located partly within and partly without the area, the references in sections 1 to 9 to property or any portion thereof subject to taxation or taxing jurisdiction within the municipality are to the property or portion thereof that is located in that portion of the municipality within the area, except that the fiscal capacity of the municipality must be computed upon the basis of the valuation and population of the entire municipality.

Subd. 9. "County" means each county in which a governmental unit is located in whole or in part.

Subd. 10. "Adjusted assessed value" of real property within a municipality means the adjusted assessed value of real property within the municipality, determined in the manner and with respect to the property described for school districts in section 475.53, subdivision 4. For purposes of sections 1 to 9, the equalization aid review committee shall annually make determinations and reports with respect to each municipality which are comparable to those it makes for school districts under section 124.2131, subdivision 1, in the same manner and at the same times prescribed by the subdivision. The commissioner of revenue shall annually determine, for each municipality, information comparable to that required by section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes available. The commissioner of revenue shall then compute the adjusted assessed value of property within each municipality.

Subd. 11. "Valuation" means the adjusted assessed value of real and personal property within a municipality, excluding that portion of the adjusted assessed value of high voltage transmission lines taxed on a situs basis and excluded from the assessed value of the county under section 273.425. For purposes of section 5, subdivision 2, the assessed value for the current year of class 2a property taxed pursuant to section 274.19 must be added to the prior year's adjusted assessed value.

Subd. 12. "Fiscal capacity" of a municipality means its valuation, determined as of January 2 of any year, divided by its population, determined as

of a date in the same year.

Subd. 13. "Average fiscal capacity" of municipalities means the sum of the valuations of all municipalities, determined as of January 2 of any year, divided by the sum of their populations, determined as of a date in the same year.

Subd. 14. "Levy" means the amount certified to the county auditor pursuant to chapter 275, less all reductions made by the auditor pursuant to any provision of law in determining the amount to be spread against taxable property.

Sec. 2. [276A.02] [ADMINISTRATIVE AUDITOR.]

Subdivision 1. On or before July 1, 1987, and each subsequent odd-numbered year, the auditors of the counties within the area shall meet at the call of the auditor of St. Louis county and elect from among their number one auditor to serve as administrative auditor for a period of two years and until a successor is elected. If a majority is unable to agree upon a person to serve as administrative auditor, the commissioner of finance shall appoint one from among the auditors of the counties in the area. If the administrative auditor ceases to serve as a county auditor within the area during the term for which he was elected or appointed, a successor must be chosen in the same manner as is provided herein for the original selection, to serve for the unexpired term.

Subd. 2. The administrative auditor shall utilize the staff and facilities of the auditor's office of the county he or she serves to perform the functions imposed upon him or her by sections 1 to 9. That county shall be reimbursed for the marginal expenses incurred by its county auditor and staff hereunder by contributions from each other county in the area in an amount which bears the same proportion to the total expenses as the population of the other county bears to the total population of the area. The administrative auditor shall annually, on or before February 1, certify the amounts of total expense for the preceding calendar year, and the share of each county, to the treasurer of each other county. Payment must be made by the treasurer of each other county to the treasurer of the county incurring expense on or before the succeeding March 1.

Sec. 3. [276A.03] [ASSESSED VALUATION; 1985 AND SUBSEQUENT YEARS.]

On or before November 20, 1985, and each subsequent year, the assessors within each county in the area shall determine and certify to the county auditor the assessed valuation in that year of commercial-industrial property subject to taxation within each municipality in his or her county, determined without regard to section 273.76, subdivision 3.

Sec. 4. [276A.04] [INCREASE IN ASSESSED VALUATION.]

On or before September 1, 1987, and each subsequent year, the auditor of each county in the area shall determine the amount, if any, by which the assessed valuation determined in the preceding year pursuant to section 3, of commercial-industrial property subject to taxation within each municipality in the county exceeds the assessed valuation in 1985 of commercial-industrial property subject to taxation within that municipality. If a municipality is

located in two or more counties within the area, the auditors of those counties shall certify the data required by section 3 to the county auditor responsible for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 5. The increase in assessed valuation determined by this section must be reduced by the amount of any decreases in the assessed valuation of commercial-industrial property resulting from any court decisions, court related stipulation agreements, or abatements for a prior year, and only in the amount of such decreases made during the 12-month period ending on June 30 of the current assessment year, where such decreases, if originally reflected in the determination of a prior year's valuation under section 3, would have resulted in a smaller contribution from the municipality in that year. An adjustment for such decreases shall be made only if the municipality made a contribution in a prior year based on the higher valuation of the commercial-industrial property.

Sec. 5. [276A.05] [COMPUTATION OF AREA-WIDE TAX BASE.]

Subdivision 1. Each county auditor shall certify the determinations pursuant to sections 3 and 4 to the administrative auditor on or before November 20 of each year. The administrative auditor shall determine the sum of the amounts certified pursuant to section 4, and divide that sum by 2-1/2. The resulting amount shall be known as the "area-wide tax base for _____(year)."

Subd. 2. The commissioner of revenue shall certify to the administrative auditor, on or before November 20 of each year, the population of each municipality for the preceding year, the proportion of that population which resides within the area, the average fiscal capacity of municipalities for the preceding year, and the fiscal capacity of each municipality for the preceding year.

Subd. 3. The administrative auditor shall determine, for each municipality, the product of (i) its population, (ii) the proportion which the average fiscal capacity of municipalities for the preceding year bears to the fiscal capacity of that municipality for the preceding year, and (iii) two. The product shall be the area-wide tax base distribution index for that municipality, provided that (a) if the product in the case of any municipality is less than its population, its index must be increased to its population, and (b) if a municipality is located partly within and partly without the area its index is that which is otherwise determined hereunder, multiplied by the proportion which its population residing within the area bears to its total population as of the preceding year.

Subd. 4. The administrative auditor shall determine the proportion which the index of each municipality bears to the sum of the indices of all municipalities. In the case of each municipality, the administrative auditor shall then multiply this proportion by the area-wide tax base.

Subd. 5. The product of the multiplication prescribed by subdivision 4 shall be known as the "area-wide tax base for _____(year) attributable to _____(municipality)." The administrative auditor shall certify the product to the auditor of the county in which the municipality is located on or before November 25.

Sec. 6. [276A.06] [TAXABLE VALUE.]

Subdivision 1. The county auditor shall determine the taxable value of each governmental unit within the county in the manner prescribed by this section.

Subd. 2. The taxable value of a governmental unit is its assessed valuation, as determined in accordance with other provisions of law including section 273.76, subdivision 3, subject to the following adjustments:

(a) There must be subtracted from its assessed valuation, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to 40 percent of the amount certified in that year pursuant to section 4 in respect to that municipality as the total preceding year's assessed valuation of commercial-industrial property which is subject to the taxing jurisdiction of the governmental unit within the municipality, determined without regard to section 273.76, subdivision 3, bears to the total preceding year's assessed valuation of commercial-industrial property within the municipality, determined without regard to section 273.76, subdivision 3;

(b) There must be added to its assessed valuation, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to the area-wide base for the year attributable to that municipality as the total preceding year's assessed valuation of residential property which is subject to the taxing jurisdiction of the governmental unit within the municipality bears to the total preceding year's assessed valuation of residential property of the municipality.

Subd. 3. On or before October 15, 1987, and each subsequent year, the county auditor shall apportion the levy of each governmental unit in the county in the manner prescribed by this subdivision. The auditor shall:

(a) determine the area-wide portion of the levy for each governmental unit by multiplying the mill rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

Subd. 4. In 1987 and subsequent years, the county auditor shall divide that portion of the levy determined pursuant to subdivision 3, clause (b), by the assessed valuation of the governmental unit, taking section 273.76, subdivision 3, into account, less that portion subtracted from assessed valuation pursuant to subdivision 2, clause (a). The resulting rate applies to all taxable property except commercial-industrial property, which must be taxed in accordance with subdivision 7.

Subd. 5. On or before November 30, 1987, and each subsequent year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (a). The administrative auditor shall then determine the rate of taxation sufficient to yield an amount equal to the sum of such levies from the area-wide tax base. On or before December 5, the administrative auditor shall certify the rate to each of the county auditors.

Subd. 6. If a governmental unit is located in two or more counties, the computations and certifications required by subdivisions 3 to 5 with respect to it must be made by the county auditor who is responsible for allocating its levies between or among the affected counties.

Subd. 7. The rate of taxation determined in accordance with subdivision 5 applies in the taxation of each item of commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 273.73, subdivision 9, to that portion of the assessed valuation of the item which bears the same proportion to its total assessed valuation as 40 percent of the amount determined pursuant to section 4 in respect to the municipality in which the property is taxable bears to the amount determined pursuant to section 3. The rate of taxation determined in accordance with subdivision 4 applies in the taxation of the remainder of the assessed valuation of the item.

Subd. 8. 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 7, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined to each county auditor. In addition, the administrative auditor 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 15 and November 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 auditor's certification.

Subd. 9. For the purpose of computing the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any provision of any law or charter, where the authorization, requirement, or limitation is related to any value or valuation of taxable property within any governmental unit, the value or valuation must be adjusted to reflect the adjustments to valuation effected by subdivision 2, provided that: (1) in determining the market value of commercial-industrial property or any class thereof within a governmental unit for any purpose other than section 5, (a) the reduction required by this subdivision is that amount which bears the same proportion to the amount subtracted from the governmental unit's assessed valuation pursuant to subdivision 2, clause (a), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the assessed valuation of commercial-industrial property, or such class thereof, located within the governmental unit, and (b) the increase required by this subdivision is that amount which bears the same proportion to the amount added to the governmental unit's assessed valuation pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property, or such class thereof, located within the governmental unit bears to the assessed valuation of commercial-industrial property, or such class thereof, located within the governmental unit; and (2) in determining the value of real and personal property within a municipality for purposes of section 5, the adjustment prescribed by clause (1)(a) must be made and that

prescribed by clause (1)(b) must not be made.

Sec. 7. [276A.07] [ADJUSTMENTS IN DATES.]

If, by reason of the enactment of any other law, the date by which the commissioner of revenue is required to certify to the county auditors the records of proceedings affecting the assessed valuation of property is advanced to a date earlier than November 15, the dates specified in sections 3 to 5 and 8 may be modified in the years to which the other law applies in the manner and to the extent prescribed by the administrative auditor.

Sec. 8. [276A.08] [REASSESSMENTS AND OMITTED PROPERTY.]

Subdivision 1. If the commissioner of revenue orders a reassessment of all or any portion of the property in a municipality other than in the form of a mathematically prescribed adjustment of valuation, or if omitted property is placed upon the tax rolls, and the reassessment has not been completed or the property placed upon the rolls by November 15, the assessed valuation of the affected property must, for purposes of sections 2 to 6, be determined from the abstracts filed by the county auditor with the commissioner of revenue.

Subd. 2. If the reassessment, when completed and incorporated by the commissioner of revenue in his or her certification of the assessed valuation of the municipality, or the listing of omitted property, when placed on the rolls, results in an increase in the assessed valuation of commercial-industrial property in the municipality which differs from that used, pursuant to subdivision 1, for purposes of sections 2 to 6, the increase in the assessed valuation of commercial-industrial property in that municipality in the succeeding year, as otherwise computed under section 4, must be adjusted in a like amount, by an increase if the reassessment or listing discloses a larger increase than was used for purposes of sections 2 to 6, or by a decrease if the reassessment or listing discloses a smaller increase than was used for those purposes, provided that an adjustment must not reduce the amount determined under section 4 to an amount less than zero.

Subd. 3. Subdivisions 1 and 2 do not apply to the determination of the tax rate under section 6, subdivision 4, or to the determination of the assessed valuation of commercial-industrial property and each item thereof for purposes of section 6, subdivision 7.

Sec. 9. [276A.09] [CHANGE IN STATUS OF MUNICIPALITY.]

Subdivision 1. If a municipality is dissolved, is consolidated with all or part of another municipality, annexes territory, has a portion of its territory detached from it, or is newly incorporated, the secretary of state shall immediately certify that fact to the commissioner of revenue. The secretary of state shall also certify to the commissioner of revenue the current population of the new, enlarged, or successor municipality, if determined by the Minnesota municipal board incident to consolidation, annexation, or incorporation proceedings. The population so certified shall govern for purposes of sections 1 to 9 until the state demographer files the first population estimate as of a later date with the commissioner of revenue. If an annexation of unincorporated land occurs without proceedings before the Minnesota municipal board, the population of the annexing municipality as previously determined shall continue to govern for purposes of sections 1 to 9 until the

state demographer files the first population estimate as of a later date with the commissioner of revenue.

Subd. 2. In determining the adjusted assessed value of property attributable to a successor municipality for a year prior to a change in status, the amount must be deemed the sum of the amounts of its predecessor municipalities and towns. If any of the predecessors were divided incident to the change, then for purposes of sections 1 to 9 the adjusted assessed value of property located therein must be allocated to the successor in which the property is located.

Sec. 10. Minnesota Statutes 1984, section 273.136, subdivision 1, is amended to read:

Subdivision 1. Payment from the ~~taconite property tax relief account~~ county shall be made as provided herein for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in section 273.135.

Sec. 11. Minnesota Statutes 1984, section 273.136, subdivision 2, is amended to read:

Subd. 2. The commissioner of revenue shall determine, not later than May 1 of each year, ~~commencing in 1974~~, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, basing his determinations on a review of abstracts of tax lists submitted by the county auditors pursuant to section 275.29. He may make such changes in the abstracts of tax lists as he deems necessary. ~~The commissioner of revenue, after such review, shall submit to the commissioner of finance, on or before June 1, the amount of the first half payment payable hereunder and on or before October 15 the amount of the second half payment.~~

Sec. 12. Minnesota Statutes 1984, section 273.136, subdivision 4, is amended to read:

Subd. 4. The county treasurer shall distribute the funds received by him ~~under subdivision 3~~ as if they had been collected as a part of the property tax reduced by section 273.135.

Sec. 13. Minnesota Statutes 1984, section 298.03, is amended to read:

298.03 [VALUE OF ORE; HOW ASCERTAINED.]

The valuation of iron or other ores for the purposes of determining the amount of tax to be paid under the provisions of section 298.01 shall be ascertained by subtracting from the value of such ore, at the place where the same is brought to the surface of the earth, such value to be determined by the commissioner of revenue:

(1) The reasonable cost of supplies used and labor performed at the mine in separating the ore from the ore body, including hoisting, elevating, or conveying the same to the surface of the earth;

(2) If the ore is taken from an open pit mine, an amount for each ton of ore mined or produced during the year equal to the cost of removing the overburden, divided by the number of tons of ore uncovered, the number of tons of ore uncovered in each case to be determined by the commissioner of revenue;

(3) If the ore is taken from an underground mine, an amount for each ton of ore mined or produced during the year equal to the cost of sinking and constructing shafts and running drifts, divided by the number of tons of ore that can be advantageously taken out through such shafts and drifts, the number of tons of ore that can be advantageously taken out in each case to be determined by the commissioner of revenue;

(4) The amount of royalties paid on the ore mined or produced during the year;

(5) *For persons mining or producing iron ore the mining or production of which is subject to the occupation tax imposed by section 298.01, subdivision 1, the amount of the ad valorem taxes levied and paid for such years against the realty in which the ore is deposited; for all others a percentage of the ad valorem taxes levied and paid for such year against the realty in which the ore is deposited equal to the percentage that the tons mined or produced during such year bears to the total tonnage in the mine;*

(6) In the case of taconite, semi-taconite and iron sulphide operations, the tax payable under section 298.24, but not exceeding 25 cents per taxable ton, and that payable under section 298.35, on the concentrates produced in said year and any taxes paid under Laws 1955, Chapters 391, 429, 514, 576 or 540, or any other law imposing on such taconite operations a specific tax for school or other governmental purposes;

(7) The amount or amounts of all the foregoing subtractions shall be ascertained and determined by the commissioner of revenue. Deductions for interest on plant investment shall not exceed the greater of (a) four percent of book value, or (b) the amount actually paid but not exceeding six percent of book value. No subtraction shall be allowed for shrinkage of iron ore.

Sec. 14. Minnesota Statutes 1984, section 298.031, subdivision 2, is amended to read:

Subd. 2. [VALUE OF CERTAIN ORE; HOW ASCERTAINED.] (1) The taxpayer shall be given a credit in each taxable year upon the occupation tax assessed in such year under Minnesota Statutes 1957, Chapter 298, against a given mine after credit for labor credits has been given, in an amount equal to the occupation tax under said chapter 298 upon an amount produced by multiplying the number of tons of ore sold at a discount by the amount of such discount.

(2) The aggregate amount of all credits allowed under this section to all mines shall not exceed ~~one~~ four percent of the aggregate amount of all occupation taxes imposed under section 298.01, subdivision 1, assessed against all mines in the state for said year prior to the deduction of the credit allowed by this section.

(3) The amount of the foregoing subtraction shall be ascertained and determined by the commissioner.

(4) If ore stockpiled from previous years operations is sold at a discount, the discount credit shall be allowed against all ore currently being produced by the same company to the extent that the discount credit is available. Any unused credit may be carried forward and utilized with future years production of ore from the stockpiled property or other properties operated by the

same company.

Sec. 15. Minnesota Statutes 1984, section 298.031, subdivision 3, is amended to read:

Subd. 3. [CREDIT, APPLICATION.] The credit provided by this section shall not be applicable with respect to any mine operated by a mining company or an operating agent

(a) if the net marketable tonnage of iron ores, exclusive of taconite and semi-taconite, produced from all mines operated by such mining company or operating agent exceeds ~~one and one-half~~ *three* percent of the net marketable tonnage of iron ores or concentrates including taconite and semi-taconite, produced in this state during the year for which the tax is being determined, or

(b) if such mining company or operating agent is also engaged in the manufacture of steel, or

(c) if any company manufacturing steel has an interest, either directly or indirectly, through stock ownership in such mining company or operating agent.

The taxpayer shall have the burden of proving its right to the credit provided by this section.

Sec. 16. Minnesota Statutes 1984, section 298.225, is amended to read:

298.225 [APPROPRIATION.]

For distribution of taconite production tax in 1985 and thereafter with respect to production in 1984 and thereafter, The recipients of the taconite production tax as provided in section 298.28, subdivision 1, clauses (1) to (4) and (5)(b), (7), and (8)(a), shall receive distributions equal to the amount distributed to them pursuant to sections 298.225 and 298.28, subdivision 1, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced by two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons. ~~There is hereby appropriated to the commissioner of revenue~~ *The commissioner of the iron range resources and rehabilitation board shall make the payments provided in this paragraph from the taconite environmental protection fund and the corpus of the northeast Minnesota economic protection trust fund in equal proportions the amount needed to make the above payments as directed by the commissioner of revenue.*

If a taconite producer ceases beneficiation operations permanently and is required by a special law to make bond payments for a school district, the northeast Minnesota economic protection trust fund shall assume the payments of the taconite producer if the producer ceases to make the needed payments. ~~There is hereby appropriated~~ *The commissioner of the iron range resources and rehabilitation board shall make these school bond payments from the corpus of the northeast Minnesota economic protection trust fund to the commissioner of revenue in the amounts needed to make these school bond payments certified by the commissioner of revenue.*

Sec. 17. Minnesota Statutes 1984, section 298.24, subdivision 4, is

amended to read:

Subd. 4. A credit shall be allowed against the tax imposed by subdivision 1, in the amount of \$250,000 per year to any taconite producer that builds a water filtration and treatment plant in 1984 at a cost in excess of \$1,000,000 in order to alleviate the contamination of water resulting from the disposal of taconite tailings on land. This credit shall be available against taxes paid in 1985, 1986, and 1987. ~~The amount sufficient to commissioner of the iron range resources and rehabilitation board shall pay these credits is appropriated from the taconite environmental protection fund created in section 298.223 to the commissioner of revenue.~~

Sec. 18. Minnesota Statutes 1984, section 298.27, is amended to read:

298.27 [COLLECTION AND PAYMENT OF TAX.]

The taxes provided by section 298.24 shall be collected and paid in the same manner as provided by law for the payment of the occupation tax, ~~except that directly to each eligible county, the state, and the iron range resources and rehabilitation board. The commissioner of revenue shall notify each producer of the amount to be paid each recipient prior to February 8. The total remittance must be equal to 90 percent of the tax required to be paid hereunder on or after April 15. The report required by section 298.05 shall be filed on or before February 15 together with 1. A remittance equal to 90 percent of the total tax required to be paid hereunder shall be paid on or before April February 15. On or before February 25, the commissioner of revenue county auditor shall make distribution of the payment received by the county in the manner provided by section 298.28. The commissioner of revenue shall determine the amount of tax due on or before March 15. The balance due shall be paid on or before April 15 following the production year. Reports shall be made and hearings held upon the determination of the tax in accordance with procedures established by the commissioner of revenue. The commissioner of revenue shall have authority to make reasonable regulations as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such regulations may require the production of such information as may be reasonably necessary or convenient for the determination and apportionment of the tax. All the provisions of the occupation tax law with reference to the assessment, and determination, and collection of the occupation tax, including all provisions for appeals from or review of the orders of the commissioner of revenue relative thereto, are hereby made applicable to the taxes imposed by section 298.24 except in so far as inconsistent herewith. If any person subject to section 298.24 shall fail to make the report provided for in this section at the time and in the manner herein provided, the commissioner of revenue shall in such case, upon such information as he may possess or obtain, ascertain the kind and amount of ore mined or produced and thereon find and determine the amount of the tax due from such person. There shall be added to the amount of tax due a penalty for failure to report on or before February 15 1, which penalty shall equal ten percent of the tax imposed and be treated as a part thereof.~~

If any person responsible for making a partial tax payment at the time and in the manner herein provided fails to do so, there shall be imposed a penalty equal to ten percent of the amount so due, which penalty shall be treated as part of the tax due.

In the case of any underpayment of the partial tax payment required herein, there may be added and be treated as part of the tax due a penalty equal to ten percent of the amount so underpaid.

If any portion of the taxes provided for in section 298.24 is not paid before the fifteenth day of April of the year in which due and payable, a penalty of ten percent of such unpaid portion shall immediately accrue, and thereafter one percent per month shall be added to such tax and penalty while such tax remains unpaid.

Sec. 19. Minnesota Statutes 1984, section 298.28, subdivision 1, is amended to read:

Subdivision 1. ~~[DISTRIBUTION FROM GENERAL FUND.]~~ The proceeds of the taxes collected under section 298.24, except the tax collected under section 298.24, subdivision 2, shall, upon ~~certificate~~ certification of the commissioner of revenue ~~to the general fund of the state, be paid by the commissioner of revenue allocated~~ as follows:

(1) 2.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton," to the city or town *in the county* in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. His order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(2) (a) 12.5 cents per taxable ton, less any amount distributed under clause (8), ~~to the taconite municipal aid account in the apportionment fund of the state treasury, paragraph (a), and paragraph (b) of this clause,~~ to be distributed as provided in section 298.282.

(b) *An amount annually certified by the county auditor of a county containing a taconite tax relief area within which there is an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore. The amount will be the portion of a township's certified levy equal to the proportion of (1) the difference between 50 percent of the township's January 2, 1982, assessed value and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1). The county auditor shall extend the township's levy against the sum of the township's current assessed value plus 50 percent of the difference between its January 2, 1982, assessed value and its current assessed value. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, this clause shall not apply.*

(3) 29 cents per taxable ton plus the increase provided in paragraph (c) to qualifying school districts to be distributed, *based upon the certification of*

the commissioner of revenue, as follows:

(a) Six cents per taxable ton to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. ~~The commissioner shall follow the distribution must be based on the apportionment formula prescribed in clause (1).~~

(b) 23 cents per taxable ton, less any amount distributed under part (d), shall be distributed to a group of school districts comprised of those school districts wherein the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 in direct proportion to school district tax levies as follows: each district shall receive that portion of the total distribution which its certified levy for the prior year, computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125, comprises of the sum of certified levies for the prior year for all qualifying districts, computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125. For purposes of distributions pursuant to this part, certified levies for the prior year computed pursuant to sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 275.125 shall not include the amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2.

(c) On July 15, in years prior to 1988, an amount equal to the increase derived by increasing the amount determined by clause (3)(b) in the same proportion as the increase in the steel mill products index over the base year of 1977 as provided in section 298.24, subdivision 1, clause (a), shall be distributed to any school district described in clause (3)(b) where a levy increase pursuant to section 124A.03, subdivision 2, is authorized by referendum, according to the following formula. On July 15, 1988 and subsequent years, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1, paragraph (a). Each district shall receive the product of:

(i) \$150 times the pupil units identified in section 124.17, subdivision 1, clauses (1) and (2), enrolled in the second previous school year, less the product of two mills times the district's taxable valuation in the second previous year; times

(ii) the lesser of:

(A) one, or

(B) the ratio of the amount certified pursuant to section 124A.03, subdivision 2, in the previous year, to the product of two mills times the district's taxable valuation in the second previous year.

If the total amount provided by clause (3)(c) is insufficient to make the payments herein required then the entitlement of \$150 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to clause

(3)(c) shall not be applied to reduce foundation aids which the district is entitled to receive pursuant to section 124A.02 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of ~~finance~~ *the iron range resources and rehabilitation board* who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in section 298.28, subdivision 1, clause 10.

(d) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(4) 19.5 cents per taxable ton to counties to be distributed, *based upon certification by the commissioner of revenue*, as follows:

(a) 15.5 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to part (b). ~~The commissioner shall follow the apportionment formula prescribed in clause (1) is the basis for the distribution.~~

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to part (a) and imposed on and collected from such taxpayer shall be ~~distributed by the commissioner of revenue~~ *paid* to the county in which the power plant is located.

(c) Four cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in clause (1).

(5) (a) 17.75 cents per taxable ton, less any amount required to be distributed under part (b), ~~to the taconite property tax relief account in the apportionment fund in the state treasury~~ *St. Louis county acting as the counties' fiscal agent*, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .75 cent per taxable ton of the tax imposed and collected from such taxpayer shall be ~~distributed by the commissioner of revenue~~ *paid* to the county and school district in which the power plant is located as follows: 25 percent to the county and 75 percent to the school district.

(6) One cent per taxable ton to the state for the cost of administering the tax imposed by section 298.24 *must be paid directly to the state.*

(7) Three cents per taxable ton shall be ~~deposited in the state treasury~~ *paid*

to the ~~credit of the~~ iron range resources and rehabilitation board ~~account in the special revenue fund~~ for the purposes of section 298.22. The amount determined in this clause shall be increased in 1981 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1 and shall be increased in 1988 and subsequent years according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed pursuant to this clause shall be expended within or for the benefit of a tax relief area defined in section 273.134. No part of the fund provided in this clause may be used to provide loans for the operation of private business unless the loan is approved by the governor and the legislative advisory commission.

(8) (a) .20 cent per taxable ton shall be paid to the range association of municipalities and schools, for the purpose of providing an area wide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron range area of northeast Minnesota.

(b) 1.5 cents per taxable ton shall be paid to the northeast Minnesota economic protection trust fund.

(9) the amounts determined under clauses (4)(a), (4)(c), (5), and (8)(b) shall be increased in 1979 and subsequent years prior to 1988 in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1. Those amounts shall be increased in 1988 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

(10) the proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in clauses (1) to (9), *as certified by the commissioner of revenue*, and parts (a) and (b) of this clause have been made, *together with interest earned on all funds distributed under this subdivision prior to distribution*, shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund. The proceeds shall be placed in the respective special accounts ~~in the general fund~~.

(a) There shall be distributed to each city, town, school district, and county the amount that they received under section 294.26 in calendar year 1977; provided, however, that the amount distributed in 1981 to the unorganized territory number 2 of Lake County and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake County and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(b) There shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22.

On or before October 10 of each calendar year each producer of taconite or

iron sulphides subject to taxation under section 298.24 (hereinafter called "taxpayer") shall file with the commissioner of revenue an estimate of the amount of tax which would be payable by such taxpayer under said law for such calendar year; provided such estimate shall be in an amount not less than the amount due on the mining and production of concentrates up to September 30 of said year plus the amount becoming due because of probable production between September 30 and December 31 of said year, less any credit allowable as hereinafter provided. The commissioner of revenue shall annually on or before October 10 report an estimated distribution amount to each taxing district and the officers with whom such report is so filed shall use the amount so indicated as being distributable to each taxing district in computing the permissible tax levy of such county or city in the year in which such estimate is made, and payable in the next ensuing calendar year, except that one cent per taxable ton of the amount distributed under clause (4)(c) shall not be deducted in calculating the permissible levy. In any calendar year in which a general property tax levy subject to sections 275.50 to 275.59 has been made, if the taxes distributable to any such county or city are greater than the amount estimated by the commissioner to be paid to any such county or city in such year, the excess of such distribution shall be held in a special fund by the county or city and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under sections 275.50 to 275.59, of such county or city payable in such year. If the amounts distributable to any such county or city after final determination by the commissioner of revenue under this section are less than the amounts by which a taxing district's levies were reduced pursuant to this section, such county or city may issue certificates of indebtedness in the amount of the shortage, and may include in its next tax levy, in excess of the limitations of sections 275.50 to 275.59 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

There is hereby annually appropriated to such taxing districts as are stated herein, to the taconite property tax relief account and to the taconite municipal aid account in the apportionment fund in the state treasury, to the department of revenue, to the iron range resources and rehabilitation board, to the range association of municipalities and schools, to the taconite environmental protection fund, and to the northeast Minnesota economic protection trust fund, from any fund or account in the state treasury to which the money was credited, an amount sufficient to make the payment or transfer. The payment of the amount appropriated to such taxing districts shall be made by the commissioner of revenue on or before May 15 annually.

Sec. 20. Minnesota Statutes 1984, section 298.28, subdivision 2, is amended to read:

Subd. 2. In ~~distributing~~ *determining the distributions and payments of the proceeds of the tax collected under section 298.24, the commissioner of revenue shall deduct the amount of any credits authorized under section 298.24, subdivision 3, against the tax imposed under subdivision 1 of said section, from the amount which would otherwise have been distributed paid to the iron range resources and rehabilitation board for credit to the northeast Minnesota economic protection trust fund in the apportionment fund in the state treasury under subdivision 1 of this section.*

Sec. 21. Minnesota Statutes 1984, section 298.282, subdivision 1, is amended to read:

Subdivision 1. The amount deposited to the credit of the ~~taconite municipal aid account in the apportionment fund of the state treasury~~ with the county as provided in section 298.28, subdivision 1, clause (2) shall be distributed as provided by this section, among the municipalities comprising a tax relief area under section 273.134, as amended hereby, each being herein referred to as a qualifying municipality.

Sec. 22. Minnesota Statutes 1984, section 298.282, subdivision 4, is amended to read:

Subd. 4. ~~On or before August 15, 1972, and~~ On or before August 15 of each year ~~thereafter~~, the ~~commissioner of finance~~ county auditor shall issue his warrant in favor of the treasurer of each qualifying municipality in the amount determined by the commissioner of revenue to be due and payable to such qualifying municipality in such year. ~~In 1975 and subsequent years, such payment shall be made by the commissioner of revenue on or before September 15.~~

Sec. 23. Minnesota Statutes 1984, section 298.282, subdivision 5, is amended to read:

Subd. 5. ~~Commencing in 1977,~~ The ~~commissioner of revenue~~ county auditor shall annually on September 15 make a payment from the taconite municipal aid fund to cities and towns for the purpose of replacing the revenue loss to them resulting from Laws 1975, Chapter 437, Article XI, Section 7. The amount of aid to be paid annually to each city and town is the amount they were entitled to receive for 1975 under the provisions of Minnesota Statutes 1974, Section 298.32.

Sec. 24. [REPEALER.]

Minnesota Statutes 1984, section 273.136, subdivision 3, is repealed.

Sec. 25. [EFFECTIVE DATE.]

Sections 1 to 9 are effective July 1, 1987, except as provided in section 3. Sections 10, 11, and 15 to 24 are effective for taxes payable in 1986 and thereafter. Sections 12, 13, and 14 are effective for ore produced in 1985 and thereafter.

ARTICLE 10

TELEPHONE COMPANIES

Section 1. [270.91] [ANNUAL VALUATION OF TELEPHONE PROPERTY.]

Subdivision 1. The commissioner shall annually between April 30 and July 31 make a determination of the fair market value of the property of every telephone company doing business in this state as of January 2 of the year in which the valuation is made. In making this determination, the commissioner shall employ generally accepted appraisal principles and practices.

Subd. 2. After the commissioner has determined the fair market value of the property of each telephone company, he shall give notice by first class mail to the telephone company of the valuation.

Sec. 2. [270.92] [REVIEW OF VALUATION.]

A telephone company may within 15 days of receipt of the notice of valuation file a written request for a conference with the commissioner relating to the value of its property. The commissioner shall thereupon designate a time and place for the conference which he shall conduct, upon the commissioner's entire files and records and such further information as may be offered. Said conference shall be held no later than 30 days after mailing of the commissioner's valuation notice. At a reasonable time after such conference, the commissioner shall make a final determination of the fair market value of the operating property of the telephone company and shall notify the company promptly of the determination.

Sec. 3. [270.93] [TAXATION.]

Subdivision 1. [IMPOSITION.] A tax is imposed on the value of telephone company property. The tax shall be computed by applying the statewide average mill rate for the preceding levy year to the value determined under sections 1 and 2. The commissioner shall notify each telephone company by first class mail of the mill rate and the amount of the tax by February 15 each year. The due date, penalty, and interest provisions of section 279.01 apply to the collection of the tax by the commissioner of revenue.

Subd. 2. [DEPOSIT OF PROCEEDS.] The proceeds of the tax shall be deposited in the general fund.

Sec. 4. Minnesota Statutes 1984, section 272.03, subdivision 1, is amended to read:

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

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

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

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

(d) The term real property does not include tools, implements, machinery, equipment, poles, lines, cables, wires, conduit, and station connections which are part of a telephone communications system, regardless of attach-

ment to or installation in real property and regardless of size, weight, or method of attachment or installation.

Sec. 5. Minnesota Statutes 1984, section 295.34, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 2 every telephone company shall file a return with the commissioner of revenue on or before April 15 of each year, and submit payment therewith, of the following percentages of its gross earnings of the preceding calendar year derived from business within this state:

(a) ~~4 percent of its~~ *for gross earnings from service to rural subscribers; (b) 4 percent of its gross earnings and from exchange business of all cities of the fourth class and statutory cities having a population of 10,000 or less*

for calendar years beginning before 1987, 4 percent,

for calendar year 1987, 3.5 percent,

for calendar years 1988 and 1989, 2 percent, and

for calendar years beginning after December 31, 1989, exempt; and (c) 7 percent of its

(b) for gross earnings derived from all other business; which shall be

for calendar years beginning before 1987, 7 percent,

for calendar year 1987, 6.5 percent,

for calendar years 1988 and 1989, 3 percent, and

for calendar years beginning after December 31, 1989, exempt.

The tax imposed is in lieu of all other taxes, except the taxes imposed by chapter 290, property taxes assessed beginning in 1987, and sales and use taxes imposed as a result of section 4. All moneys paid by a company for connecting fees and switching charges to any other company shall be reported as earnings by the company to which they are paid, but shall not be deemed earnings of the collecting and paying company. For the purposes of this section, the population of any statutory city shall be considered as that stated in the latest federal census.

Sec. 6. Minnesota Statutes 1984, section 297A.25, subdivision 1, is amended to read:

Subdivision 1. The following are specifically exempted from the taxes imposed by sections 297A.01 to 297A.44:

(a) The gross receipts from the sale of food products including but not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, cocoa and cocoa products, and food products which are not taxable pursuant to section 297A.01, subdivision 3, clause (c) and which are sold by a retailer, organized as a nonprofit corporation or association, within a place located on property owned by the state or an agency or instrumentality of the state, the entrance to which is subject to an admission charge. This exemption does not

include the following:

(i) candy and candy products, except when sold for fundraising purposes by a nonprofit organization that provides educational and social activities for young people primarily aged 18 and under;

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

(b) The gross receipts from the sale of prescribed drugs and medicine intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings and products consumed by humans for the preservation of health, including prescription glasses, therapeutic and prosthetic devices, but not including cosmetics or toilet articles notwithstanding the presence of medicinal ingredients therein;

(c) The gross receipts from the sale of and the storage, use or other consumption in Minnesota of tangible personal property, tickets, or admissions, electricity, gas, or local exchange telephone service, which under the Constitution or laws of the United States or under the Constitution of Minnesota, the state of Minnesota is prohibited from taxing;

(d) The gross receipts from the sale of tangible personal property (i) which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use, or, if subject to tax in that other state, that state allows a similar exemption for property purchased therein and transported to Minnesota for use in this state; except that sales of tangible personal property that is shipped or transported for use outside Minnesota shall be taxed at the rate of the use tax imposed by the state to which the property is shipped or transported, unless that state has no use tax, in which case the sale shall be taxed at the rate generally imposed by this state; and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; or (ii) which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(e) The gross receipts from the sale of packing materials used to pack and ship household goods, the ultimate destination of which is outside the state of Minnesota and which are not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(f) The gross receipts from the sale of and storage, use or consumption of petroleum products upon which a tax has been imposed under the provisions of chapter 296, whether or not any part of said tax may be subsequently refunded;

(g) The gross receipts from the sale of clothing and wearing apparel except the following:

(i) all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with precious metals or imitations thereof; watches; clocks; cases and movements for watches and clocks; gold, gold-plated, silver, or sterling flatware or hollow ware and silver-plated hollow ware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars;

(ii) articles made of fur on the hide or pelt, and articles of which such fur is the component material or chief value, but only if such value is more than three times the value of the next most valuable component material;

(iii) perfume, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous and toilet powders. The tax imposed by this act shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the case of babies;

(iv) trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, salesmen's sample and display cases, purses, handbags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases;

(h) The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate

detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein;

(i) The gross receipts from the sale of and storage, use or other consumption in Minnesota of tangible personal property (except as provided in section 297A.14) which is used or consumed in producing any publication regularly issued at average intervals not exceeding three months, and any such publication. For purposes of this subsection, "publication" as used herein shall include, without limiting the foregoing, a legal newspaper as defined by Minnesota Statutes 1965, section 331.02, and any supplements or enclosures with or part of said newspaper; and the gross receipts of any advertising contained therein or therewith shall be exempt. For this purpose, advertising in any such publication shall be deemed to be a service and not tangible personal property, and persons or their agents who publish or sell such newspapers shall be deemed to be engaging in a service with respect to gross receipts realized from such newsgathering or publishing activities by them, including the sale of advertising. The term "publication" shall not include magazines and periodicals sold over the counter. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures used in such publication and fuel, electricity, gas or steam used for space heating or lighting, are not exempt;

(j) The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities or a state and its agencies, instrumentalities and political subdivisions. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(k) The gross receipts from the isolated or occasional sale of tangible personal property in Minnesota not made in the normal course of business of selling that kind of property, and the storage, use, or consumption of property acquired as a result of such a sale. For purposes of this clause, sales by a nonprofit organization shall be deemed to be "isolated or occasional" if they occur at sale events that have a duration of three or fewer consecutive days. The granting of the privilege of admission to places of amusement and the privilege of use of amusement devices by a nonprofit organization at an isolated or occasional event conducted on property owned or leased for a continuous period of more than 30 days by the nonprofit organization are also exempt. The exemption provided for isolated sales of tangible personal property and of the granting of admissions or the privilege of use of amuse-

ment devices by nonprofit organizations pursuant to this clause shall be available only if the sum of the days on which the organization and any subsidiary nonprofit organization sponsored by it that does not have a separate sales tax exemption permit conduct sales of tangible personal property, plus the days with respect to which the organization charges for the use of amusement devices or admission to places of amusement, does not exceed eight days in a calendar year. For purposes of this clause, a "nonprofit organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes; no part of the net earnings of which inures to the benefit of a private individual;

(l) The gross receipts from sales of rolling stock and the storage, use or other consumption of such property by railroads, freight line companies, sleeping car companies and express companies taxed on the gross earnings basis in lieu of ad valorem taxes. For purposes of this clause "rolling stock" is defined as the portable or moving apparatus and machinery of any such company which moves on the road, and includes, but is not limited to, engines, cars, tenders, coaches, sleeping cars and parts necessary for the repair and maintenance of such rolling stock;

(m) The gross receipts from sales of airlight equipment and the storage, use or other consumption of such property by airline companies taxed under the provisions of sections 270.071 to 270.079. For purposes of this clause, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airflight equipment, and flight simulators;

(n) ~~The gross receipts from the sale of telephone central office telephone equipment used in furnishing intrastate and interstate telephone service to the public;~~

(o) The gross receipts from the sale of and the storage, use or other consumption by persons taxed under the in lieu provisions of chapter 298, of mill liners, grinding rods and grinding balls which are substantially consumed in the production of taconite, the material of which primarily is added to and becomes a part of the material being processed;

~~(p)~~ (o) The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious or educational purposes if the property purchased is to be used in the performance of charitable, religious or educational functions, or any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is organized and operated exclusively for pleasure, recreation and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders. Sales exempted by this clause include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt

entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

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

(q) (q) The gross receipts from the sale of an automobile or other conveyance if the purchaser is assisted by a grant from the United States in accordance with 38 United States Code, section 1901, as amended;

(r) (r) The gross receipts from the sale to the licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654, if the aircraft is resold while the permit is in effect;

(s) (s) The gross receipts from the sale of building materials to be used in the construction or remodeling of a residence when the construction or remodeling is financed in whole or in part by the United States in accordance with 38 United States Code, sections 801 to 805, as amended. This exemption shall not be effective at time of sale of the materials to contractors, 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;

(t) (t) The gross receipts from the sale of textbooks which are prescribed for use in conjunction with a course of study in a public or private school, college, university and business or trade school to students who are regularly enrolled at such institutions. For purposes of this clause a "public school" is defined as one that furnishes course of study, enrollment and staff that meets standards of the state board of education and a private school is one which under the standards of the state board of education, provides an education substantially equivalent to that furnished at a public school. Business and trade schools shall mean such schools licensed pursuant to section 141.25;

(u) (u) The gross receipts from the sale of and the storage of material designed to advertise and promote the sale of merchandise or services, which material is purchased and stored for the purpose of subsequently shipping or otherwise transferring outside the state by the purchaser for use thereafter solely outside the state of Minnesota;

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

(i) all fuel oil, coal, wood, steam, hot water, propane gas, and L.P. gas sold to residential customers for residential use;

(ii) natural gas sold for residential use to customers who are metered and billed as residential users and who use natural gas for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

(iii) electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

(w) (w) The gross receipts from the sale or use of tickets or admissions to

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

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

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

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

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

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

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

Sec. 7. [REPEALER]

Minnesota Statutes 1984, section 295.34, subdivision 2, is repealed.

Sec. 8. [EFFECTIVE DATE.]

Section 6 is effective for sales made after December 31, 1986.

ARTICLE 11

MORTGAGE REGISTRATION AND DEED TAXES

Section 1. Minnesota Statutes 1984, section 287.05, subdivision 1, is amended to read:

Subdivision 1. A tax of 15 cents is imposed upon each \$100, or fraction thereof, of the principal debt or obligation which is or may be secured by any mortgage of real property situated within the state executed, delivered, and recorded or registered; provided, however, that the tax shall be imposed but once upon any mortgage and extension thereof. *The county board may not reduce the fee below the statutory rate.* If the mortgage describes real estate situated outside of this state, the tax shall be imposed upon that proportion of the whole debt secured thereby as the value of the real estate therein described situated in this state bears to the value of the whole of the real estate described therein; ~~as the value is determined by the commissioner of revenue upon application of the mortgagee.~~ The tax imposed by this section shall not

apply to a contract for the conveyance of real estate or any interest in real estate recorded or registered on or after January 1, 1984.

Sec. 2. Minnesota Statutes 1984, section 287.08, is amended to read:

287.08 [TAX, HOW PAYABLE; RECEIPTS.]

The tax imposed by sections 287.01 to 287.12 shall be paid to the treasurer of the county in which the mortgaged land or some part thereof is situated at or before the time of filing the mortgage for record or registration. The treasurer shall endorse his receipt on the mortgage, countersigned by the county auditor, who shall charge the amount to the treasurer and such receipt shall be recorded with the mortgage, and such receipt of the record thereof shall be conclusive proof that the tax has been paid to the amount therein stated and authorize any county recorder to record the mortgage. Its form, in substance, shall be "registration tax hereon of _____ dollars paid." If the mortgages be exempt from taxation the endorsement shall be "exempt from registration tax," to be signed in either case by the treasurer as such, and in case of payment to be countersigned by the auditor. In case the treasurer shall be unable to determine whether a claim of exemption should be allowed, the tax shall be paid to the clerk of the district court of the county to abide the order of such court made upon motion of the county attorney, or of the claimant upon notice as required by the court. When any such mortgage covers real property situate in more than one county in this state the whole of such tax shall be paid to the treasurer of the county where the mortgage is first presented for record or registration, and the payment shall be receipted and countersigned as above provided. ~~When the amount of the tax is \$100 or more,~~ The tax shall be divided and paid over by the county treasurer receiving the same, on or before the tenth day of each month after receipt thereof, to the county or counties entitled thereto in the ratio which the market value of the real property covered by the mortgage in each county bears to the market value of all the property described in the mortgage. In making such division and payment the county treasurer shall send therewith a statement giving the description of the property described in the mortgage and the market value of the part thereof situate in each county. For the purpose aforesaid, the treasurer of any county may require the treasurer of any other county to certify to him the market valuation of any tract of land in any such mortgage.

Sec. 3. Minnesota Statutes 1984, section 287.09, is amended to read:

287.09 [MORTGAGE ON EXEMPT PROPERTY; PROPERTY NOT DIRECTLY TAXED; RECEIPT; APPORTIONMENT OF TAX.]

When any real estate situate in this state and described in any such mortgage is exempt from taxation under the Constitution of the State of Minnesota, Article 10, Section 1, the tax herein provided shall be paid to the treasurer of the county in which such real estate is situate in the same manner as if such real estate was not exempt from taxation. When any real estate situate in this state and described in such mortgage is not exempt from taxation under such section, but is not taxed by direct tax upon the assessed valuation thereof, then the tax herein provided shall be paid to the ~~commissioner of revenue for deposit in the state treasury and credited to the general fund. The receipt thereof shall be endorsed upon the mortgage by the commissioner of revenue and thereupon such mortgage shall be recorded or registered, as to such real estate, in any office in this state. When any such mortgage shall~~

describe any real estate, part of which is not taxed by direct tax upon the assessed valuation thereof and part of which is so taxed or is exempt from taxation; the proportionate amount of the tax to be paid to the commissioner of revenue and to the county treasurer shall be determined in accordance with the proportionate value of the real estate included therein as such valuation shall be determined by the commissioner of revenue upon application of the mortgagee. The amount of the tax payable to the commissioner of revenue shall thereupon be paid to him, who shall endorse upon such mortgage that the proportionate amount of the tax payable to him has been paid and the balance of such tax shall be paid to the treasurer of the county where the mortgage is first presented for record or registration and shall be divided and paid to the treasurers of the other counties entitled thereto, as provided by section 287.08 county. Real estate taxed under sections 298.23 to 298.28, relating to taconite and taconite operations or under sections 294.21 to 294.28, relating to railroads transporting taconite or taconite concentrates other than as a common carrier, shall not be considered to be real estate not taxed by direct tax upon the assessed valuation thereof within the meaning of this section.

Sec. 4. Minnesota Statutes 1984, section 287.12, is amended to read:

287.12 [TAXES, HOW APPORTIONED.]

All taxes paid to the county ~~treasurers~~ *treasurer on or after July 1, 1985*, under the provisions of sections 287.01 to 287.12 shall be ~~apportioned~~, *95 percent to the general fund of the state, and five percent credited to the county revenue fund.*

On or before the tenth day of each month the county treasurer shall determine and ~~pay to the commissioner of revenue the state's portion of the receipts from the mortgage registration tax during the preceding month.~~ The commissioner shall deposit the receipts in the state treasury to the credit of the ~~general fund~~ *treasurer shall report to the county welfare agency on or before the tenth day of each month 95 percent of the receipts attributable to the statutory rate in section 287.05. That amount, in addition to the amount determined under section 287.29, must be shown as a deduction from the report filed with the department of human services as required by section 256.82.*

Sec. 5. Minnesota Statutes 1984, section 287.21, subdivision 2, is amended to read:

Subd. 2. The proceeds of the taxes levied and collected under sections 287.21 to 287.36 *on or after July 1, 1985*, shall be credited to the ~~general county fund~~.

Sec. 6. Minnesota Statutes 1984, section 287.21, is amended by adding a subdivision to read:

Subd. 4. A county board may increase the rates established in subdivision 1 but may not decrease them.

Sec. 7. Minnesota Statutes 1984, section 287.23, is amended to read:

287.23 [REAL ESTATE OUTSIDE STATE.]

If any deed, instrument, or writing shall describe any real estate situate

outside of this state, the tax imposed by section 287.21 shall be measured upon such proportion of the consideration (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) as the value of the real estate therein described situate in this state bears to the value of the whole of the real estate described therein as determined by the commissioner of revenue upon application of any party to the deed, instrument, or writing.

Sec. 8. Minnesota Statutes 1984, section 287.25, is amended to read:

287.25 [PAYMENT OF TAX; STAMPS.]

The tax imposed by section 287.21 shall be paid by the affixing of a documentary stamp or stamps in the amount of the tax to the document or instrument with respect to which the tax is paid, provided that the commissioner of revenue county board may, in exceptional cases, permit the payment of the tax without the affixing of the documentary stamps and in such cases shall, upon receipt of the tax, direct the treasurer to endorse his a receipt for such tax upon the face of the document or instrument. In such case the commissioner of revenue shall deposit the amount received in payment of the tax with the state treasurer to the credit of the general fund.

Sec. 9. Minnesota Statutes 1984, section 287.28, is amended to read:

287.28 [REFUNDMENTS OR REDEMPTION.]

The commissioner of revenue county treasurer may order the refundment in whole or in part of any tax which has been erroneously or unjustly paid and may allow for or redeem such of the stamps, issued under the authority of sections 287.21 to 287.36 as may have been spoiled, destroyed, or rendered useless or unfit for the purpose intended or for which the owner may have no use or which through mistake may have been improperly or unnecessarily used. Such order shall be made only upon written application of the taxpayer and shall, if the refundment exceeds \$500, be valid only if approved by the attorney general upon approval of the county board. Refunds therefor shall be paid out of the general fund of the state and moneys therefor are hereby annually appropriated from the general fund for such purpose county.

Sec. 10. Minnesota Statutes 1984, section 287.29, subdivision 1, is amended to read:

Subdivision 1. On or before the tenth day of August 1985, and each month thereafter, the county treasurer shall determine and pay report to the commissioner of revenue county welfare agency the receipts from the sale of documentary stamps attributable to the tax imposed at the statutory rate during the preceding month. The report must accompany the report required in section 287.12. The commissioner receipts shall deposit such receipts be deposited in the state county treasury and credited to the credit of the general appropriate fund.

Sec. 11. Minnesota Statutes 1984, section 287.33, is amended to read:

287.33 [EXPENSES OF ADMINISTRATION.]

Expenses of administration of sections 287.21 to 287.34 to be paid out of appropriations to the commissioner of revenue shall county funds include fees and expenses incurred by the attorney general and any county attorney in connection with sections 287.21 to 287.34 and all other costs and expenses.

Sec. 12. Minnesota Statutes 1984, section 287.35, is amended to read:

287.35 [DOCUMENTARY STAMPS DEFINED.]

The term "documentary stamps" means all stamps issued by the ~~commissioner of revenue~~ county for use in payment of the taxes imposed by sections 287.21 to 287.36.

Sec. 13. [REPEALER.]

Minnesota Statutes 1984, sections 287.27, 287.29, and 287.32 are repealed.

Sec. 14. [EFFECTIVE DATE.]

Sections 1 to 13 are effective July 1, 1985.

ARTICLE 12

RAILROAD REFUNDS

Section 1. Laws 1984, chapter 502, article 9, section 5, is amended to read:

Sec. 5. [APPROPRIATION.]

There is appropriated from the general fund to the commissioner of revenue the amounts necessary to make certain refunds of property taxes to railroads for assessment years 1981 ~~and~~, 1982, ~~and~~ 1983 as a result of a change in the assessed valuation of railroad property. For purposes of this section, the term "property taxes" includes any interest which is required to be paid to the railroads; ~~and the terms "refund" and "abatement" include only reductions in property tax made from the original assessment certified by the commissioner of revenue, as the result of a court order.~~

The county auditor shall certify to the commissioner of revenue the dollar amount of the refunds paid to the railroads by the county and each city, town, school district, and special taxing district or portion thereof which is located within the county. The certification must be made on the forms and completed by the date prescribed by the commissioner. The commissioner of revenue shall review the certification and make changes in the certification that he determines are necessary. The amounts of the abatements for a taxing district which is located in more than one county shall be aggregated. The commissioner shall determine the amount to be paid to each county, city, town, and special taxing district which shall be equal to the amount of the abatement in excess of 20 cents per capita for each county, city, town, and special taxing district. The commissioner shall determine the amount to be paid to each school district which shall be equal to the amount of the abatement in excess of one dollar per pupil unit for the school district. The 20 cents per capita and the one dollar per pupil unit shall relate to the combined abatement amount for all railroads for ~~both~~ 1981 ~~and~~, 1982, ~~and~~ 1983 for each county, city, town, school district, and special taxing district. The commissioner shall pay each taxing district as soon as practicable after certification, but not before January 1, 1985.

This appropriation is available the day after final enactment until expended.

A county, city, town, school district, and special taxing district may in-

clude an additional amount in its property tax levy for taxes payable in 1985 or 1986 equal to the difference between the amount of tax and interest refunded to a railroad company whose valuation was ordered reduced by the tax court and the amount reimbursed to the taxing district by the state pursuant to this section. Amounts levied for this purpose shall be considered outside of any levy limitations applicable to the taxing district. In the case of a school district, only the amount of abatement not reimbursed under this section may be considered in the computation of abatement aid under section 124.214, subdivision 2.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day after final enactment and applies to assessment years 1981, 1982, and 1983.

ARTICLE 13

REVENUE DEPARTMENT ENFORCEMENT

Section 1. [270.062] [ACCESS TO CRIMINAL JUSTICE DATA.]

The commissioner of revenue may enter into an agreement with the commissioner of public safety allowing designated employees of the revenue department to have access to the criminal justice datacommunications network provided in section 299C.46. For purposes of that section, the special investigation unit of the revenue department is considered a criminal justice agency.

Sec. 2. [270.064] [REQUESTING ASSISTANCE IN CRIMINAL TAX INVESTIGATIONS.]

If the commissioner of revenue has reason to believe that a criminal violation of the state tax laws has occurred, the commissioner may request the attorney general or the prosecuting authority of any county to assist in a criminal tax investigation and may disclose return information to the prosecuting authority relevant to the investigation notwithstanding the provisions of section 290.61, 291.48, 297A.43, or 297B.12.

Sec. 3. Minnesota Statutes 1984, section 290.53, subdivision 11, is amended to read:

Subd. 11. [ASSISTING IN FRAUD AND FALSE STATEMENTS; CRIMINAL PROVISIONS.] Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this chapter, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, ~~where~~ *whether or not* the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which event he is guilty of a felony. Any criminal offense under this subdivision may be prosecuted in the same manner and within the same period of limitations provided in subdivision 4.

Sec. 4. Minnesota Statutes 1984, section 290.92, subdivision 15, is amended to read:

Subd. 15. [PENALTIES.] (1) In the case of any failure to withhold a tax on wages, make and file quarterly returns or make payments to or deposits with

the commissioner of amounts withheld, as required by this section, within the time prescribed by law, there shall be added to the tax a penalty equal to ten percent of the amount of tax that should have been properly withheld and paid over to or deposited with the commissioner if the failure is for not more than 30 days with an additional five percent for each additional 30 days or fraction thereof during which the failure continues, not exceeding 25 percent in the aggregate. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The amount added to the tax shall be collected at the same time and in the same manner and as a part of the tax unless the tax has been paid before the discovery of the negligence, in which case the amount added shall be collected in the same manner as the tax.

(2) If any employer required to withhold a tax on wages, make deposits, make and file quarterly returns and make payments to the commissioner of amounts withheld, as required by sections 290.92 to 290.97, willfully fails to withhold the tax or make the deposits, files a false or fraudulent return, willfully fails to make the payment or deposit, or willfully attempts in any manner to evade or defeat the tax or the payment or deposit of it, there shall also be imposed on the employer as a penalty an amount equal to 50 percent of the amount of tax, less any amount paid or deposited by the employer on the basis of the false or fraudulent return or deposit, that should have been properly withheld and paid over or deposited with the commissioner. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid. The penalty imposed by this paragraph shall be collected as a part of the tax, and shall be in addition to any other penalties civil and criminal, prescribed by this subdivision.

(3) If any person required under the provisions of subdivision 7 to furnish a statement to an employee or payee and a duplicate statement to the commissioner, or to furnish a reconciliation of the statements, and quarterly returns, to the commissioner, willfully furnishes a false or fraudulent statement to an employee or payee or a false or fraudulent duplicate statement or reconciliation of statements, and quarterly returns, to the commissioner, or willfully fails to furnish a statement or the reconciliation in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, there shall be imposed on the person a penalty of \$50 for each act or failure to act, but the total amount imposed on the delinquent person for all such failures during any calendar year shall not exceed \$25,000. The penalty imposed by this paragraph is due and payable within ten days after the mailing of a written demand therefor, and may be collected in the manner prescribed in subdivision 6, paragraph (8).

(4) In addition to any other penalties prescribed, any person required to withhold a tax on wages, make and file quarterly returns and make payments or deposits to the commissioner of amounts withheld, as required by this section, who willfully fails to withhold the tax or truthfully make and file the quarterly return or make the payment or deposit, or attempts to evade or defeat the tax is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which event he is guilty of a felony.

(5) In lieu of any other penalty provided by law, except the penalty pro-

vided by paragraph (3), any person required under the provisions of subdivision 7 to furnish a statement of wages to an employee and a duplicate statement to the commissioner, who willfully furnishes a false or fraudulent statement of wages to an employee or a false or fraudulent duplicate statement of wages to the commissioner, or who willfully fails to furnish a statement in the manner, at the time, and showing the information required by the provisions of subdivision 7, or rules prescribed by the commissioner thereunder, is guilty of a gross misdemeanor.

(6) Any employee required to supply information to his employer under the provisions of subdivision 5, who willfully fails to supply information or willfully supplies false or fraudulent information thereunder which would require an increase in the tax to be deducted and withheld under subdivision 2a or subdivision 3, is guilty of a gross misdemeanor.

(7) The term "person," as used in this section, includes an officer or employee of a corporation, or a member or employee of a partnership, who as an officer, employee, or member is under a duty to perform the act in respect of which the violation occurs.

(8) All payments received may, in the discretion of the commissioner of revenue, be credited first to the oldest liability not secured by a judgment or lien, but in all cases shall be credited first to penalties, next to interest, and then to the tax due.

(9) In addition to any other penalty provided by law, any employee who furnishes a withholding exemption certificate to his employer which the employee has reason to know contains a materially incorrect statement is liable to the commissioner of revenue for a penalty of \$500 for each instance. The penalty is immediately due and payable and may be collected in the same manner as any delinquent income tax.

(10) In addition to any other penalty provided by law, any employer who fails to submit a copy of a withholding exemption certificate required by subdivision 5a, clause (1)(a), (1)(b), or (2) is liable to the commissioner of revenue for a penalty of \$50 for each instance. The penalty is immediately due and payable and may be collected in the manner provided in subdivision 6, paragraph (8).

(11) Any person who willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this section, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, ~~where~~ *whether or not* the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor, unless the tax involved exceeds \$300, in which event he is guilty of a felony.

(12) Notwithstanding the provisions of section 628.26, or any other provision of the criminal laws of this state, an indictment may be found and filed, upon any criminal offense specified in this subdivision, in the proper court within six years after the commission of the offense.

Sec. 5. Minnesota Statutes 1984, section 297A.39, subdivision 8, is amended to read:

Subd. 8. [PENALTY; FALSE CLAIM.] Any person who willfully aids or

assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under this section, of a return, affidavit, claim, or other document, which is fraudulent or false as to any material matter, ~~where~~ *whether or not* the falsity or fraud is with the knowledge or consent of the person authorized or required to present the return, affidavit, claim, or document, is guilty of a gross misdemeanor unless the tax involved exceeds \$300, in which event he is guilty of a felony. Any criminal offense under this subdivision may be prosecuted in the same manner and within the same period of limitations provided in subdivision 4.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 5 are effective the day after final enactment.

ARTICLE 14

CHARITABLE GAMBLING

Section 1. Minnesota Statutes 1984, section 297A.25, is amended by adding a subdivision to read:

Subd. 6. The gross receipts from the conduct of lawful gambling that is exempt under section 349.214 shall be exempt from taxation under this chapter.

Sec. 2. Minnesota Statutes 1984, section 349.12, subdivision 13, is amended to read:

Subd. 13. "Profit" means the gross receipts collected from lawful gambling, less reasonable sums necessarily and actually expended for gambling supplies and equipment, prizes, rent, and utilities used during the gambling occasions, compensation paid to members for conducting gambling, taxes imposed by this chapter, ~~and~~ maintenance of devices used in lawful gambling, *advertising costs up to one percent of an organization's gambling receipts in a calendar year, legal costs, accounting services, security services, and insurance. An organization exempt under section 349.214, subdivision 2, may deduct from gross receipts the costs of any food or beverages provided at the event.*

Sec. 3. Minnesota Statutes 1984, section 349.151, subdivision 4, is amended to read:

Subd. 4. [POWERS AND DUTIES.] The board has the following powers and duties:

(1) to issue, revoke, and suspend licenses to organizations and suppliers under sections 349.16 and 349.161;

(2) to collect and deposit license fees and taxes due under this chapter;

(3) to receive reports required by this chapter and inspect the records, books, and other documents of organizations and suppliers to insure compliance with all applicable laws and rules;

(4) to make rules, including emergency rules, required by this chapter;

(5) to register gambling equipment and issue registration stamps under section 349.162;

(6) to provide by rule for the mandatory posting by organizations conduct-

ing lawful gambling of rules of play and the odds and/or house percentage on each form of lawful gambling; ~~and~~

(7) to report annually to the governor and legislature on its activities and on recommended changes in the laws governing charitable gambling; *and*

(8) *impose civil penalties of not more than \$500 per violation on organizations and suppliers for failure to comply with any provision of sections 349.12 to 349.23 or any rule of the board.*

Sec. 4. Minnesota Statutes 1984, section 349.16, is amended by adding a subdivision to read:

Subd. 4. [LOCAL INVESTIGATION FEE.] An organization applying for a license under this section shall pay to the board, in addition to any other fee required by this section, an investigation fee which the board shall remit to the local unit of government notified under section 349.213, subdivision 2. The investigation fee shall be \$75 if an organization is applying for a license to conduct all forms of gambling, \$50 for all forms except bingo, and \$25 for bingo only.

Sec. 5. Minnesota Statutes 1984, section 349.161, subdivision 1, is amended to read:

Subdivision 1. [PROHIBITED ACTS; LICENSES REQUIRED.] No person may:

(1) sell, offer for sale, or furnish gambling equipment for use within the state for gambling purposes, other than for ~~bingo~~ lawful gambling exempt from licensing under section ~~340.19~~ 349.214, except to an organization licensed for lawful gambling; or

(2) sell, offer for sale, or furnish gambling equipment to an organization licensed for lawful gambling without having obtained a distributor license under this section.

No licensed organization may purchase gambling equipment from any person not licensed as a distributor under this section.

Sec. 6. Minnesota Statutes 1984, section 349.19, subdivision 5, is amended to read:

Subd. 5. [REPORTS.] A licensed organization must report to the board and to its membership monthly on its gross receipts, expenses, profits, and expenditure of profits from lawful gambling. If the organization conducts both bingo and other forms of lawful gambling, the figures for both must be reported separately. In addition, a licensed organization must report to the board monthly on its purchases of gambling equipment and must include the type, quantity, and dollar amount from each supplier separately. If an organization's net proceeds from lawful gambling is less than \$50,000 in a year and the organization conducts no more than four events in that year where lawful gambling is conducted then any reports required to be filed with the board or to its membership may be filed annually. The reports must be on a form the board prescribes.

Sec. 7. Minnesota Statutes 1984, section 349.212, subdivision 2, is amended to read:

Subd. 2. [COLLECTION; DISPOSITION.] The tax must be paid to the

board at times and in a manner the board prescribes by rule, *provided that if an organization's tax liability under this section is \$500 or less in any quarter the tax may not be required to be paid more frequently than quarterly.* The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.21 and 349.211, 349.212, and 349.213, *except fees received under section 4,* must be paid to the state treasurer for deposit in the general fund.

Sec. 8. Minnesota Statutes 1984, section 349.214, subdivision 2, is amended to read:

Subd. 2. [RAFFLES.]

(a) Raffles may be conducted by an organization as defined in section 349.12, subdivision 13, without complying with sections 349.11 to 349.213 if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$750. Merchandise prizes must be valued at their fair market value.

(b) *Raffles may be conducted by an organization without complying with section 349.14, or sections 349.151 to 349.212 if the organization or each chapter of the organization conducts no more than one raffle in a calendar year. The organization may also conduct pull-tabs, tipboards, and paddle-wheels in conjunction with the raffle without complying with section 349.14 or sections 349.151 to 349.212. An organization that conducts an exempt raffle under this paragraph must report to the board setting forth the date when the raffle was held, the amount of gross receipts, and the charitable purpose for which the proceeds were used.*

Sec. 9. Minnesota Statutes 1984, section 349.214, is amended by adding a subdivision to read:

Subd. 1a. [BINGO; CERTAIN ORGANIZATIONS.] *Bingo may be conducted within a nursing home or a senior citizen housing project or by a senior citizen organization without complying with sections 349.11 to 349.213 if the prizes for a single bingo game do not exceed \$10, total prizes awarded at a single bingo occasion do not exceed \$200, no more than two bingo occasions are held by the organization or at the facility each week, only members of the organization or residents of the nursing home or housing project are allowed to play in a bingo game, no compensation is paid for any persons who conduct the bingo, a manager is appointed to supervise the bingo, and the manager registers with the board.*

Sec. 10. Minnesota Statutes 1984, section 609.75, subdivision 3, is amended to read:

Subd. 3. [WHAT ARE NOT BETS.] The following are not bets:

(1) A contract to insure, indemnify, guarantee or otherwise compensate another for a harm or loss sustained, even though the loss depends upon chance.

(2) A contract for the purchase or sale at a future date of securities or other commodities.

(3) Offers of purses, prizes or premiums to the actual contestants in any bona fide contest for the determination of skill, speed, strength, endurance,

or quality or to the bona fide owners of animals or other property entered in such a contest.

(4) The game of bingo when conducted in compliance with sections 349.11 to 349.23.

(5) A private social bet not part of or incidental to organized, commercialized, or systematic gambling.

(6) The operation of equipment or the conduct of a raffle under sections 349.11 to 349.22, by an organization licensed by the charitable gambling control board or an organization exempt from licensing under section 349.214.

(7) Pari-mutuel betting on horse racing when the betting is conducted under chapter 240.

Sec. 11. [TAX AMNESTY; NONPROFIT ORGANIZATIONS.]

For an organization that has an unpaid liability for sales tax due under Minnesota Statutes, chapter 297A, arising out of lawful gambling conducted under Minnesota Statutes, chapter 349, between March 1, 1982, and February 28, 1985, the commissioner of revenue shall accept as full payment of the liability, a certified check, cashier's check, or money order in the amount of 50 percent of the liability incurred, plus interest. Payment must be received by the commissioner of revenue before January 1, 1986. For delinquent returns filed under this section, the civil and criminal penalties imposed by law are waived.

Sec. 12. [SALES TAX EXEMPTION.]

The gross receipts from the conduct of lawful gambling conducted under Minnesota Statutes, chapter 349, received prior to March 1, 1982, shall be exempt from taxation under Minnesota Statutes, chapter 297A. No refunds shall be paid pursuant to this section unless the organization can demonstrate to the commissioner of revenue that the refunds will be paid to those who paid the tax.

Sec. 13. [EFFECTIVE DATE.]

Sections 1 to 13 are effective June 1, 1985.

ARTICLE 15

BUDGET RESERVE

Section 1. Minnesota Statutes 1984, section 16A.15, subdivision 1, is amended to read:

Subdivision 1. [REDUCTION.] (a) If the commissioner determines that probable receipts for ~~an appropriation, the general fund, or item~~ will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the commissioner shall, with the approval of the governor, and after consulting the legislative advisory commission, transfer from the budget and cash flow reserve account established in subdivision 6 to the general fund the money needed to balance expenditures with revenue. An additional deficit shall, with the approval of the governor, and after consulting the legislative advisory commission, be made up by reducing allotments.

(b) If the commissioner determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the commissioner shall notify the agency concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.

(c) In reducing allotments, the commissioner may consider other sources of revenue available to recipients of state appropriations and may apply allotment reductions based on all sources of revenue available.

(d) In like manner, the commissioner shall reduce allotments to an agency by the amount of any saving that can be made over previous spending plans through a reduction in prices or other cause.

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

Subd. 6. [BUDGET AND CASH FLOW RESERVE ACCOUNT.] A budget and cash flow reserve account is created in the general fund in the state treasury. The commissioner of finance on July 1, 1983, shall transfer \$250,000,000 to the ~~budget reserve~~ account. The commissioner of finance on July 1, 1984, shall transfer an additional \$125,000,000 to the ~~budget reserve~~ account ~~in the general fund~~. The commissioner on July 1, 1985, shall transfer an additional \$125,000,000 to the account. The amounts transferred shall remain in the ~~budget reserve~~ account until expended under subdivision 1. When an amount has been expended under subdivision 1, but the commissioner later determines during the same biennium that there will probably be a positive undesignated balance in the general fund at the end of the biennium, the commissioner shall transfer from the undesignated fund balance to the budget and cash flow reserve account the amount needed to restore the balance in the account to \$500,000,000.

ARTICLE 16

MISCELLANEOUS

Section 1. [LEASE RATE INCREASES.]

Increases of lease rates to be effective on January 1, 1986, for lakeshore property on state lands leased pursuant to Minnesota Statutes, section 92.46, shall be phased in by three annual increments.

Sec. 2. [REPORT.]

The commissioner of natural resources shall inventory the lakeshore leases and prepare a report on any leased land that should be sold. The report must be submitted by January 1, 1987, to the senate agriculture and natural resources and house of representatives environment and natural resources committees.

Sec. 3. [ROAD EXPENDITURES.]

A county where state lands are leased pursuant to Minnesota Statutes, section 92.46, may expend funds raised from the levy of property taxes pursuant to Minnesota Statutes, section 273.19, for the maintenance and upgrading of roads serving the leased property regardless of whether the roads are part of the county highway system.

Sec. 4. [FORESTVILLE STATE PARK ROADS.]

Up to \$1,000 of the cost incurred by Fillmore county in maintaining roads that provide access to Forestville state park shall be reimbursed from the state park road account created by Minnesota Statutes 1984, section 162.06, subdivision 5.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; simplifying the individual income tax and reducing the individual income tax rates; simplifying the property tax classification system; revising the method of providing reduction in taxes on homesteads and farms; providing for payment of aids to local units of government; adjusting the computation and payment of property tax refunds; providing certain sales tax exemptions; reducing estate taxes; altering provisions governing the operation of the iron range resources and rehabilitation board; providing for the allocation of the industrial revenue bonds; creating an economic diversification incentives program; authorizing casino gambling in the city of Ely; establishing a jobs program; establishing a fiscal disparities system in the taconite tax relief area; providing for local collection and distribution of taconite production taxes; altering certain deductions for mining companies; providing for distribution of production tax proceeds to certain towns; changing the taxation of telephone companies; providing that mortgage registration and deed taxes are retained by counties and offset against certain state payments; authorizing reimbursements to local units of government for certain railroad property tax refunds; providing enforcement powers to the department of revenue; modifying the charitable gambling law; increasing the amount in the budget and cash flow reserve account; appropriating money; amending Minnesota Statutes 1984, sections 10A.31, subdivisions 1, 3, and 3a; 13.04, subdivision 2; 13.58; 15A.081, subdivisions 1 and 8; 16A.128, subdivision 2; 16A.15, subdivisions 1 and 6; 16A.641, subdivision 11; 16B.60, subdivision 5; 18.023, subdivision 7; 41.55; 47.58, subdivisions 2 and 3; 84B.08, subdivision 6; 85A.05, subdivision 5; 86.33, by adding subdivisions; 93.55, subdivision 2; 97.488, subdivision 1a; 110A.28, subdivisions 11 and 12; 115A.58, subdivision 6; 116.17, subdivision 6; 116C.63, subdivision 4; 116J.035, by adding a subdivision; 116J.58, subdivision 4; 116J.64, subdivision 6; 116L.03, subdivision 7; 116L.04, by adding a subdivision; 116M.07, subdivision 1, and by adding subdivisions; 116M.08, subdivision 4; 117.55; 124.155, subdivision 2; 124.2131, subdivision 3; 124.2138, subdivisions 2 and 4; 124.2139; 124.46, subdivision 3; 124A.02, subdivisions 11 and 12; 124A.03, subdivision 3; 124A.037; 129A.02, subdivision 2; 136.40, subdivision 7; 136.63, by adding a subdivision; 136C.06; 136C.43, subdivision 6; 167.52; 168.012, subdivision 9; 174.51, subdivision 6; 178.03, by adding a subdivision; 245.87; 248.07; 248.08; 256.736; 256.737; 256C.24; 256C.25; 256C.26; 256D.02, subdivision 13; 256D.03, subdivision 2; 256D.09, subdivision 3, and by adding a subdivision; 256D.111, subdivision 2; 268.04, by adding subdivisions; 268.08, by adding a subdivision; 268.31; 268.32; 268.33; 268.34; 268.36; 268.672, subdivision 6; 268.676, subdivision 1; 268.686; 270.68, subdivision 4; 272.02, subdivision

1, and by adding a subdivision; 272.03, subdivision 1; 272.039; 272.04, subdivision 1; 272.115, subdivision 4; 273.11, subdivisions 1 and 8; 273.1104, subdivision 1; 273.115, subdivisions 3 and 7; 273.116, subdivisions 3 and 7; 273.118; 273.12; 273.121; 273.123, subdivisions 1, 4, and 5; 273.13, by adding subdivisions; 273.1311; 273.1313, subdivisions 1, 2, and 3; 273.1314, subdivisions 8 and 16a; 273.1315; 273.135, subdivisions 1, 2, and 5; 273.136, subdivisions 1, 2, and 4; 273.1391, subdivisions 1, 2, and 4; 273.1392; 273.38; 273.42, subdivision 2; 274.19, subdivisions 1, 2, 3, 4, 6, 7, and by adding a subdivision; 275.07, subdivision 1; 275.50, subdivision 5; 275.51, subdivision 3i; 276.04; 278.01, subdivision 2; 278.05, subdivision 5, 279.01, subdivision 1; 279.06; 281.17; 287.05, subdivision 1; 287.08; 287.09; 287.12; 287.21, subdivision 2, and by adding a subdivision; 287.23; 287.25; 287.28; 287.29, subdivision 1; 287.33; 287.35; 290.01, subdivisions 19, 20, as amended, 20a, 20b, 20d; 20e; 290.012, subdivision 3; 290.032, subdivision 2; 290.05, subdivision 3; 290.06, subdivisions 2c, 2d, 2f, 3f, 11, 16, 17, and 18; 290.068, subdivisions 1, 3, and 4; 290.069, subdivisions 4a, 4b, 5, 6, and 7; 290.08, subdivisions 1 and 26; 290.089, subdivisions 2 and 3; 290.09, subdivisions 1, 2, and 7; 290.091; 290.095, subdivisions 7, 9, and 11; 290.10; 290.12, subdivisions 1 and 2; 290.14; 290.16, subdivision 1a; 290.19, subdivision 1; 290.23, subdivision 3; 290.311, subdivision 1; 290.37, subdivision 1; 290.38; 290.41, subdivision 2; 290.46; 290.49, subdivision 10; 290.50, subdivisions 5 and 6; 290.53, subdivision 11; 290.92, subdivisions 2a, 15, 18, and 21; 290.93, subdivision 10; 290.9726, subdivision 1; 290.974; 290A.03, subdivisions 3, 6, 13, and 14; 290A.04, subdivisions 2, 2a, and 2b; 290A.06; 290A.07, by adding a subdivision; 290A.19; 291.005, subdivision 1; 291.03, subdivision 1; 291.075; 291.09, subdivisions 1a, 2a, 3a, and 5; 291.11, subdivision 1; 291.15, subdivision 3; 291.215, subdivision 1; 295.34, subdivision 1; 297A.01, subdivisions 14 and 15; 297A.02, by adding a subdivision; 297A.25, subdivision 1, and by adding a subdivision; 297A.39, subdivision 8; 298.03; 298.031, subdivisions 2 and 3; 298.225; 298.24, subdivision 4; 298.27; 298.28, subdivisions 1 and 2; 298.282, subdivisions 1, 4, and 5; 298.292; 349.12, subdivision 13; 349.151, subdivision 4; 349.16, by adding a subdivision; 349.161, subdivision 1; 349.19, subdivision 5; 349.212, subdivision 2; 349.214, subdivision 2, and by adding a subdivision; 360.301, subdivision 1; 473.446, subdivision 1; 473F.02, subdivisions 3, 4, and 17; 474.16, subdivisions 1, 4, 5, and by adding subdivisions; 474.17, subdivisions 1, 2, 3, and 4; 474.18, subdivisions 1, 2, 3, 4, and by adding a subdivision; 474.19, subdivisions 1, 2, 3, 4, 5, 6, and 7; 474.20, subdivisions 1 and 2; 474.22; 474.23; 475.61, subdivision 3; 475.754; 475A.06, subdivision 6; 477A.011, subdivisions 7a and 10; 477A.0131, subdivision 1; 477A.015; 477A.03, by adding a subdivision; 514.03, subdivision 3; 524.3-1202; 583.02; 609.75, subdivision 3; Laws 1984, chapter 502, article 9, section 5; proposing coding for new law in Minnesota Statutes, chapters 256C; 268; 270; 273; 275; 290; 298; and 458; proposing coding for new law as Minnesota Statutes, chapters 267; 268A; and 276A; repealing Minnesota Statutes 1984, sections 41.58, subdivision 3; 41.59, subdivisions 2 and 3; 55.10, subdivision 2; 62E.03, subdivision 2; 124.2131, subdivision 4; 124.2137; 124A.031, subdivision 4; 129A.02, subdivision 4; 245.84, subdivision 2; 256.736, subdivisions 1 and 2; 256D.02, subdivision 8a; 256D.111, subdivision 1a; 256D.112; 268.011; 268.012; 268.013; 268.12, subdivisions 1 and 1a; 268.683, subdivision 2; 268.684; 268.80; 268.81; 270.75, subdivision 7; 273.1105; 273.112, subdivision 9; 273.13, subdivisions 2, 2a, 3, 4, 5a, 6, 6a, 7, 7b, 7c, 7d, 8a, 9, 10, 11, 12, 14a, 15a, 16, 17, 17a, 17b, 17c, 17d, 19, 20, and 21; 273.133; 273.136, subdivision 3; 273.15; 287.27; 287.29; 287.32; 290.01, subdivi-

sions 20c, 20f, and 26; 290.06, subdivisions 3e, 14, and 19; 290.069, subdivision 4; 290.077, subdivision 4; 290.08, subdivisions 23 and 24; 290.088; 290.089, subdivisions 4 and 6; 290.09, subdivision 29; 290.101; 290.17, subdivision 1a; 290.18, subdivisions 2 and 4; 290.39, subdivision 2; 290.41, subdivision 5; 290.9726, subdivisions 5 and 6; 291.015; 291.03, subdivisions 3, 4, 5, 6, and 7; 291.05; 291.051; 291.06; 291.065; 291.07; 291.08; 291.111; 291.131, subdivision 5; 291.132; 291.20; 291.29, subdivision 5; 295.34, subdivision 2; and 385.36; Laws 1982, chapter 523, article 7, section 3; and Laws 1984, chapter 582, section 23."

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

SECOND READING OF SENATE BILLS

S.F. No. 1423 was read the second time.

SECOND READING OF HOUSE BILLS

H.F. No. 756 was read the second time.

MOTIONS AND RESOLUTIONS

Mr. Waldorf moved that the name of Mr. Pehler be added as a co-author to S.F. No. 946. The motion prevailed.

Mr. Lessard moved that H.F. No. 576 be taken from the table. The motion prevailed.

Mr. Lessard moved that H.F. No. 576 be referred to the Committee on Judiciary. The motion prevailed.

Mr. Waldorf moved that H.F. No. 968 be withdrawn from the Committee on Education and re-referred to the Committee on Rules and Administration for comparison with S.F. No. 946, now on General Orders. The motion prevailed.

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the General Orders Calendar. The motion prevailed.

GENERAL ORDERS

The Senate resolved itself into a Committee of the Whole, with Mr. Hughes in the chair.

After some time spent therein, the committee arose, and Mr. Hughes reported that the committee had considered the following:

S.F. No. 172, which the committee recommends to pass subject to the following motions:

Mr. Kroening moved to amend S.F. No. 172 as follows:

Page 120, delete section 18

Renumber the sections of article 7 in sequence and correct the internal references

Amend the title as follows:

Page 1, line 43, delete "125.12, by adding a subdivision;"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 30 and nays 33, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Kroening	Novak	Solon
Belanger	Dicklich	Kronebusch	Olson	Spear
Benson	Frederickson	Laidig	Petty	Stumpf
Berglin	Freeman	Lantry	Pogemiller	Vega
Bernhagen	Hughes	McQuaid	Ramstad	Waldorf
Chmielewski	Johnson, D.E.	Mehrkens	Samuelson	Willet

Those who voted in the negative were:

Anderson	Gustafson	Lessard	Peterson, C.C.	Schmitz
Berg	Isackson	Luther	Peterson, D.C.	Sieloff
Bertram	Johnson, D.J.	Merriam	Peterson, D.L.	Storm
Dahl	Jude	Moe, D. M.	Peterson, R.W.	Taylor
DeCramer	Kamrath	Moe, R. D.	Purfeerst	Wegscheid
Diessner	Knutson	Nelson	Reichgott	
Dieterich	Langseth	Pehler	Renneke	

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

Mr. Kroening then moved to amend S.F. No. 172 as follows:

Page 120, delete section 18

Page 123, after line 28, insert:

"Sec. 25. [EMPLOYMENT IN SUPERVISORY POSITIONS IN ROSEVILLE.]

Notwithstanding any law to the contrary, a teacher, as defined in section 179A.03, who is employed by independent school district No. 623, Roseville, does not have a right to employment in that district as an assistant superintendent, as a principal defined in section 179A.03, as a confidential or supervisory employee defined in section 179A.03, or in a position that is a promotion from the position currently held, based on seniority, seniority date, or order of employment by the district; provided that this provision shall not alter the reinstatement rights of an individual who is placed on leave from an assistant superintendent, principal or assistant principal, or supervisory or confidential employee position pursuant to chapter 125."

Renumber the sections in sequence and correct internal cross references

Amend the title as follows:

Page 1, line 43, delete everything after the first semicolon

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 25 and nays 34, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Kroening	Olson	Spear
Belanger	Diessner	Laidig	Petty	Storm
Benson	Frederickson	Lantry	Pogemiller	Vega
Bernhagen	Freeman	McQuaid	Ramstad	Waldorf
Chmielewski	Hughes	Novak	Solon	Willet

Those who voted in the negative were:

Anderson	Gustafson	Lessard	Pehler	Renneke
Berg	Isackson	Luther	Peterson, C.C.	Samuelson
Berglin	Johnson, D.E.	Mehrkens	Peterson, D.C.	Schmitz
Bertram	Jude	Merriam	Peterson, D.L.	Sieloff
Dahl	Kamrath	Moe, D. M.	Peterson, R.W.	Stumpf
DeCramer	Knutson	Moe, R. D.	Purfeerst	Taylor
Dieterich	Langseth	Nelson	Reichgott	

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

Mr. Frederickson moved to amend S.F. No. 172 as follows:

Page 5, line 35, delete "\$1,840" and insert "\$1,655"

Page 6, line 1, delete "\$1,930" and insert "\$1,735"

Page 8, delete sections 11 and 12

Pages 8 and 9, delete section 14

Pages 9 to 11, delete sections 16 to 19

Pages 18 to 25, delete sections 21 to 31

Page 27, delete section 35

Page 27, line 30, delete "\$689,468,600" and insert "\$696,656,600"

Page 27, line 31, delete "\$962,990,800" and insert "\$790,289,200"

Page 27, line 33, delete "\$607,599,100" and insert "\$614,787,100"

Page 28, line 1, delete "\$857,858,600" and insert "\$685,157,000"

Page 28, delete lines 8 to 12 and insert:

"Subdivision 1. [COMMISSIONER OF FINANCE.] There is appropriated from the general fund to the commissioner of finance the sums indicated in this section for the fiscal years ending June 30 in the years designated.

Subd. 2. [TEACHER RETIREMENT.] For payment of the state's obligations prescribed in Minnesota Statutes, sections 354.43; 354.55, subdivision 5; 354A.12, subdivision 2; 355.46; and 355.49, there is appropriated:

\$216,227,700_____1986,

\$234,244,300_____1987."

Page 28, line 14, delete "Subdivision 1."

Page 28, delete lines 17 to 20

Page 28, line 23, delete everything after the first period

Page 28, delete lines 24 to 26

Pages 173 and 174, delete section 13

Page 174, line 8, delete "\$5,728,700" and insert "\$8,143,000"

Renumber the sections in sequence

Correct cross references

Amend the title as follows:

Page 1, delete line 39

Page 1, line 40, delete "subdivisions" and insert "subdivision" and delete "1," and delete the last comma

Page 1, line 41, delete everything before the second semicolon

Page 2, line 6, delete "354.092; 354.094;"

Page 2, delete line 7

Page 2, line 8, delete "subdivision 1;" and delete "subdivisions" and insert "subdivision" and delete "and 4"

Page 2, line 9, delete everything after the first semicolon

Page 2, delete line 10

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 32 and nays 32, as follows:

Those who voted in the affirmative were:

Anderson	Dieterich	Kamrath	McQuaid	Storm
Belanger	Frederick	Knaak	Mehrkens	Taylor
Benson	Frederickson	Knutson	Olson	Vega
Berg	Freeman	Kroening	Peterson, D.L.	Waldorf
Bernhagen	Isackson	Kronebusch	Ramstad	
Brataas	Johnson, D.E.	Laidig	Reichgott	
Davis	Jude	Lantry	Renneke	

Those who voted in the negative were:

Adkins	Diessner	Merriam	Peterson, D.C.	Solon
Berglin	Gustafson	Moe, D. M.	Peterson, R.W.	Spear
Bertram	Hughes	Moe, R. D.	Petty	Stumpf
Chmielewski	Johnson, D.J.	Nelson	Pogemiller	Willet
Dahl	Langseth	Novak	Purfeerst	
DeCramer	Lessard	Pehler	Samuelson	
Dicklich	Luther	Peterson, C.C.	Schmitz	

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

Mr. Nelson moved to amend S.F. No. 172 as follows:

Page 26, line 36, after "having" insert "(a)"

Page 27, line 1, after "schools" insert ", or (b) operating two secondary schools that are more than 70 miles apart by road with no secondary schools in between,"

Page 56, line 3, delete "\$140,157,900" and insert "\$140,517,900"

Page 81, line 9, after "the" insert "sum of the" and delete "times" and insert "and the tier revenue of that district, multiplied by"

Page 81, line 11, delete "section" and insert "sections"

Page 81, line 12, delete the second comma and insert "124A.06, subdivision 3a; 124A.08, subdivision 3a; 124A.10, subdivision 3a; 124A.12, subdivision 3a; and 124A.14, subdivision 5a, as applicable,"

Page 82, after line 27, insert:

"Subd. 4. [SCHOOL OF THE ARTS.] For operation of the Minnesota

school of the arts there is appropriated:

\$ 950,000. . . . 1986,
\$2,600,000. . . . 1987.

The unencumbered balance remaining from fiscal year 1986 shall not cancel but shall be available for fiscal year 1987."

Renumber the subdivisions in sequence

Page 93, line 4, before the first "The" insert "Beginning in the 1986-1987 school year"

Page 124, line 7, delete "24" and insert "23"

Page 132, line 9, delete "\$500" and insert "\$300"

Page 152, line 21, delete ".4" and insert ".1"

Pages 173 and 174, delete section 13

Renumber the sections in sequence and correct the internal references

Mr. Taylor requested division of the amendment as follows:

First portion:

Page 26, line 36, after "having" insert "(a)"

Page 27, line 1, after "schools" insert ", or (b) operating two secondary schools that are more than 70 miles apart by road with no secondary schools in between,"

Page 56, line 3, delete "\$140,157,900" and insert "\$140,517,900"

Page 93, line 4, before the first "The" insert "Beginning in the 1986-1987 school year"

Page 124, line 7, delete "24" and insert "23"

Page 132, line 9, delete "\$500" and insert "\$300"

Page 152, line 21, delete ".4" and insert ".1"

Pages 173 and 174, delete section 13

Renumber the sections in sequence and correct the internal references

Second portion:

Page 81, line 9, after "the" insert "sum of the" and delete "times" and insert "and the tier revenue of that district, multiplied by"

Page 81, line 11, delete "section" and insert "sections"

Page 81, line 12, delete the second comma and insert "; 124A.06, subdivision 3a; 124A.08, subdivision 3a; 124A.10, subdivision 3a; 124A.12, subdivision 3a; and 124A.14, subdivision 5a, as applicable,"

Page 82, after line 27, insert:

"Subd. 4. [SCHOOL OF THE ARTS.] For operation of the Minnesota school of the arts there is appropriated:

\$ 950,000. . . . 1986,

\$2,600,000. . . . 1987.

The unencumbered balance remaining from fiscal year 1986 shall not cancel but shall be available for fiscal year 1987."

Renumber the subdivisions in sequence

The question was taken on the adoption of the first portion of the amendment. The motion prevailed. So the first portion of the amendment was adopted.

The question was taken on the adoption of the second portion of the amendment.

The roll was called, and there were yeas 37 and nays 30, as follows:

Those who voted in the affirmative were:

Adkins	Diessner	Lessard	Peterson, C.C.	Schmitz
Berglin	Frank	Luther	Peterson, D.C.	Solon
Bertram	Freeman	Merriam	Peterson, R.W.	Vega
Chmielewski	Johnson, D.J.	Moe, D. M.	Petty	Waldorf
Dahl	Jude	Moe, R. D.	Pogemiller	Wegscheid
Davis	Kroening	Nelson	Purfeerst	
DeCramer	Langseth	Novak	Reichgott	
Dicklich	Lantry	Pehler	Samuelson	

Those who voted in the negative were:

Anderson	Dieterich	Johnson, D.E.	McQuaid	Sieloff
Belanger	Frederick	Kamrath	Mehrkens	Spear
Benson	Frederickson	Knaak	Olson	Storm
Berg	Gustafson	Knutson	Peterson, D.L.	Stumpf
Bernhagen	Hughes	Kronebusch	Ramstad	Taylor
Brataas	Isackson	Laidig	Renneke	Willet

The motion prevailed. So the second portion of the amendment was adopted.

Ms. Olson moved to amend S.F. No. 172 as follows:

Page 161, after line 27, insert:

"Subd. 27. [PROGRAMS OF EXCELLENCE.]

For programs of excellence pursuant to sections 126.60 to 126.64 there is appropriated:

\$34,500_____1986,

\$34,500_____1987.

Of this amount, the following sums may be used for the purposes indicated in each year: \$7,500 for program administration including expenses of the programs of excellence committee, according to section 126.60, subdivision 3; \$10,000 for incentive grants according to section 126.60, subdivision 4; and \$17,000 for reimbursement of pupil transportation costs according to section 126.62, subdivision 6."

Renumber the subdivisions in sequence

The motion prevailed. So the amendment was adopted.

Mr. Kamrath moved to amend S.F. No. 172 as follows:

Page 117, after line 10, insert:

"Sec. 10. Minnesota Statutes 1984, section 122.541, is amended by adding a subdivision to read:

Subd. 7. [MEETING LOCATION.] Notwithstanding any law to the contrary, the school boards of districts with an agreement under this section may hold a valid joint meeting at any location that would be permissible for one of the school boards participating in the meeting. Any of those school boards may also hold a school board meeting on that date at that location before or after the joint meeting."

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 21, after the second semicolon, insert "122.541, by adding a subdivision;"

Mr. Pehler moved to amend the Kamrath amendment to S.F. No. 172 as follows:

Page 1, line 9, delete everything after the period

Page 1, delete line 10

Page 1, line 11, delete "before or after the joint meeting."

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

The question recurred on the Kamrath amendment, as amended.

The motion prevailed. So the amendment, as amended, was adopted.

Mr. Kamrath then moved to amend S.F. No. 172 as follows:

Page 164, delete section 1

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 5 and nays 55, as follows:

Those who voted in the affirmative were:

Isackson	Kamrath	Knutson	Renneke	Waldorf
Those who voted in the negative were:				
Adkins	Dicklich	Kroening	Nelson	Ramstad
Anderson	Diessner	Laidig	Novak	Reichgott
Belanger	Dieterich	Langseth	Olson	Samuelson
Berg	Frank	Lantry	Pehler	Sieloff
Berglin	Frederick	Lessard	Peterson, C. C.	Solon
Bernhagen	Freeman	Luther	Peterson, D. C.	Spear
Bertram	Hughes	McQuaid	Peterson, D. L.	Stumpf
Chmielewski	Johnson, D. E.	Mehrkins	Peterson, R. W.	Taylor
Dahl	Johnson, D. J.	Merriam	Petty	Vega
Davis	Jude	Moe, D. M.	Pogemiller	Wegscheid
DeCramer	Knaak	Moe, R. D.	Purfeerst	Willer

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

Mr. Benson moved to amend S.F. No. 172 as follows:

Page 100, after line 20, insert:

"Sec. 22. [PILOT PROGRAMS FOR ALL-DAY KINDERGARTENS.]

A pilot program shall be established by the state board of education to evaluate the effects of and issues relating to all-day kindergarten. The state board shall select at least two school districts in each congressional district that wish to participate in the pilot program during the 1986-1987 school year. The department of education shall develop the pilot program and provide assistance to participating districts. Each kindergarten pupil participating in the pilot program shall be counted as one pupil unit for the purpose of Minnesota Statutes, section 124.17. The state board shall evaluate the program and submit its recommendations to the education committees of the legislature by January 15, 1987."

Page 107, after line 35, insert:

"Subd. 15. [ALL-DAY KINDERGARTEN PILOT PROGRAM.] *For a pilot program for all-day kindergarten there is appropriated:*

\$1,000,000 _____ 1987."

Renumber the subdivisions in sequence and correct the internal references

Renumber the sections in sequence and correct the internal references

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 33, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Knutson	Novak	Sieloff
Belanger	Gustafson	Kroening	Olson	Storm
Benson	Isackson	Kronebusch	Peterson, D.L.	Taylor
Bernhagen	Johnson, D.E.	Laidig	Ramstad	Wegscheid
Brataas	Kamrath	McQuaid	Reichgott	
Frederick	Knaak	Mehrkens	Renneke	

Those who voted in the negative were:

Adkins	DeCramer	Lantry	Peterson, D.C.	Spear
Berg	Dicklich	Lessard	Peterson, R.W.	Stumpf
Berglin	Diessner	Merriam	Petty	Vega
Bertram	Frank	Moe, D. M.	Pogemiller	Waldorf
Chmielewski	Johnson, D.J.	Nelson	Purfeerst	Willett
Dahl	Jude	Pehler	Samuelson	
Davis	Langseth	Peterson, C.C.	Solon	

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

Mr. Anderson moved to amend S.F. No. 172 as follows:

Page 4, after line 26, insert:

"Sec. 4. Minnesota Statutes 1984, section 124.17, is amended by adding a subdivision to read:

Subd. 1a. [AFDC PUPIL UNITS.] In addition to the pupil units counted under subdivision 1, pupil units shall be counted as provided in this subdivision beginning with the 1986-1987 school year.

(a) *Each pupil in subdivision 1 from a family receiving aid to families with dependent children or its successor program who is enrolled in the school district on October 1 shall be counted as an additional five-tenths pupil unit.*

(b) *In a district in which the number of pupils from families receiving aid to families with dependent children or its successor program exceeds five percent of the actual pupil units in the district for the same year, each such pupil shall be counted as an additional one-tenth of a pupil unit for each percent of concentration over five percent of such pupils in the district. The percent of concentration shall be rounded down to the nearest whole percent. In a district in which the percent of concentration is less than six, additional pupil units may not be counted under this paragraph for pupils from families receiving aid to families with dependent children or its successor program. A pupil shall not be counted as more than one and one-tenth additional pupil units under this subdivision. The weighting in this paragraph is in addition to the weighting provided in subdivision 1 and paragraph (a)."*

Page 6, after line 2, insert:

"Sec. 8. Minnesota Statutes 1984, section 124A.02, subdivision 16, is amended to read:

Subd. 16. [AFDC PUPIL UNITS.] *For the 1984-1985 and 1985-1986 school years, "AFDC pupil units" means 98.5 percent of the pupil units identified in Minnesota Statutes 1980, section 124.17, subdivision 1, clauses (4) and (5) in the 1980-1981 school year.*

For the 1986-1987 school year and each year thereafter, "AFDC pupil units" means the pupil units identified in section 4."

Page 27, line 30, delete "\$689,468,600" and insert "\$689,060,200"

Page 27, line 31, delete "\$962,990,800" and insert "948,786,400"

Page 27, line 33, delete "\$607,599,100" and insert "607,190,700"

Page 28, line 1, delete "\$857,858,600" and insert "\$843,654,200"

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 26, before the last semicolon insert ", and by adding a subdivision"

Page 1, line 35, delete "and"

Page 1, line 36, before the semicolon insert "and 16"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 22 and nays 40, as follows:

Those who voted in the affirmative were:

Anderson	Brataas	Kamrath	McQuaid	Storm
Belanger	Diessner	Knaak	Mehrkens	Taylor
Benson	Frederick	Knutson	Peterson, D.L.	
Bernhagen	Frederickson	Kronebusch	Ramstad	
Bertram	Isackson	Laidig	Renneke	

Those who voted in the negative were:

Adkins	Frank	Lantry	Pehler	Samuelson
Berglin	Freeman	Lessard	Peterson, C.C.	Schmitz
Chmielewski	Gustafson	Luther	Peterson, D.C.	Sieloff
Dahl	Hughes	Merriam	Peterson, R.W.	Spear
Davis	Johnson, D.E.	Moe, D. M.	Petty	Stumpf
DeCramer	Johnson, D.J.	Moe, R. D.	Pogemiller	Vega
Dicklich	Kroening	Nelson	Purfeerst	Waldorf
Dieterich	Langseth	Novak	Reichgott	Willet

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

Mr. Knaak moved to amend S.F. No. 172 as follows:

Page 84, line 31, delete "\$44.75" and insert "\$47"

Page 84, line 32, delete "\$46.55" and insert "\$110"

Page 104, line 35, delete "\$1,418,600" and insert "\$1,484,800"

Page 104, line 36, delete "\$1,608,900" and insert "\$3,490,600"

Page 105, line 3, delete "\$1,319,600" and insert "\$1,385,800"

Page 105, line 5, delete "\$232,800" and insert "\$244,500"

Page 105, line 7, delete "\$1,376,100" and insert "\$3,246,100"

Page 105, line 10, delete "\$1,552,400" and insert "\$1,630,300"

Page 105, line 10, delete "\$1,618,900" and insert "\$3,818,900"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 26 and nays 38, as follows:

Those who voted in the affirmative were:

Anderson	Diessner	Knaak	Novak	Storm
Belanger	Frederick	Knutson	Olson	Taylor
Benson	Frederickson	Kronebusch	Peterson, D.L.	
Berg	Isackson	Laidig	Ramstad	
Bernhagen	Johnson, D.E.	McQuaid	Renneke	
Brataas	Kamrath	Mehrkens	Sieloff	

Those who voted in the negative were:

Adkins	Dieterich	Lantry	Peterson, D.C.	Spear
Berglin	Frank	Lessard	Peterson, R.W.	Stumpf
Bertram	Freeman	Luther	Petty	Vega
Chmielewski	Gustafson	Merriam	Pogemiller	Waldorf
Dahl	Hughes	Moe, R. D.	Purfeerst	Wegscheid
Davis	Johnson, D.J.	Nelson	Reichgott	Willet
DeCramer	Jude	Pehler	Samuelson	
Dicklich	Kroening	Peterson, C.C.	Schmitz	

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

Mr. Belanger moved to amend S.F. No. 172 as follows:

Page 50, line 18, delete the second "a" and insert "70 percent"

Page 50, line 19, delete "portion" and after "employed" insert "full-time, part-time, or for a limited time"

Page 50, line 26, delete everything after the period

Page 50, delete lines 27 to 30

Page 54, line 20, reinstate the stricken "70 percent" and delete "a portion"

Page 54, line 21, after "employed" insert "full-time, part-time, or for a limited time"

Page 54, line 24, delete everything after the period

Page 54, delete lines 25 to 29

Page 56, line 2, delete "\$136,126,400" and insert "\$143,742,700"

Page 56, line 3, delete "\$140,157,900" and insert "\$151,808,500"

Page 56, line 5, delete "\$115,406,800" and insert "\$123,023,100"

Page 56, line 7, delete "\$20,773,600" and insert "\$22,117,500"

Page 56, line 8, delete "\$119,744,300" and insert "\$129,691,000"

Page 56, line 11, delete "\$135,772,800" and insert "\$144,733,000" and delete "\$140,875,600" and insert "\$152,577,700"

Page 57, line 36, delete "\$3,576,700" and insert "\$3,872,500"

Page 58, line 1, delete "\$3,655,800" and insert "\$4,173,200"

Page 58, line 4, delete "\$3,025,000" and insert "\$3,320,800"

Page 58, line 10, delete "\$533,800" and insert "\$586,100"

Page 58, line 12, delete "\$3,122,000" and insert "\$3,587,100"

Page 58, line 19, delete "\$3,558,800" and insert "\$3,906,900" and delete "\$3,673,000" and insert "\$4,220,100"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 28 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Frank	Johnson, D.E.	Laidig	Renneke
Belanger	Frederick	Kamrath	McQuaid	Sieloff
Benson	Frederickson	Knaak	Novak	Storm
Bernhagen	Freeman	Knutson	Olson	Taylor
Brataas	Gustafson	Kroening	Ramstad	
Dieterich	Isackson	Kronebusch	Reichgott	

Those who voted in the negative were:

Adkins	Dicklich	Lessard	Peterson, C.C.	Samuelson
Berglin	Diessner	Mehrkens	Peterson, D.C.	Schmitz
Bertram	Hughes	Merriam	Peterson, D.L.	Spear
Chmielewski	Johnson, D.J.	Moe, D. M.	Peterson, R.W.	Stumpf
Dahl	Jude	Moe, R. D.	Petty	Vega
Davis	Langseth	Nelson	Pogemiller	Wegscheid
DeCramer	Lantry	Pehler	Purfeerst	Willet

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

Mr. Frederickson moved to amend S.F. No. 172 as follows:

Page 25, after line 36, insert:

"Sec. 32. Minnesota Statutes 1984, section 356.70, subdivision 1, is

amended to read:

Subdivision 1. [COMBINED AGE AND SERVICE REQUIREMENT.] Any member of a retirement plan established pursuant to chapters 352, 353, 354, or 354A who has attained the age of at least 55 years and whose attained age plus credited allowable service totals 85, is entitled, upon application prior to December 31, 1986, or, for members of a plan established under chapter 354 or 354A, by June 30, 1987, to the normal retirement annuity provided in these chapters without any reduction in annuity by reason of such early retirement."

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 2, line 10, after "subdivision 3;" insert "356.70, subdivision 1;"

The question was taken on the adoption of the amendment.

The roll was called; and there were yeas 26 and nays 33, as follows:

Those who voted in the affirmative were:

Anderson	Davis	Johnson, D.E.	Laidig	Storm
Belanger	Frank	Kamrath	McQuaid	Taylor
Benson	Frederick	Knaak	Olson	
Berg	Frederickson	Knutson	Ramstad	
Bernhagen	Gustafson	Kroening	Renneke	
Brataas	Isackson	Kronebusch	Sieloff	

Those who voted in the negative were:

Adkins	Dieterich	Moe, D. M.	Peterson, R. W.	Spear
Berglin	Johnson, D.J.	Moe, R. D.	Petty	Stumpf
Bertram	Langseth	Nelson	Pogemiller	Waldorf
Dahl	Lantry	Novak	Purfeerst	Wegscheid
DeCramer	Lessard	Pehler	Reichgott	Willet
Dicklich	Luther	Peterson, C.C.	Samuelson	
Diessner	Merriam	Peterson, D.C.	Schmitz	

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

The question was taken on the recommendation to pass S.F. No. 172.

The roll was called, and there were yeas 35 and nays 29, as follows:

Those who voted in the affirmative were:

Adkins	Diessner	Lessard	Pehler	Purfeerst
Berglin	Gustafson	Luther	Peterson, C.C.	Samuelson
Bertram	Hughes	Merriam	Peterson, D.C.	Schmitz
Chmielewski	Johnson, D.J.	Moe, D. M.	Peterson, D.L.	Spear
Dahl	Jude	Moe, R. D.	Peterson, R.W.	Stumpf
DeCramer	Langseth	Nelson	Petty	Wegscheid
Dicklich	Lantry	Novak	Pogemiller	Willet

Those who voted in the negative were:

Anderson	Dieterich	Johnson, D.E.	Laidig	Sieloff
Belanger	Frank	Kamrath	McQuaid	Storm
Benson	Frederick	Knaak	Olson	Taylor
Berg	Frederickson	Knutson	Ramstad	Vega
Bernhagen	Freeman	Kroening	Reichgott	Waldorf
Brataas	Isackson	Kronebusch	Renneke	

The motion prevailed. So S.F. No. 172 was recommended to pass.

On motion of Mr. Moe, R.D., the report of the Committee of the Whole, as kept by the Secretary, was adopted.

RECESS

Mr. Moe, R.D. moved that the Senate do now recess until 8:55 p.m. The motion prevailed.

The hour of 8:55 p.m. having arrived, the President called the Senate to order.

CALL OF THE SENATE

Mr. Luther imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 10, Mr. Moe, R.D., Chairman of the Subcommittee on Bill Scheduling, designated H.F. No. 876 a Special Order to be heard immediately.

SPECIAL ORDER

H.F. No. 876: A bill for an act relating to hazardous waste; establishing a hazardous substance compensation trust account; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 115B.

Pursuant to Rule 22, Mr. Freeman moved that he be excused from voting on H.F. No. 876. The motion prevailed.

Mr. Merriam moved to amend H.F. No. 876, the unofficial engrossment, as follows:

Page 7, line 13, after "*rights*" insert "*under statutory or common law*"

CALL OF THE SENATE

Mr. Peterson, C.C. imposed a call of the Senate for the balance of the proceedings on H.F. No. 876. The Sergeant at Arms was instructed to bring in the absent members.

The question recurred on the Merriam amendment.

The motion prevailed. So the amendment was adopted.

Mr. Merriam then moved to amend H.F. No. 876, the unofficial engrossment, as follows:

Page 11, line 11, before the first "*the*" insert:

"(1)"

Page 11, line 18, before the period insert "; and

(2) *75 percent of the actual loss of market value of the property if the claimant has sold the property and realized the loss, up to a maximum recovery of \$25,000"*

The question was taken on the adoption of the amendment.

Mr. Merriam moved that those not voting be excused from voting. The motion prevailed.

The roll was called, and there were yeas 31 and nays 31, as follows:

Those who voted in the affirmative were:

Berglin	Johnson, D.J.	McQuaid	Peterson, C.C.	Spear
Dahl	Jude	Merriam	Peterson, D.C.	Stumpf
Davis	Knaak	Moe, D. M.	Peterson, R. W.	Willet
DeCramer	Laidig	Moe, R. D.	Pogemiller	
Dicklich	Langseth	Nelson	Reichgott	
Frank	Lantry	Novak	Samuelson	
Hughes	Luther	Pehler	Solon	

Those who voted in the negative were:

Adkins	Chmielewski	Kamrath	Peterson, D.L.	Taylor
Anderson	Diessner	Knutson	Petty	Waldorf
Benson	Frederick	Kroening	Purfeerst	Wegscheid
Berg	Frederickson	Kronebusch	Ramstad	
Bernhagen	Gustafson	Lessard	Renneke	
Bertram	Isackson	Mehrkens	Sieloff	
Brataas	Johnson, D.E.	Olson	Storm	

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

Mr. Merriam then moved to amend H.F. No. 876, the unofficial engrossment, as follows:

Page 11, line 8, before "Losses" insert "(a)"

Page 11, line 11, before the first "the" insert:

"(1)"

Page 11, line 18, before the period insert "; and

(2) losses incurred as a result of a sale of the property at less than the appraised market value under circumstances that constitute a hardship to the owner, limited to 75 percent of the difference between the appraised market value and the selling price, but not to exceed \$25,000"

Page 11, after line 18, insert:

(b) For purposes of paragraph (a), the following definitions apply:

(1) "appraised market value" means an appraisal of the market value of the property disregarding any decrease in value caused by the presence of a hazardous substance in or on the property; and

(2) "hardship" means an urgent need to sell the property based on a special circumstance of the owner including catastrophic medical expenses, inability of the owner to maintain the property due to a physical or mental condition, and change of employment of the owner or other member of the owner's household requiring the owner to move to a different location.

(c) Appraisals are subject to board approval. The board may adopt rules governing approval of appraisals, criteria for establishing a hardship, and other matters necessary to administer this subdivision."

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 42 and nays 20, as follows:

Those who voted in the affirmative were:

Berg	Hughes	Luther	Peterson, D.C.	Schmitz
Berglin	Johnson, D.E.	McQuaid	Peterson, D.L.	Solon
Dahl	Johnson, D.J.	Merriam	Peterson, R.W.	Spear
Davis	Jude	Moe, D. M.	Petty	Stumpf
DeCramer	Knaak	Moe, R. D.	Pogemiller	Wegscheid
Dicklich	Kroening	Nelson	Purfeerst	Willett
Diessner	Laidig	Novak	Ramstad	
Frank	Langseth	Pehler	Reichgott	
Frederickson	Lantry	Peterson, C.C.	Samuelson	

Those who voted in the negative were:

Adkins	Bertram	Gustafson	Kronebusch	Sieloff
Anderson	Brataas	Isackson	Lessard	Storm
Benson	Chmielewski	Kamrath	Mehrkins	Taylor
Bernhagen	Frederick	Knutson	Renneke	Waldorf

The motion prevailed. So the amendment was adopted.

Mr. Johnson, D.E. moved to amend H.F. No. 876, the unofficial engrossment, as follows:

Page 13, delete section 14

Renumber the sections in sequence

Amend the title as follows:

Page 1, lines 6 to 8, delete "providing for partial recoupment of expenditures from hazardous waste generators;"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 24 and nays 37, as follows:

Those who voted in the affirmative were:

Anderson	Bertram	Isackson	Kronebusch	Peterson, D.L.
Belanger	Brataas	Johnson, D.E.	Laidig	Peterson, R.W.
Benson	Frederick	Jude	Lessard	Sieloff
Berg	Frederickson	Kamrath	McQuaid	Storm
Bernhagen	Gustafson	Knutson	Mehrkins	

Those who voted in the negative were:

Adkins	Hughes	Moe, D. M.	Petty	Spear
Berglin	Johnson, D.J.	Moe, R. D.	Pogemiller	Taylor
Dahl	Knaak	Nelson	Ramstad	Waldorf
Davis	Kroening	Novak	Reichgott	Wegscheid
DeCramer	Langseth	Olson	Renneke	Willett
Dicklich	Lantry	Pehler	Samuelson	
Diessner	Luther	Peterson, C.C.	Schmitz	
Frank	Merriam	Peterson, D.C.	Solon	

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

Mr. Benson moved to amend H.F. No. 876, the unofficial engrossment, as follows:

Page 3, line 29, delete "including emergency rules,"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 37 and nays 27, as follows:

Those who voted in the affirmative were:

Anderson	Frank	Knaak	Olson	Storm
Belanger	Frederick	Knutson	Peterson, D.L.	Stumpf
Benson	Frederickson	Kroening	Purfcerst	Taylor
Berg	Gustafson	Kronebusch	Ramstad	Waldorf
Bernhagen	Isackson	Laidig	Renneke	Wegscheid
Bertram	Johnson, D.E.	Lessard	Samuelson	
Brataas	Jude	McQuaid	Sieloff	
Chmielewski	Kamrath	Mehrkens	Solon	

Those who voted in the negative were:

Adkins	Diessner	Merriam	Peterson, C.C.	Schmitz
Berglin	Hughes	Moe, D. M.	Peterson, D.C.	Spear
Dahl	Johnson, D.J.	Moe, R. D.	Peterson, R.W.	Willet
Davis	Langseth	Nelson	Petty	
DeCramer	Lantry	Novak	Pogemiller	
Dicklich	Luther	Pehler	Reichgott	

The motion prevailed. So the amendment was adopted.

Mr. Ramstad moved to amend H.F. No. 876, the unofficial engrossment, as follows:

Page 6, delete lines 32 to 36

Page 7, delete lines 1 to 11 and insert:

"Subdivision 1. [SUBSEQUENT ACTION PROHIBITED.] A person who has filed a claim with the fund for a compensable injury, and upon whose claim the board has made a determination, is precluded from bringing an action in court for the same compensable injury. A person who has brought an action in court for a compensable injury is precluded from filing a claim with the fund for the same compensable injury unless the person (a) dismisses the court action with prejudice at the time the claim is filed with the fund; or (b) obtains a judgment from the court which cannot be satisfied in whole or in part against the person or persons determined to be liable. A person who has settled a claim for a compensable injury with a responsible person, either before or after bringing an action in court for that injury, is precluded from filing or pursuing a claim with the fund for the same compensable injury."

Page 7, delete lines 19 to 32

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 38 and nays 26, as follows:

Those who voted in the affirmative were:

Anderson	DeCramer	Kamrath	Mehrkens	Solon
Belanger	Diessner	Knutson	Olson	Storm
Benson	Frederick	Kroening	Peterson, D.L.	Stumpf
Berg	Frederickson	Kronebusch	Purfcerst	Taylor
Bernhagen	Gustafson	Laidig	Ramstad	Waldorf
Bertram	Isackson	Langseth	Renneke	Wegscheid
Brataas	Johnson, D.E.	Lessard	Samuelson	
Chmielewski	Jude	McQuaid	Sieloff	

Those who voted in the negative were:

Adkins	Hughes	Moe, D. M.	Peterson, D.C.	Spear
Berglin	Johnson, D.J.	Moe, R. D.	Peterson, R.W.	Willet
Dahl	Knaak	Nelson	Petty	
Davis	Lantry	Novak	Pogemiller	
Dicklich	Luther	Pehler	Reichgott	
Frank	Merriam	Peterson, C.C.	Schmitz	

The motion prevailed. So the amendment was adopted.

H.F. No. 876 was then progressed.

MOTIONS AND RESOLUTIONS - CONTINUED

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.

APPOINTMENTS

Mr. Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 535: Mrs. Adkins, Messrs. Petty and Benson.

H.F. No. 186: Mr. Samuelson, Mrs. Kronebusch and Mr. Dicklich.

H.F. No. 274: Messrs. Frank, Wegscheid and Johnson, D.E.

H.F. No. 245: Mr. Pogemiller, Ms. Berglin and Mr. Johnson, D.E.

H.F. No. 315: Mrs. Adkins, Messrs. Chmielewski and Gustafson.

H.F. No. 1235: Messrs. Willet, Merriam and Bernhagen.

S.F. No. 459: Messrs. Spear, Merriam and Sieloff.

Mr. Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

Without objection, the Senate reverted to the Order of Business of Messages From the House.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 786:

H.F. No. 786: A bill for an act relating to state departments and agencies; transferring authority to make certain appointments to various commissioners; reducing size of alcohol and drug abuse advisory council; abolishing the cable communications board and the telecommunications council; amending Minnesota Statutes 1984, sections 1.22; 4.31, subdivision 5; 14.02, subdivision 4; 16B.20, subdivision 2; 16B.33, subdivision 2; 35.02, subdivision 1; 40.03, subdivision 1; 84B.11, subdivision 1; 115.74, subdivision 1; 116C.41, subdivision 2; 116L.03; 121.82, subdivision 1; 121.83; 129B.01, subdivision 1; 144A.19, subdivision 1; 147.01, subdivisions 1 and 2; 148.03; 148.181; 148.52; 148.90, subdivision 2; 150A.02, subdivision 1; 151.03; 153.02; 154.22; 156.01, subdivisions 1 and 2; 161.1419, subdivision 2; 250.05, subdivision 2; 254A.04; 270.41; 326.04; 326.17; 326.241, subdivision 1; 343.01, subdivision 3; 386.63, subdivision 1; 611.215, subdivision 1;

and 626.841; amending Laws 1984, chapter 654, article 2, section 151, subdivision 2; repealing Minnesota Statutes 1984, sections 3.29, subdivisions 1 to 11; 16C.01; 238.01; 238.02, subdivision 4; 238.04 to 238.06; 238.08, subdivision 2; 238.09; 238.10; 238.11, subdivision 1; 238.12, subdivision 3; and 238.13 to 238.17.

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

Gutknecht, Redalen and Jacobs have been appointed as such committee on the part of the House.

House File No. 786 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 2, 1985

Mr. Pogemiller moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 786, 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.

INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Messrs. Wegscheid and Vega introduced—

S.F. No. 1518: A bill for an act relating to taxation; limiting payment of sales tax on transactions involving horses; amending Minnesota Statutes 1984, section 297A.01, subdivision 3.

Referred to the Committee on Taxes and Tax Laws.

Messrs. Wegscheid and Vega introduced—

S.F. No. 1519: A bill for an act relating to taxation; limiting tax on certain sales of horses; amending Minnesota Statutes 1984, section 297A.01, subdivision 3.

Referred to the Committee on Taxes and Tax Laws.

Mrs. Brataas introduced—

S.F. No. 1520: A bill for an act relating to retirement; Rochester police relief association; permitting the transfer of service credit into the public employees police and fire fund; transferring records and assets.

Referred to the Committee on Governmental Operations.

Messrs. Merriam; Laidig; Peterson, R.W. and Davis introduced—

S.F. No. 1521: A bill for an act relating to natural resources; providing for peatland protection by designating scientific and natural areas, and creating

and designating peatland scientific protection areas, and peatland watershed protection areas; providing for acquisition of certain peatlands from the United States Department of Interior; proposing coding for new law in Minnesota Statutes, chapter 84.

Referred to the Committee on Agriculture and Natural Resources.

Mr. Ramstad introduced—

S.F. No. 1522: A bill for an act relating to taxation; income; excluding small foreign sales corporations from the combined report; amending Minnesota Statutes 1984, section 290.34, subdivision 2.

Referred to the Committee on Taxes and Tax Laws.

Without objection, the Senate reverted to the Order of Business of Motions and Resolutions.

MOTIONS AND RESOLUTIONS

RECONSIDERATION

Mr. Pehler moved that the vote whereby S.F. No. 391 failed to pass the Senate on April 30, 1985, be now reconsidered. The motion prevailed.

Mr. Pehler moved that S.F. No. 391 be laid on the table. The motion prevailed.

MEMBERS EXCUSED

Mr. Vega was excused from the Session of today at 8:30 p.m. Mr. Frank was excused from the Session of today from 3:30 to 6:05 p.m. Mr. Solon was excused from the Session of today from 7:30 to 10:00 p.m.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 1:00 p.m., Friday, May 3, 1985. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate