

## SEVENTY-EIGHTH DAY

St. Paul, Minnesota, Tuesday, March 4, 1986

The Senate met at 12:00 noon and was called to order by the President.

## CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. James D. Gorman.

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

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

The President declared a quorum present.

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

## MESSAGES FROM THE HOUSE

Mr. President:

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

S.F. No. 1612: A bill for an act relating to insurance; changing certain incorporation requirements for domestic insurance corporations; changing certain investment requirements for life insurance companies; amending Minnesota Statutes 1984, sections 60A.07, subdivision 1; and 61A.282, subdivision 1.

Senate File No. 1612 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 3, 1986

### CONCURRENCE AND REPASSAGE

Mr. Wegscheid moved that the Senate concur in the amendments by the House to S.F. No. 1612 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1612: A bill for an act relating to insurance; changing certain incorporation requirements for domestic insurance corporations; redefining cost for purpose of insurance company bidding for government contracts; classifying certain data collected by the commissioner of commerce as non-public data; changing certain investment requirements for life insurance companies; authorizing joint underwriting association issuance of insurance to hospitals and nursing homes; providing liability insurance for foster parents; regulating fraternal benefit societies; allowing the Minnesota automobile insurance plan to write liability insurance on school buses up to \$1,000,000; redefining cost for purpose of insurance company bidding for government contracts; amending Minnesota Statutes 1984, sections 60A.07, subdivision 1; 61A.282, subdivision 1; 65B.06, subdivision 3; 62F.06, subdivision 1; 62F.09; 245.814; and 471.616, subdivision 1; Minnesota Statutes 1985 Supplement, sections 13.71, by adding a subdivision; 64B.01; and 64B.03; proposing coding for new law in Minnesota Statutes, chapter 62F.

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 48 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Diessner	Kamrath	Olson	Sieloff
Anderson	Dieterich	Knaak	Pehler	Spear
Belanger	Frank	Kroening	Peterson, C.C.	Storm
Benson	Frederick	Kronebusch	Peterson, D.C.	Stumpf
Berg	Frederickson	Lantry	Peterson, D.L.	Taylor
Bernhagen	Freeman	Luther	Peterson, R.W.	Waldorf
Bertram	Hughes	McQuaid	Petty	Wegscheid
Chmielewski	Isackson	Mehrkens	Ramstad	Willet
Davis	Johnson, D.E.	Merriam	Renneke	
DeCramer	Jude	Moe, R. D.	Schmitz	

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

### MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 1970, 2068, 2143, 2294, 2317, 1764 and 1776.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 3, 1986

### FIRST READING OF HOUSE BILLS

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

indicated.

H.F. No. 1970: A bill for an act relating to state lands; prescribing appraisal for conveyance of surplus state land in Dakota county to city of Hastings; amending Laws 1985, chapter 61, section 1.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1935, now on General Orders.

H.F. No. 2068: A bill for an act relating to the city of Litchfield; permitting certain investments of municipal power agency funds.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1922, now on General Orders.

H.F. No. 2143: A bill for an act relating to utilities; permitting certain energy cost adjustments; amending Minnesota Statutes 1984, section 216B.16, subdivision 7.

Referred to the Committee on Public Utilities and State Regulated Industries.

H.F. No. 2294: A bill for an act relating to labor; independent school district No. 709, Duluth; removing certain educational assistants from civil service; amending Laws 1967, chapter 252, section 2, as amended.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2130, now on the Consent Calendar.

H.F. No. 2317: A bill for an act relating to corporations; providing for the resignation of registered agents of foreign corporations; amending Minnesota Statutes 1984, section 303.10, by adding a subdivision.

Referred to the Committee on Judiciary.

H.F. No. 1764: A bill for an act relating to commerce; regulating medical malpractice insurance to health care providers who are unable to obtain the coverage in the voluntary market; regulating malpractice actions against health care providers; providing certification of expert review and the waiver of privilege by health care providers; requiring disclosure of experts; revising the statute of limitations for minors; changing the pleading of punitive damages; changing the collateral source rule; and providing periodic payments of damages exceeding a threshold limitation; requiring certain supplemental reports; amending Minnesota Statutes 1984, sections 60A.13, by adding a subdivision; 62F.04, by adding a subdivision; 62F.06, subdivision 1; 541.15; 549.09, subdivision 1; 549.20, subdivision 1, and by adding a subdivision; and 595.02, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 145.

Referred to the Committee on Judiciary.

H.F. No. 1776: A bill for an act relating to commerce; providing immunity to the state and municipalities for certain claims; regulating certain self-insurance pools; modifying the limitation on actions for damages based on services of construction to improve real property; abolishing the collateral source rule; requiring judgments to be paid in periodic installments rather than a lump sum upon request of either party; limiting contingent attorney's fees; abolishing punitive damages in civil actions; limiting noneconomic

loss; and eliminating joint liability in tort; providing for reimbursement for certain costs in civil actions; amending Minnesota Statutes 1984, sections 466.01, subdivision 1; 466.03, subdivisions 4 and 6b, and by adding subdivisions; 471.982, subdivision 3; 541.051; 549.09, subdivision 1; 549.20, subdivision 1; 549.21; and 604.02, subdivision 1; Minnesota Statutes 1985 Supplement, section 3.736, subdivisions 1 and 3; repealing Minnesota Statutes 1984, section 549.20, subdivisions 2 and 3; proposing coding for new law in Minnesota Statutes, chapters 466, 541, 548, and 549.

Referred to the Committee on Judiciary.

### REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted, with the exception of the report on S.F. No. 2246. The motion prevailed.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2132: A bill for an act relating to energy; clarifying the authority of a municipality to enforce certain energy efficiency standards; amending Minnesota Statutes 1984, section 116J.27, subdivisions 4 and 4a.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2150: A bill for an act relating to Dakota county; authorizing the issuance of bonds for the construction of library buildings and an annual levy for debt retirement.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Taxes and Tax Laws. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2262: A bill for an act relating to Winona county; permitting the county to convey certain real estate to a county agricultural society.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2127: A bill for an act relating to the city of Cologne; exempting certain general obligation bonds and tax levies from debt and levy limitations.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Taxes and Tax Laws. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2199: A bill for an act relating to metropolitan waste control; appropriating money to reimburse Farmington for excess charges.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2057: A bill for an act relating to public indebtedness; providing for the power of municipalities to enter into repurchase and reverse repurchase agreements with qualified dealers; providing for the safekeeping of investments by qualified dealers; amending Minnesota Statutes 1984, section 475.66, subdivision 2; and Minnesota Statutes 1985 Supplement, sections 475.66, subdivision 1; and 475.76, subdivision 1.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2203: A bill for an act relating to local improvements; providing for the rate of interest on special assessments; amending Minnesota Statutes 1984, section 429.061, subdivision 2.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2209: A bill for an act relating to Olmsted county; increasing the amount the county board may appropriate annually for use as a contingent fund; amending Laws 1965, chapter 433, section 1, as amended.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2205: A bill for an act relating to Washington county; permitting the county to finance water systems on behalf of cities and towns in the county by the issuance of county general obligation bonds.

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

Page 2, delete lines 21 to 36

Page 3, delete lines 1 to 7

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

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2163: A bill for an act relating to counties; setting conditions for St. Louis county to appoint a county administrator; amending Minnesota Statutes 1984, section 375A.06, subdivision 5.

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

Delete everything after the enacting clause and insert:

“Section 1. Minnesota Statutes 1984, section 375A.06, subdivision 5, is amended to read:

Subd. 5. [APPOINTMENT WITHOUT REFERENDUM.] Notwithstanding section 375A.12, a county board meeting the requirements of subdivision 1 ~~except St. Louis county~~ may without referendum appoint a county administrator as provided in this section.

Sec. 2. Minnesota Statutes 1984, section 383C.035, is amended to read:

383C.035 [UNCLASSIFIED CIVIL SERVICE.]

The officers and employees of such county and of any agency, board, or commission, supported in whole or in part by taxation upon the taxable property of such county or appointed by the judges of the district or probate court for such county, are hereby divided into the unclassified and classified service. The unclassified service shall comprise:

(a) All officers elected by popular vote or persons appointed to fill vacancies in such offices.

(b) Judges and receivers, referees, arbiters, court reporters, jurors, notaries public, and persons appointed by a court to make or conduct any special inquiry of a judicial and temporary character.

(c) Superintendent or principal administrative officer or comptroller of any separate department of county government which is now or hereafter created pursuant to law, who is directly responsible to the board of county commissioners or any other board or commission, as well as the county agricultural agents and the home demonstration agents under the control of the county extension committee.

~~(d) Members of the teaching staff, supervisors and principals in the employ of the superintendent of county schools.~~

~~(e) Members of nonpaid board, or commissioners appointed by the board of county commissioners or acting in an advisory capacity.~~

~~(f) (e) Assistant county attorneys or special investigators in the employ of the county attorney.~~

~~(g) (f) All common labor temporarily employed on an hourly basis.~~

~~(h) (g) All inmate or patient help in county institutions.~~

~~(i) (h) All physicians, dentists, registered nurses and medical laboratory technicians working under the direction of a licensed physician or dentist in any hospital or sanatorium operated by a commission or board of such county.~~

~~(j) (i) All county commissioners' clerks appointed by the county board after~~

the passage of sections 383C.03 to 383C.059; but nothing in sections 383C.03 to 383C.059 shall affect the civil service status of any person previously appointed and now holding such a position in the classified service of the county.

(~~k~~) (j) A legislative lobbyist/grant coordinator appointed by the county board to act as legislative liaison with the St. Louis county legislative delegation and pursue legislative concerns and grant opportunities for the county, and the clerk for that position.

(k) *The county recorder.*

(l) *Any department head designated by the county board.*

The classified service shall include all other positions now existing and hereinafter created in the service of the county or any board or commission, agency, or offices of such county, ~~including mine inspectors appointed by the board of county commissioners.~~

Sec. 3. Minnesota Statutes 1984, section 383C.136, is amended to read:

383C.136 [~~TREASURER; ABOLITION ORGANIZATION OF OFFICE OFFICES.~~]

In St. Louis county ~~on the expiration of the current term of the county treasurer and starting on January 4, 1971,~~ the duties and functions of the county treasurer shall be transferred to and be performed by the county auditor, and the office of county treasurer ~~shall be is abolished and cease to exist from and after that date.~~

*In St. Louis county, no person shall be elected after 1986 to succeed the county recorder. In 1991 the county board shall appoint a county recorder to serve at its discretion.*

Sec. 4. [EFFECTIVE DATE.]

*Pursuant to Minnesota Statutes, section 645.023, subdivision 1, paragraph (b), section 1 of this act is effective without local approval.*

*After compliance with Minnesota Statutes, section 645.021, subdivision 3, by the St. Louis county board,*

*Section 2 of this act, except paragraph (l), takes effect January 1, 1987,*

*Section 2, paragraph (l), of this act takes effect January 1, 1989, and*

*Section 3 of this act takes effect January 1, 1991."*

Delete the title and insert:

*"A bill for an act relating to St. Louis county; making certain offices appointive; allowing the county board to assign certain offices to the unclassified service; amending Minnesota Statutes 1984, sections 375A.06, subdivision 5; 383C.035 and 383C.136."*

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

Mr. Hughes from the Committee on Elections and Ethics, to which was referred

S.F. No. 1839: A bill for an act relating to elections; recodifying and clarifying the laws on election contests; amending Minnesota Statutes 1984, sections 209.01; 209.02; 209.03; 209.05; 209.06; 209.07; 209.09; 209.10; and 209.12; proposing coding for new law in Minnesota Statutes, chapter 209; repealing Minnesota Statutes 1984, sections 209.02, subdivisions 2, 3, 4, 4a, 5, 6, 7, and 8; 209.04; and 209.11.

Reports the same back with the recommendation that the bill do pass.  
Report adopted.

Mr. Hughes from the Committee on Elections and Ethics, to which was referred

S.F. No. 2032: A bill for an act relating to elections; changing certain procedures in absentee voting; increasing minimum number of election judges in certain precincts; changing certain official ballots for judicial candidates; requiring vendor bonds for certain voting systems; requiring public notice and demonstration for new voting equipment; authorizing standard ballot format; limiting number of ballots at single counting centers; amending Minnesota Statutes 1984, sections 203B.08, subdivisions 1a and 3a; 204B.22, by adding a subdivision; 204B.36, subdivision 4; 204D.14, subdivision 2; 206.56, by adding a subdivision; 206.57, by adding a subdivision; 206.58, subdivision 1; 206.82, by adding a subdivision; 206.84, subdivision 3; and 206.85, subdivision 2.

Reports the same back with the recommendation that the bill do pass.  
Report adopted.

Mr. Hughes from the Committee on Elections and Ethics, to which was re-referred

S.F. No. 1151: A bill for an act relating to elections; adopting the court-ordered apportionment plan, but changing Ottawa township in LeSueur county from the second to the first congressional district; repealing Minnesota Statutes 1984, sections 2.741 to 2.811.

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

Page 1, line 9, delete "APPORTIONMENT" and insert "REDISTRICTING PLAN"

Page 1, line 10, delete "apportionment of" and insert "redistricting plan for"

Page 1, line 15, delete "order" and insert "plan"

Page 1, after line 20, insert:

"Sec. 3. [INSTRUCTION TO REVISOR.]

*The revisor of statutes shall code metes and bounds descriptions of the congressional districts adopted in section 1 into Minnesota Statutes.*

Sec. 4. [SEVERABILITY.]

*If the adjustments in congressional districts in section 1, subdivision 2, are adjudicated to require a change in any other congressional district boundary,*



*section 1, subdivision 2, is void."*

Page 1, line 21, delete "3" and insert "5"

Amend the title as follows:

Page 1, line 3, delete "apportionment" and insert "congressional redistricting"

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

Mr. Hughes from the Committee on Elections and Ethics, to which was referred

S.F. No. 1858: A bill for an act relating to elections; regulating lobbyist and candidate activities and contributions; proposing coding for new law in Minnesota Statutes, chapter 10A.

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

Page 1, line 11, after "legislature" insert "*or a state constitutional office*"

Page 1, lines 12 and 13, delete "*during a session or special session of the legislature*" and insert "*when the legislature meets in regular session in each biennium at the time prescribed by law or a special session called by the governor, pursuant to the Minnesota Constitution, article IV, section 12*"

Page 1, line 15, after "legislature" insert "*or a state constitutional office*"

Page 1, lines 17 and 18, delete "*during a session or special session of the legislature*" and insert "*when the legislature meets in regular session in each biennium at the time prescribed by law or a special session called by the governor, pursuant to the Minnesota Constitution, article IV, section 12*"

Page 1, after line 20, insert:

"Sec. 2. [10A.066] [CONTRIBUTIONS AND SOLICITATIONS; LEGISLATIVE SESSION OF UNITED STATES CONGRESS.]

*Subdivision 1. [FEDERALLY REGISTERED LOBBYIST CONTRIBUTIONS, SOLICITATIONS.] A federally registered lobbyist may not make a contribution to a Minnesota candidate for the United States Senate or House of Representatives or to the candidate's principal campaign committee during a legislative session of the United States Congress.*

*Subd. 2. [SOLICITATION PROHIBITED.] A Minnesota candidate for the United States Senate or House of Representatives or that candidate's principal campaign committee may not solicit a federally registered lobbyist for a contribution during a legislative session of the United States Congress.*

*Subd. 3. [PENALTY.] A violation of this section is a misdemeanor.*

Sec. 3. Minnesota Statutes 1984, section 10A.15, subdivision 1, is amended to read:

Subdivision 1. No anonymous contribution in excess of \$20 shall be retained by any political committee or political fund, but shall be forwarded to the board and deposited in the general account of the state elections cam-

paign fund. A political committee or political fund shall not accept aggregate contributions or transfers of funds in excess of \$750 in any year from any one political committee, political fund, individual, or association.

Sec. 4. Minnesota Statutes 1984, section 10A.15, is amended by adding a subdivision to read:

*Subd. 3b. Contributions to a candidate or principal campaign committee by individual members of a political fund which are solicited by the political fund shall be reported as attributable to the political fund and count toward the contribution limits on that fund specified in section 10A.27, if the political fund was organized to direct the contributions and expenditures of its members, as well as to influence the nomination or election of a candidate.*

*Anyone having evidence that individual members of a political fund have been solicited in the manner specified in this section shall inform the ethical practices board so that it may determine whether the reporting and contribution limits provisions of this subdivision apply."*

Amend the title as follows:

Page 1, line 3, after "contributions;" insert "providing a penalty; amending Minnesota Statutes 1984, section 10A.15, subdivision 1, and by adding a subdivision;"

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

Mr. Hughes from the Committee on Elections and Ethics, to which was referred

S.F. No. 1985: A bill for an act relating to the city of Minneapolis; establishing an election day for the park and recreation board.

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

Delete everything after the enacting clause and insert:

"Section 1. [EFFECT ON CHARTER, OTHER LAW.]

*Sections 2, 3, and 4 supersede conflicting provisions of the charter of the city of Minneapolis and other law.*

Sec. 2. [BOARD OF ESTIMATE AND TAXATION.]

*The term of the elected member of the board of estimate and taxation of the city of Minneapolis, whose term would have been filled at a 1987 municipal election, is extended to the first business day in January 1990. At the general municipal election in 1989, and every four years thereafter, the voters of the city of Minneapolis shall elect two members of the board, each for a term of four years.*

Sec. 3. [PARK AND RECREATION BOARD.]

*The terms of the commissioners of the park and recreation board of the city of Minneapolis, whose terms would have been filled at a 1987 municipal election, are extended to the first business day in January 1990. At the general municipal election in 1989, and every four years thereafter, the voters of*

*the city shall elect nine commissioners, three at large and six from the park and recreation districts, as provided for in the Minneapolis city charter.*

Sec. 4. [LIBRARY BOARD.]

*The terms of the elected members of the library board of the city of Minneapolis, whose terms would have been filled at a 1987 municipal election, are extended to the first business day in January 1990. At the general municipal election in 1989, and every four years thereafter, the electors of the city of Minneapolis shall elect six members of the board, each for a term of four years.*

Sec. 5. [EFFECTIVE DATE.]

*This act is effective after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the board of estimate and taxation of the city of Minneapolis, the park and recreation board of the city of Minneapolis, and the library board of the city of Minneapolis."*

Delete the title and insert:

*"A bill for an act relating to the city of Minneapolis; changing the time of election of certain board members; extending certain terms."*

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

Mr. Hughes from the Committee on Elections and Ethics, to which was referred

S.F. No. 2069: A bill for an act relating to elections; providing for postponement of precinct caucuses in case of inclement weather; amending Minnesota Statutes 1984, section 202A.14, subdivision 1.

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

Delete everything after the enacting clause and insert:

*"Section 1. Minnesota Statutes 1984, section 202A.14, subdivision 1, is amended to read:*

*Subdivision 1. [TIME AND MANNER OF HOLDING; POSTPONE-MENT.] At 8:00 p.m. on the third Tuesday in March in every state general election year there shall be held for every election precinct a party caucus in the manner provided in sections 202A.14 to 202A.19, except that in the event of severe weather a major political party may request the secretary of state to postpone caucuses. If a major political party makes a request, or upon the secretary of state's own initiative, after consultation with all major political parties and on the advice of the federal weather bureau and the department of transportation, the secretary of state may declare precinct caucuses to be postponed for a week in counties where weather makes travel especially dangerous. The secretary of state shall submit a notice of the postponement to news media covering the affected counties by six o'clock p.m. on the scheduled day of the caucus. A postponed caucus may also be postponed pursuant to this subdivision.*

Sec. 2. [EFFECTIVE DATE.]

*This act is effective the day following final enactment."*

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

Mr. Hughes from the Committee on Elections and Ethics, to which was referred

S.F. No. 2116: A bill for an act relating to elections; providing for recall of certain elected county officials; proposing coding for new law in Minnesota Statutes, chapter 351; repealing Minnesota Statutes 1984, sections 351.03; 351.04; 351.08 to 351.11.

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

Page 2, line 5, delete "RECALL" and insert "REMOVAL"

Page 2, line 10, delete "recall" and insert "removal"

Page 2, line 22, delete "recall" and insert "removal"

Page 2, line 35, delete "RECALL" and insert "REMOVAL"

Page 3, line 5, delete "recall" and insert "removal"

Page 3, line 27, delete "recall" and insert "removal"

Page 4, line 35, delete "recall" and insert "removal"

Page 5, line 5, delete "recall" and insert "removal"

Page 5, line 8, delete "RECALL" and insert "REMOVAL"

Page 5, line 10, delete "recalled" and insert "removed"

Page 5, line 11, delete "recall" and insert "removal"

Page 5, line 20, delete "recalled" and insert "removed"

Page 5, lines 22 and 23, delete ", or for the next full term of the same office following removal"

Amend the title as follows:

Page 1, line 2, delete "recall" and insert "removal"

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was referred

S.F. No. 1904: A bill for an act relating to commerce; prohibiting surcharges on credit card sales; prescribing a penalty; proposing coding for new law in Minnesota Statutes, chapter 325G.

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

Page 1, line 8, delete "Subdivision 1. [PROHIBITION.]"

Page 1, delete lines 21 to 23

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was referred

S.F. No. 1866: A bill for an act relating to economic development; authorizing the energy and economic development authority to make grants for the creation of seed capital funds; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 116M.

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

Page 1, line 13, delete "young"

Page 4, line 7, delete "reasonable"

Page 4, line 8, delete everything after the period

Page 4, delete lines 9 and 10

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was referred

S.F. No. 2078: A bill for an act relating to insurance; authorizing and regulating the use of nonprofit risk indemnification trusts; prescribing the powers and duties of the commissioner; proposing coding for new law in Minnesota Statutes, chapter 60A.

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

Page 1, line 15, after "organizations" insert "and their officers, directors, and agents"

Page 1, line 16, delete everything after "to"

Page 2, line 20, delete "or" and before the period, insert "or property insurance"

Page 2, line 32, delete "No indemnification agreement"

Page 2, delete lines 33 and 34 and insert "Each form of indemnification agreement shall be filed with and approved by the commissioner."

Page 3, line 1, delete "contributions" and insert "contribution schedules"

Page 5, after line 21, insert:

"Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment."

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was re-referred

S.F. No. 1387: A bill for an act relating to automobile insurance; requiring revocation of motor vehicle registration for failure to maintain insurance; requiring drivers to carry proof of insurance; amending Minnesota Statutes 1984, section 65B.67, subdivisions 3 and 4a; proposing coding for new law in Minnesota Statutes, chapter 65B.

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

Page 1, line 13, delete "*proof that a valid*" and insert "*evidence that*"

Page 1, line 14, delete "*policy*"

Page 1, lines 20 and 21, delete "*charged with violating*" and insert "*shall be in violation of*"

Page 1, line 21, delete "*shall be convicted*"

Page 1, line 23, delete "*48 hours*" and insert "*seven days*"

Page 1, line 24, after the period, insert "*Commercial vehicles required to file proof of insurance pursuant to chapter 221 are exempt from this section.*"

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was referred

S.F. No. 2075: A bill for an act relating to commerce; authorizing payment of a certain nominal referral fee by timeshare developers; amending Minnesota Statutes 1985 Supplement, section 82.19, subdivision 3.

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

Page 1, line 18, strike the comma and insert a semicolon

Page 1, line 19, strike the comma and before "(3)" insert a semicolon

Page 1, line 21, delete the comma and insert a semicolon

Page 1, line 23, delete "\$250" and insert "\$150, and payment is not conditioned upon any sale but is made merely for providing the referral and the person paying the fee is bound by any representations the person receiving the fee makes"

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was referred

S.F. No. 1932: A resolution memorializing the President and Congress of the United States to adopt legislation preventing state and local governments from providing corporate welfare.

Reports the same back with the recommendation that the resolution do pass and be re-referred to the Committee on Rules and Administration. Report adopted.

Mr. Solon from the Committee on Economic Development and Commerce, to which was re-referred

S.F. No. 1990: A bill for an act relating to traffic regulations; requiring increased insurance coverage upon conviction of certain alcohol- and drug-related crimes; authorizing the commissioner to cancel certain reinstated licenses if insurance is not maintained; amending Minnesota Statutes 1984, section 169.121, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 171.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

Ms. Berglin from the Committee on Health and Human Services, to which was referred

S.F. No. 2155: A bill for an act relating to human services; establishing administrative and computer systems for human services programs; strengthening the commissioner's power to determine and recover overpayments; creating incentives for county recovery of overpayments; disallowing increases due to related-party transactions; clarifying payment methods for ancillary services; establishing requirements for property transfers under the general assistance program; counting human services long-term care rates and audit experience toward requirements for a certified public accountant license; requiring a report; appropriating money; amending Minnesota Statutes 1984, sections 256.98; 256B.02, subdivision 7; 256B.064, subdivisions 1a and 1c; 256B.27, subdivisions 3, 4, and by adding a subdivision; 256B.433; 256B.48, subdivision 1; 256D.05, by adding a subdivision; 256D.14; and 326.19, subdivision 4; Minnesota Statutes 1985 Supplement, section 256B.0641; proposing coding for new law in Minnesota Statutes, chapters 256 and 256B.

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

Page 3, lines 30 to 35, delete the new language and insert *"The term includes directors, officers, and shareholders of professional corporations and officers and directors of corporations having five or fewer shareholders who, either individually or jointly with another or others, have the legal control, supervision, or responsibility of submitting claims for reimbursement to the medical assistance program. The term does not include directors, officers, and shareholders of nonprofit corporations."*

Page 4, lines 14 to 16, reinstate the stricken language

Page 4, line 17, reinstate the stricken "medically necessary when the services" and after the stricken, "ordered" insert *"were provided pursuant to a specific order written prior to the delivery of the service"* and reinstate the stricken "by a"

Page 4, line 18, reinstate the stricken language and after the period, insert *"An order is a specific order only if it is related to the current condition of the recipient and it states with particularity the nature, scope, duration, and intensity of the services."*

Page 5, line 29, after the period, insert *"Within one year of a written*

*request by the current owner, the commissioner shall conduct a field audit of the facility for the auditable rate years during which the former owner owned the facility and issue a report of the field audit within 15 months of the written request."*

Page 5, line 33, after "audits" insert "prior to June 30, 1987."

Page 5, line 34, delete the first comma and insert "or" and delete ", or 1983"

Page 7, line 18, after "facility" insert "at a price in excess of the fair market value of the facility"

Page 7, line 35, before the first "The" insert "Subdivision 1."

Page 8, line 2, before "Payment" insert "Except for physical therapy, occupational therapy, speech therapy, and audiology services,"

Page 8, line 3, strike "nursing home" and insert "long-term care facility"

Page 8, lines 4 to 8, reinstate the stricken language

Page 8, line 8, after the period, insert "Payment for physical therapy, occupational therapy, speech therapy, and audiology services shall be made only to the long-term care facility. In developing the payment method for physical therapy, occupational therapy, speech therapy, and audiology services, the commissioner shall consider a pricing method that establishes a fee to be paid for all units of service below a defined utilization level and a different fee or a variable fee schedule that decreases the fee for each unit of service as utilization increases above the defined level. The commissioner shall also consider the effect of the payment method on quality of care."

*Subd. 2. Notwithstanding any other law or rule, payments for physical therapy, occupational therapy, speech therapy, and audiology services rendered to recipients in long-term care facilities after June 30, 1986, shall be made only to the long-term care facility. The therapist or audiologist must certify that the service provided was medically necessary, prior to the long-term care facility's billing."*

Page 10, line 19, delete the new language and insert "at the cost set forth pursuant to a written agreement approved by the commissioner"

Page 11, after line 32, insert:

"Sec. 13. Minnesota Statutes 1985 Supplement, section 256B.48, subdivision 1b, is amended to read:

Subd. 1b. [EXCEPTION.] Notwithstanding any agreement between a nursing home and the department of human services or the provisions of this section or section 256B.411, other than subdivision 1a of this section, the commissioner may authorize continued medical assistance payments to a nursing home which ceased intake of medical assistance recipients prior to July 1, 1983, and which charges private paying residents rates that exceed those permitted by subdivision 1, paragraph (a), for (i) residents who resided in the nursing home before July 1, 1983, or (ii) residents for whom the commissioner or any predecessors of the commissioner granted a permanent individual waiver prior to October 1, 1983. Nursing homes seeking continued medical assistance payments under this subdivision shall make the



*reports required under subdivision 2, except that on or after December 31, 1985, the financial statements required need not be audited by or contain the opinion of a certified public accountant or licensed public accountant, but need only be reviewed by a certified public accountant or licensed public accountant. In the event that the state is determined by the federal government to be no longer eligible for the federal share of medical assistance payments made to a nursing home under this subdivision, the commissioner may cease medical assistance payments, under this subdivision, to that nursing home."*

Page 12, after line 24, insert:

*"(e) Excluded resources. A resource which is transferred while otherwise excluded under sections 256D.01 to 256D.21 shall not be considered an available resource for purposes of this subdivision."*

Page 13, delete section 15

Page 14, after line 14, insert:

*"Sec. 19. [EFFECTIVE DATE.]*

*Sections 7 and 13 are effective the day following final enactment."*

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 9, after the semicolon, insert "exempting certain nursing homes from financial statement audits;"

Page 1, delete lines 11 and 12

Page 1, line 13, delete "accountant license;"

Page 1, line 18, after the first semicolon, insert "and" and delete "and 326.19,"

Page 1, line 19, delete "subdivision 4;"

Page 1, line 20, delete "section" and insert "sections"

Page 1, line 20, after the semicolon, insert "and 256B.48, subdivision 1b;"

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was referred

S.F. No. 2179: A bill for an act relating to commerce; consumer protection; requiring the repair, refund, or replacement of new motor vehicles under certain circumstances; prescribing certain settlement procedures; amending Minnesota Statutes 1984, section 325F.665, as amended.

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

Page 1, after line 8, insert:

*"Article 1"*

Page 2, line 9, delete "primarily" and insert "used"

Page 2, line 10, before the third comma, insert "at least 40 percent of the time"

Page 2, line 20, before "process" delete "a" and insert "an arbitration"

Page 2, lines 20 and 21, delete "incorporated into the terms of a manufacturer's written warranty"

Page 6, line 26, strike "substantially"

Page 7, line 18, delete "internal" and insert "informal"

Page 7, line 34, delete everything after "section"

Page 7, delete lines 35 and 36

Page 8, line 1, delete everything before the period

Page 8, line 3, delete everything after "consider"

Page 8, delete lines 4 and 5

Page 8, line 6, delete everything before "any"

Page 8, after line 31, insert:

## "Article 2

### FARM EQUIPMENT WARRANTY COMPLIANCE

#### Section 1. [325F.6651] [DEFINITIONS.]

*Subdivision 1. [APPLICATION.] For the purpose of sections 1 to 8, the following terms have the meanings given them.*

*Subd. 2. [FARM TRACTOR.] "Farm tractor" means any self-propelled vehicle which is designed primarily for pulling or propelling agricultural machinery and implements and is used principally in the occupation or business of farming, including an implement of husbandry, as defined in section 169.01, subdivision 55, that is self-propelled.*

*Subd. 3. [CONSUMER.] "Consumer" means a purchaser, other than for purposes of resale, of a new farm tractor, a person to whom the new farm tractor is transferred for the same purposes during the duration of an express warranty applicable to the farm tractor and any other person entitled by the terms of the warranty to enforce the terms of the warranty. In the case of an agricultural vehicle within the warranty period, the sale must be made through an authorized farm equipment dealer.*

*Subd. 4. [MANUFACTURER.] "Manufacturer" means a person engaged in the business of manufacturing, assembling, or distributing farm tractors, who under normal business conditions during the year, manufactures, assembles, or distributes to dealers at least ten new farm tractors.*

*Subd. 5. [MANUFACTURER'S EXPRESS WARRANTY; WARRANTY.] "Manufacturer's express warranty" and "warranty" mean the written warranty of the manufacturer of a new farm tractor of its condition and fitness for use, including any terms or conditions precedent to the enforcement of obligations under that warranty.*

*Subd. 6. [FAIR RENTAL VALUE.] "Fair rental value" means the rental value calculated in accordance with the "Tractor and Farm Equipment*

*Trade-In Guide* published by the national farm and power equipment dealers association.

Subd. 7. [NONCONFORMITY.] "Nonconformity" means any condition of the farm tractor that makes it impossible to use for the purpose for which it was intended.

Subd. 8. [REASONABLE ALLOWANCE FOR PRIOR USE.] "Reasonable allowance for prior use" shall mean no less than the fair rental value of the farm tractor and shall be the sum of:

(1) that amount attributable to use by the consumer prior to the consumer's first report of the nonconformity to the manufacturer or its authorized dealers;

(2) that amount attributable to use by the consumer during any period subsequent to such report of the reported nonconformity; and

(3) that amount attributable to use by the consumer of the farm tractor provided by the manufacturer or its authorized dealers while the farm tractor is out of service by reason of repair of the reported nonconformity.

## Sec. 2. [325F.6652] [NOTICE TO CONSUMER.]

At the time of purchase the manufacturer must provide directly to the consumer a written statement on a separate piece of paper, in 10-point all capital type, in substantially the following form: "IMPORTANT: IF THIS VEHICLE IS DEFECTIVE, YOU MAY BE ENTITLED UNDER STATE LAW TO REPLACEMENT OF IT OR A REFUND OF ITS PURCHASE PRICE. HOWEVER, TO BE ENTITLED TO REFUND OR REPLACEMENT, YOU MUST FIRST NOTIFY THE MANUFACTURER, ITS AGENT, OR ITS AUTHORIZED DEALER OF THE PROBLEM IN WRITING AND GIVE THEM AN OPPORTUNITY TO REPAIR THE VEHICLE."

## Sec. 3. [325F.6653] [MANUFACTURER'S DUTY TO REPAIR.]

If a farm tractor does not conform to applicable express written warranties and the consumer reports the nonconformity to the manufacturer and its authorized dealer during the term of the express written warranties or during the period of one year following the date of the original delivery of the farm tractor to the consumer, whichever is earlier, the manufacturer or its authorized dealers shall make the repairs necessary to make the farm tractor conform to the express written warranties, notwithstanding that the repairs are made after the expiration of the warranty term or the one-year period. For a self-propelled vehicle this section is limited to warranties on the engine and power train.

## Sec. 4. [325F.6654] [MANUFACTURER'S DUTY TO REFUND OR REPLACE.]

Subdivision 1. [DUTY.] (a) If the manufacturer or its authorized dealers are unable to make the farm tractor conform to any applicable express written warranty by repairing or correcting any condition which substantially impairs the use or market value of the farm tractor to the consumer within the time periods and after the number of attempts specified in subdivision 2, the manufacturer, through its authorized dealer who sold the farm tractor, shall, at the option of the consumer, replace the farm tractor with a comparable one, charging the consumer only a reasonable allowance for the consumer's

use of the farm tractor, or accept the return of the farm tractor from the consumer and refund to the consumer the cash purchase price, including sales tax, license fees, registration fees, and any similar governmental charges, less a reasonable allowance for prior use. Refunds shall be made to the consumer and lienholder, if any, as their interests may appear in the county recorder's office. If no replacement or refund is made, the consumer may bring a civil action to enforce the obligation. No action may be brought unless the manufacturer has received prior direct written notification from or on behalf of the consumer and has been offered an opportunity to cure the condition alleged within a reasonable time that is not to exceed 60 business days.

(b) For a self-propelled vehicle, this section is limited to warranties on the engine and power train.

Subd. 2. [WHEN DUTY ARISES.] The replacement or refund obligation specified in subdivision 1 shall arise if the manufacturer or its authorized dealers are unable to make the farm tractor conform to applicable express written warranties within the express written warranty term or during the period of one year following the date of the original physical delivery of the farm tractor to the consumer, whichever is the earlier date, and (1) the same nonconformity has been subject to repair four or more times by the manufacturer or its authorized dealers, but such nonconformity continues to exist; or (2) the farm tractor is out of service by reason of repair of the same nonconformity for a cumulative total of 60 or more business days when the service department of the authorized dealer in possession of the farm tractor is open for purposes of repair, provided that days when the consumer has been provided by the manufacturer or its authorized dealers with the use of another farm tractor which performs the same function shall not be counted.

#### Sec. 5. [325F.6655] [EXTENSION OF WARRANTY.]

The terms of any express written warranty, the one-year period, and the 60-day repair period shall be extended by any period of time during which repair services or replacement parts are not available to the consumer because of a war, invasion, or strike, or fire, flood, or other natural disaster.

#### Sec. 6. [325F.6656] [ALTERNATIVE DISPUTE SETTLEMENT.]

Subdivision 1. [PROCEDURE.] If a manufacturer has established, or participates in, an informal dispute settlement procedure which substantially complies with the provisions of the Code of Federal Regulations, title 16, part 703, as amended, and the requirements of this section, the provisions of section 4 concerning refunds or replacement do not apply to a consumer who has not first used this procedure.

Subd. 2. [FINDINGS AS EVIDENCE.] The findings and decisions in an informal dispute settlement procedure shall address and state in writing whether the consumer would be entitled to a refund or replacement under the presumptions and criteria set out in section 4, and are admissible as non-binding evidence in any legal action and are not subject to further foundation requirements.

Subd. 3. [REPLACEMENT OR REFUND.] If, in an informal dispute settlement procedure, it is decided that a consumer is entitled to a replacement vehicle under section 4, then the consumer has the option of selecting and

receiving either a replacement vehicle or a full refund as authorized by section 4. Any refund selected by a consumer shall include all amounts authorized by section 4.

*Subd. 4. [REQUIREMENTS.] (a) In any informal dispute settlement procedure provided for by this section:*

*(1) no documents shall be received by any informal dispute settlement mechanism unless those documents have been provided to each of the parties in the dispute prior to the mechanism's meeting, with an opportunity for the parties to comment on the documents in writing, or with oral presentation at the request of the mechanism;*

*(2) "nonvoting" manufacturer or dealer representatives shall not attend or participate in the internal dispute settlement procedures unless the consumer is also present and given a chance to be heard, or unless the consumer previously consents to the manufacturer or dealer participation without the consumer's presence and participation;*

*(3) consumers shall be given an adequate opportunity to contest a manufacturer's assertion that a nonconformity falls within intended specifications for the vehicle by having the basis of the manufacturer's claim appraised by a technical expert selected and paid for by the consumer prior to the informal dispute settlement hearing;*

*(4) no disputes shall be heard where there has been a recent attempt by the manufacturer to repair a consumer's vehicle, but no response has yet been received by the informal dispute mechanism from the consumer as to whether the repairs were successfully completed. This provision shall not prejudice a consumer's rights under this section nor shall it extend the informal dispute mechanism's 40-day time limit for deciding disputes, as established by the Code of Federal Regulations, title 16, part 703; and*

*(5) the manufacturer shall provide and the informal dispute settlement mechanism shall consider all information relevant to resolving the dispute, such as the prior dispute records and information required by the Code of Federal Regulations, title 16, part 703.6, and any relevant technical service bulletins which may have been issued by the manufacturer or lessor regarding the motor vehicle being disputed.*

*(b) A settlement reached under this section is binding on all participating parties.*

*Subd. 5. [EXHAUSTION OF SETTLEMENT REMEDY.] No consumer shall be required to first participate in an informal dispute settlement procedure before filing an action in district court if the informal dispute settlement procedure does not comply with the requirements of this section, notwithstanding the procedure's compliance with the Code of Federal Regulations, title 16, part 703.*

*Subd. 6. [CIVIL REMEDY.] Any consumer injured by a violation of this section may bring a civil action to enforce this section and recover costs and disbursements, including reasonable attorney's fees.*

#### **Sec. 7. [325F.6657] [AFFIRMATIVE DEFENSES.]**

*It shall be an affirmative defense to claim under sections 1 to 8 that (1) an*

*alleged nonconformity does not substantially impair such use and market value, or (2) a nonconformity is the result of abuse or neglect, or of modifications or alterations of the farm tractor not authorized by the manufacturer.*

Sec. 8. [325F.6658] [LIMITATION ON ACTIONS.]

*Any action brought under sections 1 to 8 shall be commenced within six months following (1) expiration of the express written warranty term, or (2) one year following the date of the original delivery of the farm tractor to the customer, whichever is later.*

Sec. 9. [325F.6659] [REMEDY NONEXCLUSIVE.]

*Nothing in this section limits the rights or remedies which are otherwise available to a consumer under any other law.*

Sec. 10. [EFFECTIVE DATE.]

*Sections 1 to 9 apply to farm tractors sold after the first day of January following the effective date of sections 1 to 9."*

Amend the title as follows:

Page 1, line 4, after "vehicles" insert "and new farm tractors"

Page 1, line 6, after "amended" insert "; proposing coding for new law in Minnesota Statutes, chapter 325F"

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

Mr. Spear from the Committee on Judiciary, to which was referred

S.F. No. 2135: A bill for an act relating to child abuse; providing immunity from liability for disclosure; amending Minnesota Statutes 1985 Supplement, section 626.556, subdivision 4.

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

Page 1, lines 14 and 15, delete the new language

Page 1, line 16, strike "and"

Page 1, line 17, after "(2)" insert "any social worker or supervisor employed by a local welfare agency complying with subdivision 10d; and

(3)"

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

Mr. Spear from the Committee on Judiciary, to which was re-referred

S.F. No. 1852: A bill for an act relating to cemeteries; changing procedures for dealing with certain burial sites; increasing a penalty; amending Minnesota Statutes 1984, section 307.08.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Vega from the Committee on Energy and Housing, to which was referred

S.F. No. 2246: A bill for an act relating to energy; providing for compensation by utilities of solid waste resource recovery facilities in metropolitan counties for electricity generated; setting term; amending Minnesota Statutes 1984, section 216B.164, subdivision 4.

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

Page 1, line 25, after "at" insert "70 percent of"

Page 2, line 1, after the period, insert "*The compensation shall not be reduced by penalties or payments assessed for the cancellation or termination of an agreement or because the energy capacity is unavailable at the qualifying facility.*"

And when so amended the bill do pass. Mr. Frank questioned the reference thereon and, under Rule 35, the bill was referred to the Committee on Rules and Administration.

Mr. Vega from the Committee on Energy and Housing, to which was referred

S.F. No. 2238: A bill for an act relating to Hennepin county; creating a county housing and redevelopment authority; applying the provisions of the municipal housing and redevelopment act to Hennepin county; providing for local approval of projects.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was referred

S.F. No. 1796: A bill for an act relating to state investments; establishing various accounts within the supplemental investment fund; providing for the administration of the accounts and for the investment and valuation of shares within each account; amending Minnesota Statutes 1984, sections 11A.17, subdivisions 1, 4, 9, and by adding a subdivision; 69.77, subdivision 2; 69.775; 352.96, subdivision 4; 352D.04, subdivision 1; Minnesota Statutes 1985 Supplement, section 11A.17, subdivision 13; and Laws 1969, chapter 950, section 3, as amended.

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

Page 3, line 5, strike "FIXED RETURN ACCOUNT AND"

Page 3, line 6, strike everything after "BOND ACCOUNT.]"

Page 3, strike lines 7 to 16

Page 3, line 17, strike "established."

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

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was referred

S.F. No. 2085: A bill for an act relating to juvenile justice; providing for membership terms, removal, and filling of vacancies on the juvenile justice advisory committee; amending Minnesota Statutes 1984, section 116J.404.

Reports the same back with the recommendation that the bill do pass and be placed on the Consent Calendar. Report adopted.

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was referred

S.F. No. 2257: A bill for an act relating to the Minnesota zoological garden; authorizing a lease and management contract; abolishing the state zoological board; amending Minnesota Statutes 1984, sections 43A.27, by adding a subdivision; 179A.03, subdivision 15; 466.01, subdivision 1; Minnesota Statutes 1985 Supplement, sections 43A.27, subdivision 2; 352.01, subdivision 2A; proposing coding for new law in Minnesota Statutes, chapter 85A; repealing Minnesota Statutes 1984, section 85A.01, subdivisions 3 and 4; Minnesota Statutes 1985 Supplement, sections 85A.01, subdivisions 1 and 2; 85A.02, subdivision 5a; and 85A.04, subdivision 1.

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

Page 5, line 14, delete "must" and insert "may"

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

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was referred

S.F. No. 2112: A bill for an act relating to retirement; police and fire-fighters' relief associations; standardizing auditing requirements; clarifying various duties and responsibilities in the management of local associations; amending Minnesota Statutes 1984, sections 3.85, subdivision 6; 6.72, subdivision 2; 69.011, subdivision 2; 69.021, subdivisions 4 and 7; 69.051; 69.77; 69.773, subdivision 2; 69.775; 69.80; and 424A.001, by adding a subdivision; Minnesota Statutes 1985 Supplement, sections 69.011, subdivision 1; 69.031, subdivision 1; and 356.216; proposing coding for new law in Minnesota Statutes, chapters 6 and 423A.

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

Page 13, after line 16, insert:

*“(b) The detailed financial statement shall be certified by an independent public accountant or auditor or by the auditor or accountant who regularly examines or audits the financial transactions of the municipality. In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report. The independent accountant or auditor shall have at least five years of public accounting, auditing, or similar experience, and shall not be an active, inactive, or retired member of the relief association or the fire or police*



department;"

Page 13, line 17, delete "(b)" and insert "(c)"

Page 13, line 20, delete "(c)" and insert "(d)"

Page 26, line 12, delete "PUBLIC CORPORATION" and insert "RECORDS"

Page 26, line 14, delete "PUBLIC CORPORATION" and insert "RECORDS"

Page 26, line 15, delete "a public corporation"

Page 26, line 16, delete "and to"

Page 26, line 17, after "of" insert "chapter 13, and the provisions of"

Page 26, line 19, after "records" insert "of the special fund"

Page 26, line 33, delete the colon

Page 26, delete lines 34 and 35

Page 26, line 36, delete "(2)"

Page 26, line 36, after "as" insert "it" and after "authorized" insert "to have on the board"

Page 27, line 2, before the period, insert ", but the municipality may appoint to those positions any individuals it so chooses"

Page 27, line 17, after "any" insert "real"

Page 27, lines 18 and 19, delete "or member of the relief association"

Page 27, lines 24 and 25, delete "or member of the relief association"

Page 27, line 26, before the first comma, insert "a board member" and delete the second comma

Page 27, line 27, delete "or member of the relief association"

Page 27, line 28, after the period, insert "Transfer of assets does not mean the payment of relief association benefits or administrative expenses permitted by law."

Page 28, line 6, delete "TRANSACTIONS" and insert "RECEIPTS AND DISBURSEMENTS"

Page 28, line 9, delete "shall" and insert "may"

Page 28, line 10, delete everything after "association" and insert ", but must countersign all disbursements of at least \$5,000. If an institution with trustee powers is hired to"

Page 28, delete line 11

Page 28, line 12, before the period, insert ", an official designated by the municipality must approve the trustee agreement and shall countersign authorizations for disbursements of at least \$5,000"

Page 28, after line 12, insert:

"Sec. 17. Minnesota Statutes 1984, section 424A.001, subdivision 4, is

amended to read:

Subd. 4. [RELIEF ASSOCIATION.] "Relief association" means (a) a volunteer firefighters' relief association or volunteer firefighters' division or account of a partially salaried and partially volunteer firefighters' relief association organized and incorporated under chapter 317 and any laws of the state, governed by chapters 69 and 424A, and directly associated with a fire department established by municipal ordinance; or (b) any separate incorporated volunteer firefighters' relief association subsidiary to and providing service pension and retirement benefit coverage for members of an independent nonprofit firefighting corporation organized under the provisions of chapter 317, governed by chapter 424A, and operating exclusively for firefighting purposes. *A relief association is a governmental entity that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response.*

Page 28, line 23, after "any" insert "real"

Page 28, lines 24 and 25, delete "or member of the relief association"

Page 28, lines 27 and 28, delete "or member of the relief association"

Page 28, line 32, before the first comma, insert "a board member" and delete the second comma

Page 28, line 33, delete "or member of the relief association"

Page 28, line 34, after the period, insert "Transfer of assets does not mean the payment of relief association benefits or administrative expenses permitted by law."

Page 28, line 36, delete "of" and insert "with" and delete "seven" and insert "two municipal"

Page 29, line 2, delete "by" and insert "up to"

Page 29, after line 9, insert:

"Sec. 20. [CITY OBLIGATION TO RELIEF ASSOCIATION.]

*Notwithstanding the provisions of section 69.77, in 1986 the city of Winona shall contribute to the Winona police relief association an amount equal to the amount the city contributed to the relief association in 1985.*

Sec. 21. [STATE AUDITOR TO AUDIT RELIEF ASSOCIATION.]

*The state auditor shall perform a comprehensive audit of the financial transactions and financial position of the Winona police relief association for the years 1984 and 1985.*

*The auditor shall determine the amount of assets held by the relief association and shall report the total to the actuary for the relief association.*

*The auditor shall send a copy of the audit report to the city, to the commissioner of finance, and to the legislative commission on pensions and retirement.*

Sec. 22. [ACTUARY TO DETERMINE MINIMUM OBLIGATION.]

*The actuary for the relief association shall determine, according to section*

69.77, the minimum obligation of the city for the year 1987 based on the amount of total assets certified by the state auditor in the examination of 1985 financial statements of the relief association.

In addition to the filing of reports required in section 356.215, subdivision 3, the actuary for the relief association shall send a copy of the December 31, 1985, valuation report to the commissioner of finance.

#### Sec. 23. [STATE AIDS FOR WINONA.]

Upon receipt of the state auditor's report of the relief association for calendar year 1985 and of the valuation report for December 31, 1985, the commissioner of finance shall issue warrants to the city of Winona in the amounts equal to the amounts of police state aid, amortization state aid, and supplemental amortization state aid withheld by the department of finance since August 26, 1985, plus interest at a rate of six percent per annum from the date each state aid payment was withheld."

Page 29, line 22, delete "19" and insert "24"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, after the semicolon, insert "auditing, financial reporting, and state aid for the Winona police relief association;"

Page 1, line 10, after the comma, insert "subdivision 4, and"

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

Mr. Moe, D.M. from the Committee on Governmental Operations, to which was re-referred

S.F. No. 1595: A bill for an act relating to agriculture; providing a milk marketing and price stabilization plan; declaring state policy relating to milk; creating a milk stabilization board; authorizing the board to prescribe milk stabilization plans and maximum and minimum prices for marketing milk; requiring licenses for persons involved in milk marketing; prescribing milk marketing violations; authorizing enforcement of disruptive trade practices; authorizing entry, inspection, and investigation of milk marketing practices; requiring records and reports; providing remedies and penalties for milk marketing violations; authorizing local advisory boards; authorizing assessments on milk processors; authorizing a referendum on continuance of stabilized prices; appropriating money; proposing coding for new law as Minnesota Statutes, chapter 32C; repealing Minnesota Statutes 1984, chapter 32A.

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

Pages 1 to 19, delete sections 1 to 15 and insert:

"Section 1. [32C.005] [FINDINGS.]

The legislature finds that to protect the health and welfare of the state it is necessary to provide a fair pricing and marketing program in the state for dairy products and to protect consumers of dairy products from unfair trade

*practices, unfair methods of competition, conditions of monopoly, and combinations in restraint of trade.*

Sec. 2. [32C.01] [DEFINITIONS.]

*Subdivision 1. [APPLICABILITY.] The definitions in this section apply to this chapter.*

*Subd. 2. [AGRICULTURAL MARKETING AGREEMENT ACT.] "Agricultural Marketing Agreement Act" means the Agricultural Marketing Agreement Act of 1937 as amended, United States Code, title 7, section 601, et seq.*

*Subd. 3. [BOARD.] "Board" means the milk stabilization board established in section 3 of this act.*

*Subd. 4. [BULK MILK.] "Bulk milk" means milk purchased by a processor from a person other than a dairy farmer in a container other than the one in which the milk will be resold to a retailer or to a consumer.*

*Subd. 5. [CLASSIFIED PRICING SYSTEM.] "Classified pricing system" means the classified pricing system described under United States Code, title 7, section 608c(5).*

*Subd. 6. [COMMISSIONER.] "Commissioner" means the commissioner of agriculture.*

*Subd. 7. [DAIRY FARMER.] "Dairy farmer" means a person who produces grade A raw milk for sale to a processor.*

*Subd. 8. [DAIRY FARMER-PROCESSOR.] "Dairy farmer-processor" means a person who is both a dairy farmer and a processor and does not purchase raw milk from other dairy farmers. A dairy farmer-processor is a dairy farmer when selling to a processor raw milk produced by the dairy farmer-processor, and is a processor when processing, manufacturing, or selling dairy products, or receiving bulk milk from another person.*

*Subd. 9. [DAIRY MARKETER.] "Dairy marketer" means a processor or distributor, including the subsidiaries, affiliate corporations, agents, and representatives.*

*Subd. 10. [DAIRY PRODUCTS.] "Dairy products" means milk products and frozen dairy products.*

*Subd. 11. [DIRECTOR.] "Director" means director of the milk stabilization board.*

*Subd. 12. [DISTRIBUTOR.] "Distributor" means a person, other than a processor, who sells to retailers or consumers at retail on home delivery routes or at fixed places of business.*

*Subd. 13. [DISTRIBUTOR PRICE.] "Distributor price" means the price at which a milk product or frozen dairy product is purchased by a retailer.*

*Subd. 14. [FROZEN DAIRY PRODUCT.] "Frozen dairy product" means:*

*(1) ice cream, frozen custard, ice milk, mellorine, olarine, sherine, fruit sherbets, fruit sherbines;*

*(2) the mix from which a product in clause (1) is made;*

(3) frozen products that contain milk solids other than fat or butterfat, commonly referred to in the dairy industry as "novelties"; or

(4) frozen products, except baked goods, containing a milk derivative.

**Subd. 15. [HANDLER POOLING ARRANGEMENT.]** "Handler pooling arrangement" means the handler pooling arrangement described under United States Code, title 7, section 608c(5).

**Subd. 16. [HANDLING.]** "Handling" means the activities of a dairy marketer in bottling, processing, packaging, or manufacturing dairy products, or in purchasing processed or manufactured dairy products that are resold to another dairy marketer or retailer.

**Subd. 17. [MARKETING AREA.]** "Marketing area" means an area, established by the board, with uniform stabilized prices.

**Subd. 18. [MARKETWIDE POOLING ARRANGEMENT.]** "Marketwide pooling arrangement" means the marketwide pooling arrangement described in United States Code, title 7, section 608c(5).

**Subd. 19. [MILK.]** "Milk" means the lacteal secretion of a cow, including a secretion that is raw, cooled, pasteurized, standardized, homogenized, recombined, or concentrated, which meets the grade A requirements established in section 32.394.

**Subd. 20. [MILK PRODUCT.]** "Milk product" means:

(1) raw milk, regular or creamline milk, standardized milk, whole pasteurized milk, special milk, homogenized milk, fortified milk, plain or creamed buttermilk, cottage cheese, creamed cottage cheese, flavored milk, flavored skim milk, sour cream, half and half, whipping cream, whipped cream, skim milk, low fat milk, fluid cream, concentrated milk, yogurt, and eggnog; or

(2) a product that contains milk solids other than fat, butterfat, or a milk derivative, which is manufactured to resemble a milk product as defined in clause (1).

"Milk product" does not include butter, cheese other than cottage cheese or cream cottage cheese, nonfat dry milk, skim condensed milk, whole condensed milk, whole dry milk, dried cream, evaporated milk, sweetened condensed milk, or baked goods.

**Subd. 21. [PERSON.]** "Person" means an individual, business entity, cooperative corporation or association, or governmental agency.

**Subd. 22. [PROCESSOR.]** "Processor" means a person who:

(1) processes or manufactures dairy products;

(2) purchases raw milk from a grade A dairy farmer for resale to a person who processes or manufactures dairy products; or

(3) purchases bulk milk from anyone for resale to a person who processes or manufactures dairy products.

"Processor" does not include a person who purchases ice cream mix, ice milk mix, or other frozen dairy products mix and whose processing activities are limited to converting the mix into a frozen dairy product, if more than half

of the sales of the frozen dairy product are made by the person to consumers at retail on the premises where the frozen dairy product is processed.

Subd. 23. [RETAILER.] "Retailer" means a person who sells dairy products to consumers at fixed places of business located in this state, except that "retailer" does not include a person whose primary business is the sale of food or dairy products subject to the sales tax under section 297A.01; subdivision 3, paragraph (c).

Subd. 24. [RETAIL PRICE.] "Retail price" means the price at which a dairy product is purchased when purchased for a purpose other than resale.

Subd. 25. [STABILIZED PRICES.] "Stabilized prices" means the minimum or maximum price, or both, established by the board for dairy products.

### Sec. 3. [32C.02] [MILK STABILIZATION BOARD.]

Subdivision 1. [MEMBERSHIP.] (a) The milk stabilization board is an agency in the executive branch consisting of seven members appointed by the governor as follows:

(1) three dairy farmers selling to processors, one of whom represents the counties of Big Stone, Swift, Pope, Stearns, Sherburne, Anoka, Chisago, and counties north of the northern boundary of those counties, one of whom represents the remaining counties, and one at large;

(2) one licensed processor;

(3) one licensed retailer; and

(4) two consumers who are not otherwise engaged in the milk business, one of whom is a resident of congressional district 1, 2, 3, or 4, and one of whom is a resident of congressional district 5, 6, 7, or 8.

(b) Dairy farmer members may be selected from names provided by dairy farmer organizations in the state. A dairy farmer organization that desires to provide names shall notify the commissioner. The commissioner of agriculture shall notify the state dairy farmer organizations if there is a dairy farmer vacancy on the board. Within 30 days after the notification, the commissioner shall hold a meeting in the district with the vacancy to receive the names of two persons.

(c) A member of the board may not hold an elected state office while a member.

(d) Terms, compensation, and removal of the board members are governed by section 15.0575.

Subd. 2. [CHAIRPERSON.] Four members of the board constitute a quorum to transact business. The board shall annually elect one of its members as the chair and may elect any other officers it deems necessary.

Subd. 3. [MEETINGS.] Meetings of the board must be held at least every 60 days at the call of the chair or a majority of the board.

Subd. 4. [DIRECTOR.] The board shall employ a director to serve in the unclassified service of the state. The board shall determine the director's qualifications and duties.

*Subd. 5. [EMPLOYEES.] The director may employ persons for permanent and temporary employment. Employees are subject to chapters 43A and 179A.*

*Subd. 6. [ADMINISTRATIVE ASSISTANCE.] The commissioner shall provide offices and staff necessary for the board and shall cooperate with the board by providing information, inspections, and enforcement at the request of the board.*

**Sec. 4. [32C.03] [POWERS; DUTIES.]**

*Subdivision 1. [CONTRACTS.] The board may enter into contracts for auditing, economic research, and other technical services.*

*Subd. 2. [MARKETING AREAS.] The board shall establish the boundaries for marketing areas within the state and may change the boundaries when necessary.*

*Subd. 3. [PRICES.] The board shall establish and amend stabilized prices for each marketing area.*

*Subd. 4. [MEDIATION.] The board may, at the request of the parties, mediate any dispute among dairy farmers, processors, distributors, retailers, or consumers if the dispute involves the production, transportation, processing, storage, distribution, or sale of dairy products.*

*Subd. 5. [COOPERATION WITH OTHER GOVERNMENTAL AGENCIES.] The board may cooperate with stabilization agencies in other states and with the secretary of agriculture of the United States in the manner provided in the Agricultural Marketing Agreement Act to carry out the purposes of this chapter.*

**Sec. 5. [32C.04] [AUTHORITY OF OTHER AGENCIES NOT AFFECTED.]**

*The provisions of this chapter do not limit the health and sanitation authority of the commissioner of agriculture, commissioner of health, county boards of health, or municipal health officials.*

**Sec. 6. [32C.05] [STABILIZATION PLANS.]**

*Subdivision 1. [PRICES.] The board shall establish a stabilization plan for each marketing area. A plan must at least establish minimum stabilized prices for:*

- (1) raw milk;*
- (2) milk products sold by processors or distributors to retailers; and*
- (3) milk products sold to consumers.*

*Subd. 2. [POOLING ARRANGEMENTS.] A stabilization plan may provide for a classified pricing system based upon utilization, a handler pooling arrangement, or a marketwide pooling arrangement. A stabilization plan with a marketwide pooling arrangement may require raw milk produced by dairy farmer-processors to be included in the pooling arrangement.*

*Subd. 3. [APPLICABILITY TO PROCESSORS PURCHASING IN MULTIPLE MARKETING AREAS.] A stabilization plan must provide a method to determine how it applies to processors purchasing raw milk in two*

or more marketing areas.

*Subd. 4. [AREAS UNDER FEDERAL MILK MARKETING ORDER.] A stabilization plan for a marketing area that includes an area of a federal milk marketing order may require licensed processors subject to both the state stabilization plan and to the federal milk marketing order to pay:*

*(1) minimum raw milk class prices that exceed the minimum raw milk class prices established by the federal order; and*

*(2) the difference between the federal and state minimum prices directly to dairy farmers on the basis of a handler pooling arrangement basis.*

*Subd. 5. [ADOPTION.] (a) Adoption of a stabilization plan is not subject to chapter 14, but a stabilization plan may be adopted or amended only after the board has mailed a proposed plan to the dairy marketing licensees in the marketing area and has given public notice of the proposed plan through news media generally circulated or broadcast in the marketing area, held a public meeting in the marketing area within 7 to 12 days after the mailing, and mailed a copy of the final stabilization plan to the dairy marketing licensees in the marketing area.*

*(b) A stabilization plan or an amendment to a stabilization plan is effective seven days after the new or amended stabilization plan is mailed to the dairy marketing licensees in the marketing area. An effective stabilization plan has the same force and effect as a rule adopted under chapter 14.*

*Subd. 6. [APPEAL; STAY OF STABILIZATION PLAN.] A stabilization plan may be appealed to the district court. An action may be brought in the county in which the person bringing the action resides or in the county in which the board has its main office. In reviewing the plan, the court shall consider whether it meets the criteria, and was adopted in accordance with the procedures, prescribed in this chapter.*

*If a stabilization plan or portion of a plan is appealed, a stay of the stabilization plan or portion of the plan may not be granted before final determination of the matter by the court.*

#### **Sec. 7. [32C.06] [PRICES; SETTING.]**

*Subdivision 1. [RAW MILK.] (a) Stabilized prices for raw milk to be paid by processors to dairy farmers in each marketing area must be beneficial to the public interest, protect dairy farmers, and ensure an adequate supply of pure and wholesome milk to the inhabitants of the state.*

*(b) In establishing or changing stabilized prices to be paid by processors to dairy farmers for raw milk in each marketing area, the board shall consider:*

*(1) the available supply of raw milk;*

*(2) the adequacy of the reserve supply of raw milk available to processors;*

*(3) the difference between raw milk production and dairy product consumption;*

*(4) the cost of dairy feed; and*

*(5) farm wage rates.*

*Subd. 2. [MILK PRODUCTS.] (a) In establishing stabilized prices for a*



marketing area, other than the price paid to a dairy farmer by a processor for raw milk, the board shall consider the operative economic factors in a marketing area including:

- (1) the prevailing raw milk prices in the marketing area;
- (2) the processing and distribution costs incurred by processors, distributors, and retailers, including a reasonable return upon investment;
- (3) the quantity of dairy products consumed in the area; and
- (4) other economic factors that significantly affect the supply of and demand for dairy products in the area.

(b) Stabilized prices for milk products other than raw milk may reflect packaging costs and the cost differences between home-delivered products, products sold at a fixed location, and products sold directly to consumers by processors and distributors.

(c) Stabilized prices may be adjusted based on:

- (1) the butterfat content or other components of the raw milk;
- (2) the location where the raw milk is obtained;
- (3) the location of a plant where a portion of the raw milk purchased by a processor is transferred or diverted by the processor from the plant where the raw milk is normally utilized; and

(4) other factors provided for price adjustments under the Agricultural Marketing Agreement Act of 1937 as amended, United States Code, title 7, section 601, et seq.

(d) Stabilized prices may vary from one marketing area to another.

Subd. 3. [RAW MILK FROM NONDAIRY FARMER SOURCES.] The board may establish stabilized prices to be paid by a processor for raw milk purchased from sources other than dairy farmers in the same manner as it establishes prices for raw milk purchased from dairy farmers.

Subd. 4. [BOARD DISCRETION.] The board need not establish stabilized prices for all milk products in each marketing area.

Subd. 5. [QUANTITY DISCOUNTS.] (a) A stabilization plan may establish quantity discount rates for dairy products. Discount rates must:

- (1) provide that a variety of dairy product brands are available to consumers purchasing from large retailers;
- (2) protect against financial injury to small independent processors and distributors;
- (3) be based on the retailer's total purchases of specific dairy products; and
- (4) be based upon a graduated scale of discounts proportionate to purchases made by retailers during a designated base period of one month, one quarter, six months, or one year.

(b) If a retailer operates two or more separate places of business, the board shall base the quantity discount rate for each place of business upon the quantity of dairy products purchased for resale at that place of business.

alone.

(c) All processors and distributors delivering dairy products to a quantity discount retailer may give quantity discounts in accordance with the rates regardless of the quantities of the products actually purchased by the retailer from each individual processor or distributor.

Subd. 6. [SIMULTANEOUS PRICE CHANGES.] *The board shall provide that changes in stabilized prices paid to dairy farmer prices are accompanied by simultaneous changes in the other stabilized prices established by the board.*

Sec. 8. [32C.07] [MARKETING AREAS.]

Subdivision 1. [DESIGNATION.] *The board shall designate marketing areas with stabilized prices for the entire state. The board may change the number and alter the boundaries of the marketing areas.*

Subd. 2. [CONSIDERATIONS.] (a) *In designating marketing areas the board shall consider:*

(1) *conditions affecting the production, distribution, and sale of dairy products in the marketing areas;*

(2) *the need for establishing area boundaries that will facilitate cooperation between the board and federal authorities engaged in regulating prices paid by processors for raw milk; and*

(3) *other relevant factors.*

Sec. 9. [32C.08] [LOCAL ADVISORY BOARDS.]

*If a public hearing is scheduled by the board in a marketing area to establish stabilized prices, the board may, at least ten days before the date set for the hearing, appoint a local advisory board. A local advisory board must include two producers; two processors; two retailers who are actively engaged in milk production, processing, and marketing in the area; and two consumers in the area. The local advisory board shall meet with the board at the call of the board before, during, or after the public hearing, except that no more than three meetings or conferences between the board and the local advisory board may be held. The members of the local advisory board may not receive a per diem, but must receive mileage and expenses as provided in section 15.014, subdivision 2. A local advisory board ceases to exist when the board has set its stabilization plan for the local advisory board's marketing area.*

Sec. 10. [32C.09] [REFERENDUM ON CONTINUANCE OF STABILIZED PRICES.]

*If a petition is presented to the commissioner containing names of grade A dairy farmers equal to at least 25 percent of the total grade A dairy farmers in the state subject to sections 1 to 8 of this act, with the signature of at least one dairy farmer from every county in which a dairy farmer resides, the commissioner shall conduct a statewide referendum among all grade A dairy farmers in the state on whether to maintain stabilized prices. The referendum must be by secret mail ballot in accordance with rules established by the commissioner, and shall report the results of the referendum to the legislature the next time it convenes.*

Sec. 11. [32C.10] [DAIRY LICENSES.]

*Subdivision 1. [GENERAL REQUIREMENT.] Each dairy farmer-processor, dairy marketer, distributor, processor, or retailer buying or selling dairy products in the state shall obtain a dairy license.*

*Subd. 2. [SEPARATE BUSINESS LOCATIONS.] A dairy license under this section is required for each separate place of business.*

*Subd. 3. [AGRICULTURE DEPARTMENT LICENSE REQUIRED.] A processor or distributor may not obtain a dairy license without first having obtained a license under chapter 32 from the commissioner.*

**Sec. 12. [32C.11] [LICENSE APPLICATIONS.]**

*Subdivision 1. [FORMS.] The commissioner, with the approval of the board, shall prepare and distribute dairy license application forms.*

*Subd. 2. [PROCESSORS AND DISTRIBUTORS.] A processor or distributor applicant must affirm that:*

*(1) the applicant will not sell dairy products to a person required to have a dairy license unless the person has a license;*

*(2) the applicant will offer the applicant's service to the entire marketing area; and*

*(3) the applicant will offer each of the applicant's customers in the marketing area the same frequency of delivery and the same in-store services that are customary in the customer's community.*

*Subd. 3. [DISTRIBUTORS AND RETAILERS.] A distributor or retailer applicant must affirm that the applicant will not purchase dairy products from persons not licensed by the commissioner.*

**Sec. 13. [32C.12] [LICENSE ISSUANCE, VALIDITY, AND REVOCATION.]**

*Subdivision 1. [LICENSE HEARING.] (a) Within ten days after the commissioner receives an application for a license, the commissioner shall notify the board. Within ten days after being notified, the board shall make a recommendation for issuance of the license or notify the applicant of the date when a hearing will be held to receive evidence relative to the applicant's eligibility.*

*(b) A hearing under paragraph (a) must be held within 20 days after the date the notice is given. Within five days after the close of the eligibility hearing, the board shall notify the applicant and the commissioner of its recommendation to issue or deny a license.*

*(c) The commissioner must issue or deny a license within ten days after receiving the recommendation. The commissioner may not charge a fee for a dairy license.*

*Subd. 2. [VALIDITY.] A dairy marketing license is valid unless:*

*(1) the ownership or location of the licensed business is changed;*

*(2) the license is suspended or revoked; or*

*(3) the licensed business is discontinued or is inactive for a period of more than 30 days.*

*Subd. 3. [SUSPENSION OR REVOCATION.] The commissioner may not suspend or revoke a license without a hearing, which is a contested case procedure subject to chapter 14.*

**Sec. 14. [32C.13] [RECORDS AND REPORTS.]**

*Subdivision 1. [RECORD CONSOLIDATION.] The commissioner and the board shall accommodate dairy licensees by allowing all records required under this section and chapter 32 to be consolidated.*

*Subd. 2. [REQUIRED RECORDS:] (a) A dairy licensee shall maintain, in a manner prescribed by the commissioner by rule, a record of:*

*(1) all raw milk received or purchased by the licensee, showing the names and addresses of the dairy farmers and others from whom the raw milk was purchased, the quantity, price paid, butterfat test, and any deductions made;*

*(2) all dairy products sold or used, classified as to grade, use, location, market outlet, size and type of container, the composition of the product in terms of butterfat and solids, the quantity sold, and the prices received; and*

*(3) the quantity of each dairy product manufactured by a licensee, together with the composition of the product, the quantity sold, and the prices received.*

*Subd. 3. [ADDITIONAL RECORDS.] In addition to the records required under subdivision 2, the commissioner may require dairy licensees to maintain records of:*

*(1) the shrinkage, wastage, or loss of raw milk and butterfat, and of skim milk and butterfat destroyed or used for special purposes such as livestock feed;*

*(2) the inventory of raw milk and other dairy products on hand at the end of a designated accounting period;*

*(3) all items of expense incurred by the licensee in procuring raw milk and other ingredients, and in processing, manufacturing, storing, distributing, and selling dairy products, including overhead and general and administrative costs, and all other items of cost incurred by each licensee in the conduct of its business; and*

*(4) any other record.*

*Subd. 4. [RECORDS OF PROFIT OR LOSS NOT REQUIRED.] A dairy licensee may not be required to reveal profit or loss.*

*Subd. 5. [FORM OF RECORDS.] The commissioner shall require records to be in a form that will allow the board to make statistical studies.*

*Subd. 6. [RECORD MAINTENANCE.] Records required under this section must be preserved for three years.*

**Sec. 15. [32C.14] [BUYING, SELLING, AND PRICING VIOLATIONS.]**

*Subdivision 1. [BUYING OR SELLING WITHOUT A LICENSE.] A dairy farmer-processor, dairy marketer, distributor, processor, or retailer may not buy or sell dairy products without a dairy license.*

*Subd. 2. [BUYING OR SELLING AT PRICES OTHER THAN STABI-*

LIZED PRICES.] A dairy licensee may not buy or sell dairy products with a stabilized price for less than the minimum price or more than the maximum price established by the board.

Subd. 3. [CIRCUMVENTING STABILIZED PRICING.] A dairy licensee may not use or attempt to use a method, device, or transaction:

(1) intended to accomplish, or having the effect of accomplishing, the sale or attempted sale or the purchase or attempted purchase of dairy products at less than the minimum prices established by the board;

(2) designed to circumvent the stabilized prices set by the board; or

(3) having the effect of substantially undermining the effectiveness of the stabilized prices.

Subd. 4. [SELLING PRODUCTS OF DIFFERENT BRANDS AT DIFFERENT PRICES.] A retailer may not sell or offer for sale dairy products of one brand at a price different from the price charged by the retailer for an equal quantity of a product of the same type, quality, or grade, but of a different brand, unless the price differential is equal to the difference in the prices paid by the retailer for the products.

Subd. 5. [DAIRY PRODUCTS PRICED WITH OTHER PRODUCTS.] A dairy marketer may not charge a combined price for a dairy product and another commodity or service that is less or is represented to be less than the aggregate of the price of the dairy product and the price or value of the other commodity or service when sold or offered for sale separately.

Subd. 6. [SELLING BELOW COST.] If a stabilized price has not been established for a dairy product, a dairy marketer may not sell, offer for sale, or advertise for sale the dairy product below cost, or give, offer to give, or advertise the intent to give away the dairy product, to damage a competitor or destroy competition. This section does not apply to a sale made in conformance with section 325D.06, clauses (1) to (4). An enforcement action may not be commenced under this section if the retail price is 15 percent or more above the list price of the processor.

Subd. 7. [PRIMA FACIE EVIDENCE OF SALE BELOW COST.] (a) In an action for an injunction from or to impose civil penalties for a violation of this section, evidence that a dairy product was sold, offered for sale, or advertised for sale at a price that damages or destroys competition is prima facie evidence that the product was sold, offered for sale, or advertised for sale below cost to damage a competitor or to destroy competition.

(b) For purposes of paragraph (a), price is presumed to damage or destroy competition if:

(1) a retail price is less than eight percent above the current net delivered price of the processor including a rebate, discount, refund, and price differential; or

(2) a price charged to a retailer by a distributor is less than five percent above the current net delivered price of the processor including any rebate, discount, refund, and price differential."

Page 20, line 4, before the period, insert "or the board"

Page 20, line 5, delete "A person doing"

Page 20, line 6, delete everything before the second "in" and delete the second "the" and insert "doing" and after "business" insert "in this state, a person"

Page 20, line 8, before the period, insert "of this act"

Page 20, line 11, delete "greater"

Page 20, line 17, delete "24-point" and insert "24 points in size"

Page 23, line 34, before the period, insert "of this act"

Page 24, line 3, delete "the"

Page 24, line 33, delete "to" and after "only" insert "to"

Page 25, line 12, before "A" insert "(a)"

Page 26, line 2, delete "administer and enforce this chapter" and insert "carry out sections 23 to 25"

Page 26, line 6, delete "all" and delete "marketing"

Page 26, line 10, delete "the" and insert "a" and delete "marketing"

Page 26, line 12, delete "license" and insert "licensed business"

Page 26, line 16, before "the" insert "the commissioner or"

Page 26, line 34, delete "milk stabilization"

Page 26, line 35, before "of" insert "and enforcement"

Page 27, lines 6 and 13, delete "marketing"

Page 27, line 15, after the period, insert "A procedure to suspend or revoke a license is a contested case subject to chapter 14."

Page 27, line 19, delete "must" and insert "shall"

Page 27, line 27, delete "shall" and insert "must"

Page 27, line 34, delete "and have the relief,"

Page 28, line 2, after "adequate" insert "legal" and delete "of law"

Page 28, line 5, delete the first "of"

Page 28, line 6, delete "one or more" and insert "a"

Page 28, line 7, delete "competitors" and insert "competitor" and delete "one or more persons" and insert "a person."

Page 28, line 13, delete "by" and insert "within"

Page 28, line 14, after "of" insert "the"

Page 28, line 30, delete "milk stabilization"

Page 29, line 15, delete "may" and insert a comma

Page 29, line 16, before "reopen" insert "may"

Page 29, line 17, after "modify" insert a comma

Page 29, line 25, delete "shall" and insert "must"

Page 29, line 31, after "evidence" insert a comma

Page 30, line 31, before "DAMAGES" insert "TREBLE" and delete "that" and insert "who"

Page 30, line 36, delete "that" and insert "who"

Page 31, line 2, delete "have"

Page 31, line 5, before "and" insert a comma

Page 31, line 7, delete everything after "exist"

Page 31, line 8, delete everything before the period

Page 31, line 22, delete "cents" and insert "cent"

Page 31, line 30, delete "the amount of the" and delete "is" and insert "are"

Page 31, line 31, delete "shall" and insert "must"

Page 32, lines 3 and 7, delete "shall" and insert "must"

Page 32, line 15, delete "relation" and insert "relationship"

Page 32, line 16, delete "if" and insert "whether"

Page 32, line 22, delete "4" and insert "3" and delete "(d)" and insert "(f)"

Pages 32 and 33, delete sections 30 and 31

Page 33, after line 11, insert:

"Sec. 32. [REPEALER.]

*This act is repealed effective June 30, 1988.*"

Page 33, line 13, before "but" insert a comma

Page 33, line 14, delete "until" and insert "before"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 16, delete "appropriating money;"

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1730 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1730	1751				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1730 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1730 and

insert the language after the enacting clause of S.F. No. 1751, the first engrossment; further, delete the title of H.F. No. 1730 and insert the title of S.F. No. 1751, the first engrossment.

And when so amended H.F. No. 1730 will be identical to S.F. No. 1751, and further recommends that H.F. No. 1730 be given its second reading and substituted for S.F. No. 1751, and that the Senate File be indefinitely postponed.

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 2014 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
2014	1838				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 2014 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 2014 and insert the language after the enacting clause of S.F. No. 1838, the first engrossment; further, delete the title of H.F. No. 2014 and insert the title of S.F. No. 1838, the first engrossment.

And when so amended H.F. No. 2014 will be identical to S.F. No. 1838, and further recommends that H.F. No. 2014 be given its second reading and substituted for S.F. No. 1838, and that the Senate File be indefinitely postponed.

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1807 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1807	1760				

and that the above Senate File be indefinitely postponed.

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



Report adopted.

### SECOND READING OF SENATE BILLS

S.F. Nos. 2132, 2262, 2057, 2203, 2209, 2163, 1839, 2032, 1151, 1858, 1985, 2069, 2116, 1904, 2078, 1387, 2075, 2179, 2135, 1852, 2238, 1796, 2085, 2257, 2112 and 1595 were read the second time.

### SECOND READING OF HOUSE BILLS

H.F. Nos. 1730, 2014 and 1807 were read the second time.

### MOTIONS AND RESOLUTIONS

Mr. Stumpf moved that the name of Mr. Novak be added as a co-author to S.F. No. 1967. The motion prevailed.

Mr. Moe, D.M. moved that the name of Mrs. Kronebusch be added as a co-author to S.F. No. 2097. The motion prevailed.

Mr. Luther moved that the name of Mr. Wegscheid be added as a co-author to S.F. No. 2257. The motion prevailed.

Mr. Langseth moved that the name of Mr. Dahl be added as a co-author to S.F. No. 2277. The motion prevailed.

Mr. Johnson, D.E. introduced—

Senate Resolution No. 113: A Senate resolution congratulating Mike Arends on being named Star Farmer of America.

Referred to the Committee on Rules and Administration.

Mr. Taylor introduced—

Senate Resolution No. 114: A Senate resolution congratulating Mankato West High School for winning the 1986 Minnesota State Academic Decathlon.

Referred to the Committee on Rules and Administration.

Mr. Purfeerst introduced—

Senate Resolution No. 115: A Senate resolution extending congratulations to the Northfield High School on winning first place in the 1986 State High School Class A Danceline Competition.

Referred to the Committee on Rules and Administration.

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the Consent Calendar. The motion prevailed.

### CONSENT CALENDAR

H.F. No. 1727: A bill for an act relating to agriculture; moving Wadena county from area one to area four for purposes of potato industry promotion;

amending Minnesota Statutes 1984, section 17.54, subdivision 9.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 53 and nays 1, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Jude	Olson	Sieloff
Anderson	Dicklich	Kamrath	Pehler	Solon
Belanger	Diessner	Knaak	Peterson, C. C.	Spear
Benson	Frank	Kronebusch	Peterson, D. C.	Storm
Berg	Frederickson	Laidig	Peterson, D. L.	Stumpf
Bernhagen	Freeman	Langseth	Peterson, R. W.	Taylor
Bertram	Gustafson	Lantry	Petty	Waldorf
Brataas	Hughes	Luther	Purfeerst	Wegscheid
Chmielewski	Isackson	Mehrkens	Ramstad	Willett
Dahl	Johnson, D. E.	Merriam	Renneke	
Davis	Johnson, D. J.	Moe, R. D.	Schmitz	

Mr. Kroening voted in the negative.

So the bill passed and its title was agreed to.

### MOTIONS AND RESOLUTIONS - CONTINUED

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate proceed to the Order of Business of Introduction and First Reading of Senate Bills. The motion prevailed.

### INTRODUCTION AND FIRST READING OF SENATE BILLS

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

Mr. Benson introduced—

S.F. No. 2282: A bill for an act relating to crimes; making it a felony to disseminate or possess photographic representations of sexual conduct involving minors; amending Minnesota Statutes 1984, section 617.247, subdivisions 3 and 4.

Referred to the Committee on Judiciary.

Mr. Chmielewski introduced—

S.F. No. 2283: A bill for an act relating to courts; authorizing a majority of the judges of a judicial district to abolish the public defender system; amending Minnesota Statutes 1984, section 611.26, subdivision 1.

Referred to the Committee on Judiciary.

Mr. Jude introduced—

S.F. No. 2284: A bill for an act relating to environment; providing for the adoption of a sewage treatment system construction code; requiring certification of sewage system contractors and inspectors in certain counties; providing for the administration of certification laws by the pollution control

agency; authorizing adoption of rules; providing penalties; proposing coding for new law in Minnesota Statutes, chapter 116.

Referred to the Committee on Agriculture and Natural Resources.

Mr. Freeman introduced—

S.F. No. 2285: A bill for an act relating to transportation; municipal state-aid streets; authorizing cities to use municipal state-aid funds to purchase emergency traffic light systems; amending Minnesota Statutes 1984, section 162.14, subdivision 2.

Referred to the Committee on Transportation.

Mr. Merriam introduced—

S.F. No. 2286: A bill for an act relating to public safety; expanding the crime of driving a motor vehicle while under the influence of alcohol or a controlled substance; amending Minnesota Statutes 1984, sections 169.121, subdivisions 2 and 6; 169.123, subdivisions 2a, 3, 4, and 6; and 361.12, subdivision 1; and Minnesota Statutes 1985 Supplement, sections 169.121, subdivision 1; and 169.123, subdivision 2.

Referred to the Committee on Judiciary.

Messrs. Lessard, Bertram, Stumpf, Bernhagen and Isackson introduced—

S.F. No. 2287: A bill for an act relating to game and fish; establishing a program to compensate landowners and lessees for damages done by wild animals; appropriating money.

Referred to the Committee on Agriculture and Natural Resources.

Mr. Pogemiller introduced—

S.F. No. 2288: A bill for an act relating to adoption; requiring counseling prior to the adoption of foreign born children; making foreign-born children eligible for subsidized adoption payments; amending Minnesota Statutes 1984, section 259.40, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 259.

Referred to the Committee on Health and Human Services.

Ms. Peterson, D.C. introduced—

S.F. No. 2289: A bill for an act relating to education; requiring the state board of education to study its school desegregation rules and recommend changes.

Referred to the Committee on Education.

Messrs. Pehler and Vega introduced—

S.F. No. 2290: A bill for an act relating to state departments and agencies; creating a commission for the quincentennial of the Hispanic presence in the western hemisphere.

Referred to the Committee on Governmental Operations.

Mr. Johnson, D.J. introduced—

S.F. No. 2291: A bill for an act relating to transportation; prohibiting railroad company from holding employee liable for negligence resulting in damage to company property during the course of employment; proposing coding for new law in Minnesota Statutes, chapter 219.

Referred to the Committee on Judiciary.

Mr. Waldorf introduced—

S.F. No. 2292: A bill for an act relating to the city of Saint Paul; providing for the redesign, reconstruction and widening of Lexington avenue south of Larpenteur avenue; amending Laws 1977, chapter 402, section 2.

Referred to the Committee on Local and Urban Government.

### MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 10, Mr. Moe, R.D., Chairman of the Subcommittee on Bill Scheduling, designated the General Orders Calendar or any addendum thereto, a Special Orders Calendar to be heard immediately.

### SPECIAL ORDER

S.F. No. 1546: A bill for an act relating to transportation; railroads; providing that railroads must first offer property within right-of-way to leaseholders before selling it; proposing coding for new law in Minnesota Statutes, chapter 222.

Pursuant to Rule 22, Mr. Anderson requested to be excused from voting on all questions pertaining to S.F. No. 1546.

S.F. No. 1546 was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 57 and nays 1, as follows:

Those who voted in the affirmative were:

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

Mr. Knaak voted in the negative.

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1851: A bill for an act relating to state government; changing

certain procedures related to the state archaeologist and archaeologic sites; amending Minnesota Statutes 1984, sections 138.35, subdivision 1; and 138.40, subdivision 3.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 57 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1641: A bill for an act relating to motor vehicles; establishing a system of registration of fleet vehicles; amending Minnesota Statutes 1984, section 168.011, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 168.

Mr. Willet moved to amend S.F. No. 1641 as follows:

Page 1, line 17, delete "unique"

The motion prevailed. So the amendment was adopted.

S.F. No. 1641 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 59 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

### SPECIAL ORDER

S.F. No. 1790: A bill for an act relating to economic development; rural

development; providing for time of lease payments for lease of department of natural resources lands; establishing a mineral resources program; establishing a community development division in the department of energy and economic development; transferring the independent wastewater treatment grant program from the pollution control agency to the department of energy and economic development; establishing the greater Minnesota corporation; establishing the rural development revolving fund program; establishing the state supplemental education grant program; adding criteria for allocation of private activity bonds and available issuance authority; appropriating money; amending Minnesota Statutes 1984, sections 89.17; 116.16, subdivision 5; 116J.61; 116J.873, subdivision 1; 462.384, subdivision 7; and 474.19, subdivision 4; Minnesota Statutes 1985 Supplement, sections 92.50; 116.16, subdivision 2; 116M.06, subdivision 3; and 474.19, subdivisions 3; proposing coding for new law in Minnesota Statutes, chapters 84, 116J, 116L, and 136A; proposing coding for new law as Minnesota Statutes, chapter 116N; repealing Minnesota Statutes 1985 Supplement, sections 116.18, subdivision 3a; 116J.951; 116J.955; and 116J.961, subdivisions 7, 8, 9, and 10.

Mr. Knaak moved to amend S.F. No. 1790 as follows:

Page 29, line 12, delete everything after "the"

Page 29, line 13, delete everything before the period and insert "*commissioner of human services for grants to public or private agencies operating emergency food shelves in qualifying counties. For purposes of this section, a qualifying county is one in which the assessed valuation of agricultural land identified in section 273.13, subdivision 23, constitutes 60 percent or more of the assessed valuation of the county*"

Amend the title as follows:

Page 1, line 15, after the first semicolon, insert "authorizing grants to assist emergency food shelf programs in rural counties;"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 22 and nays 38, as follows:

Those who voted in the affirmative were:

Anderson	Frederick	Knaak	Olson	Storm
Belanger	Frederickson	Kronebusch	Peterson, D.L.	Taylor
Benson	Gustafson	Laidig	Ramstad	
Bernhagen	Isackson	McQuaid	Renneke	
Brataas	Johnson, D.E.	Mehrkens	Sieloff	

Those who voted in the negative were:

Adkins	Diessner	Langseth	Peterson, C.C.	Solon
Berglin	Dieterich	Lantry	Peterson, D.C.	Spear
Bertram	Frank	Luther	Peterson, R.W.	Stumpf
Chmielewski	Freeman	Merriam	Petty	Waldorf
Dahl	Hughes	Moe, D.M.	Purfeerst	Wegscheid
Davis	Johnson, D.J.	Moe, R.D.	Reichgott	Willett
DeCramer	Jude	Nelson	Samuelson	
Dicklich	Kroening	Pehler	Schmitz	

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

Mr. Peterson, D.L. moved to amend S.F. No. 1790 as follows:

Page 22, after line 2, insert:

"Sec. 26. [136A.102] [CERTAIN INCOME OR GAIN NOT COUNTED FOR NEED CRITERIA.]

*In establishing criteria for financial need under section 136A.101, subdivision 5, the board must not count as income: to the extent included in federal adjusted gross income, income, or gain recognized on (i) the sale of agricultural production property, including real property, and equipment used in a farm business that was owned and operated by the taxpayer as his principal business, if the taxpayer had a debt-to-asset-ratio of at least 70 percent at the time of the sale and at least 70 percent of the proceeds of the sale were used solely to discharge indebtedness secured by a mortgage, lien, or other security interest on the property sold, or (ii) the discharge of farm business indebtedness of a farmer who owns and operates a farm business if at the time of the discharge the taxpayer had a debt-to-asset-ratio of at least 70 percent; if the gain is long term capital gain for federal income tax purposes, the part not to be counted is limited to 40 percent of the gain."*

Renumber the sections in sequence

Correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Mr. Renneke moved to amend S.F. No. 1790 as follows:

Pages 5 to 7, delete sections 4 and 5

Page 10, line 1, after the second comma, insert "and"

Page 10, line 2, delete everything after "council"

Page 10, line 3, delete everything before the semicolon

Pages 10 to 12, delete section 9

Page 28, delete section 33

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 34 and nays 28, as follows:

Those who voted in the affirmative were:

Anderson	Frederick	Knutson	Moe, D.M.	Renneke
Benson	Frederickson	Kronebusch	Nelson	Sieloff
Berg	Gustafson	Laidig	Olson	Storm
Bernhagen	Isackson	Luther	Pehler	Taylor
Bertram	Johnson, D.E.	McQuaid	Peterson, D.L.	Waldorf
Brataas	Kamrath	Mehrkens	Peterson, R.W.	Willet
Dieterich	Knaak	Merriam	Ramstad	

Those who voted in the negative were:

Adkins	Diessner	Kroening	Peterson, C.C.	Schmitz
Berglin	Frank	Langseth	Peterson, D.C.	Stumpf
Dahl	Freeman	Lantry	Petty	Vega
Davis	Hughes	Lessard	Purfeerst	Wegscheid
DeCramer	Johnson, D.J.	Moe, R.D.	Reichgott	
Dicklich	Jude	Novak	Samuelson	

The motion prevailed. So the amendment was adopted.

Mr. Frederickson moved to amend S.F. No. 1790 as follows:

Page 27, after line 24, insert:

“Sec. 32. [LIMITATION ON SPENDING.]

*Money appropriated from the rural rehabilitation revolving fund under sections 33, 35, 36, 39, and 40 of this act must be spent only in qualifying counties. For purposes of this section, a qualifying county is one in which the assessed valuation of agricultural land identified in section 273.13, subdivision 23, constitutes 60 percent or more of the assessed valuation of the county.”*

Renumber the sections in sequence

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 25 and nays 35, as follows:

Those who voted in the affirmative were:

Anderson	Bertram	Gustafson	Knutson	Ramstad
Belanger	Brataas	Isackson	Kronebusch	Renneke
Benson	Davis	Johnson, D.E.	McQuaid	Sieloff
Berg	Frederick	Kamrath	Olson	Storm
Bernhagen	Frederickson	Knaak	Peterson, D.L.	Taylor

Those who voted in the negative were:

Adkins	Frank	Lantry	Novak	Reichgott
Berglin	Freeman	Lessard	Pehler	Samuelson
Dahl	Hughes	Luther	Peterson, C.C.	Schmitz
DeCramer	Johnson, D.J.	Merriam	Peterson, D.C.	Vega
Dicklich	Jude	Moe, D.M.	Peterson, R.W.	Waldorf
Diessner	Kroening	Moe, R.D.	Petty	Wegscheid
Dieterich	Langseth	Nelson	Purfeerst	Willet

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

Mr. Benson moved to amend S.F. No. 1790 as follows:

Page 23, after line 1, insert:

“Sec. 27. Minnesota Statutes 1984, section 297A.01, subdivision 16, is amended to read:

Subd. 16. [CAPITAL EQUIPMENT.] Capital equipment means machinery and equipment and the materials and supplies necessary to construct or install the machinery or equipment. To qualify under this definition the capital equipment must be used by the purchaser or lessee for manufacturing, fabricating, or refining a product to be sold at retail and must be used for the establishment of a new or the physical expansion of an existing manufacturing, fabricating, or refining facility in the state. Capital equipment does not include (1) machinery or equipment purchased or leased to replace machinery or equipment performing substantially the same function in an existing facility, (2) repair or replacement parts, or (3) (2) machinery or equipment used to extract, receive, or store raw materials.

Sec. 28. Minnesota Statutes 1985 Supplement, section 297A.02, subdivi-



sion 2, is amended to read:

Subd. 2. [MACHINERY AND EQUIPMENT.] Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of special tooling, ~~and capital equipment~~ is four percent and upon sales of farm machinery is two percent.

Sec. 29. Minnesota Statutes 1985 Supplement, section 297A.14, is amended to read:

297A.14 [USING, STORING OR CONSUMING TANGIBLE PERSONAL PROPERTY; ADMISSIONS; UTILITIES.]

For the privilege of using, storing or consuming in Minnesota tangible personal property, tickets or admissions to places of amusement and athletic events, electricity, gas, and local exchange telephone service purchased for use, storage or consumption in this state, a use tax is imposed on every person in this state at the rate of six percent of the sales price of sales at retail unless the tax imposed by section 297A.02 was paid on the sales price. Notwithstanding the provisions of the preceding sentence, the rate of the use tax imposed upon the sales price of sales of special tooling, ~~and capital equipment~~ is four percent and upon the sales price of sales of farm machinery is two percent.

A motor vehicle subject to tax under this section shall be taxed at its fair market value at the time of transport into Minnesota if the motor vehicle was acquired more than three months prior to its transport into this state.

Sec. 30. Minnesota Statutes 1985 Supplement, 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). 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 (i) 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, or (ii) which are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(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 semiprecious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with precious metals or imitations thereof; watches; clocks; cases and movements for watches and clocks; gold, gold-plated, silver, or sterling flatware or hollowware and silver-plated hollowware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars;

(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. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. 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. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption;

(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 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 airlift equipment and the storage, use or other consumption of such property by airline companies taxed under the provisions of sections 270.071 to 270.079. For purposes of this clause, "airlift equipment" includes airplanes and parts necessary for the repair and maintenance of such airlift equipment, and flight simulators;

(n) the gross receipts from the sale of 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;

(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;

(p) the gross receipts from the sale of caskets and burial vaults;

(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 United States Code, title 38, section 1901, as amended;

(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) 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 United States Code, title 38, 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 United States Code, title 38, 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) 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) 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. Mailing and reply envelopes and cards used exclusively in connection with the advertising and promotional materials are included in this exemption;

(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) 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);

(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;

(y) the gross receipts from the sale of sanitary napkins, tampons, or similar items used for feminine hygiene;

(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;

(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;

(bb) the gross receipts from the sale of repair and replacement parts, except tires, used for maintenance or repair of farm machinery, if the part replaces a farm machinery part assigned a specific or generic part number by the manufacturer of the farm machinery;

(cc) the gross receipts from sales of tickets or admissions to regular season school games, events, and activities. For purposes of this clause, "school" has the meaning given it in section 120.10, subdivision 2;

*(dd) the gross receipts from sales and use of capital equipment."*

Page 29, line 27, delete "and"

Page 29, line 28, after "10" insert "297A.15, subdivision 5; and 297A.257"

Page 29, line 30, delete "30" and insert "33"

Page 29, line 31, after the period, insert "Sections 27 to 29 are effective for sales after June 30, 1986."

Renumber the sections in sequence

Correct the internal references

Amend the title accordingly

Mr. Dieterich questioned whether the amendment was germane.

The President ruled that the amendment was not germane.

Mr. Benson appealed the decision of the President.

The question was taken on "Shall the decision of the President be the judgment of the Senate?"

The roll was called, and there were yeas 38 and nays 21, as follows:

Those who voted in the affirmative were:

Adkins	Dicklich	Kroening	Novak	Samuelson
Berg	Diessner	Langseth	Pehler	Schmitz
Berglin	Dieterich	Lantry	Peterson, C.C.	Vega
Bertram	Frank	Lessard	Peterson, D.C.	Waldorf
Chmielewski	Freeman	Luther	Peterson, R.W.	Wegscheid
Dahl	Hughes	Merriam	Petty	Willet
Davis	Johnson, D.J.	Moe, R.D.	Purfeerst	
DeCramer	Jude	Nelson	Reichgott	

Those who voted in the negative were:

Anderson	Frederickson	Knaak	Olson	Taylor
Belanger	Gustafson	Knutson	Peterson, D.L.	
Benson	Isackson	Kronebusch	Ramstad	
Bernhagen	Johnson, D.E.	McQuaid	Renneke	
Frederick	Kamrath	Mehrkins	Steloff	

The decision of the President was sustained.

Mr. Benson then moved to amend S.F. No. 1790 as follows:

Page 23, after line 1, insert:

"Sec. 27. Minnesota Statutes 1985 Supplement, 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;

(3) 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;

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

(5) 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;

(6) pension income as provided by section 290.08, subdivision 26;

(7) 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 clause (6);

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

(9) 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;

(10)(a) 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;



(b) to the extent included in computing federal adjusted gross income, expenses and other items allocable to 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 be allowed as a subtraction to the extent that the expenses or other items are included in computing the modifications provided in section 290.01, subdivision 20a, clause (7) or paragraph (a) of this clause and to the extent that the expenses or other items are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, and depletion expenses may not be subtracted under this paragraph;

(11) 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 Minnesota Statutes 1984, section 290.01, 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); and

(12) 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 Minnesota Statutes 1984, section 290.01, 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

*(13) to the extent included in federal adjusted gross income, income, or gain as provided by section 29. If the gain is long term capital gain for federal income tax purposes, the modification is limited to 40 percent of the gain.*

Sec. 28. Minnesota Statutes 1985 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1); and

(ii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income or amounts that are not allowable under section 55(e)(8) of the Internal Revenue Code.

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code.

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) 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.

(2) 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.

(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.

(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

(5) *The capital gain preference item must be reduced to the extent it includes any gain on a transaction described in section 29.*

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section), reduced by the sum of the nonrefundable credits allowed under this chapter.

Sec. 29. Minnesota Statutes 1984, section 290.08, is amended by adding a subdivision to read:

*Subd. 27. [GAINS ON AGRICULTURAL PRODUCTION PROPERTY.] Gross income does not include income or gains realized by an individual taxpayer, family farm corporation, or authorized farm corporation on (i) the sale of agricultural production property, including real property, and equipment used in a farm business that was owned and operated by the taxpayer as the taxpayer's principal business, if the taxpayer had a debt-to-asset-ratio of at least 70 percent at the time of the sale and at least 70 percent of the proceeds of the sale were used solely to discharge indebtedness secured by a mortgage, lien, or other security interest on the property sold, or (ii) the discharge of farm business indebtedness of a taxpayer who owns and operates a farm business if at the time of the discharge the taxpayer had a debt-to-asset-ratio of at least 70 percent. For purposes of this subdivision, "family farm corporation" and "authorized farm corporation" have the meanings given them in section 500.24, subdivision 2."*

Page 29, after line 24, insert:

"Sec. 44. [MEMORIAL RESOLUTION.]

WHEREAS, the family farm agricultural system is the most productive agricultural system in the world; and

WHEREAS, the benefits of this traditional and productive system are enjoyed by all citizens; and

WHEREAS, high interest rates, low farm prices, scarce credit, and declining real estate and equipment values have created a financial crisis for family farmers in the United States; and

WHEREAS, these problems result in an instability in the entire rural economy; and

WHEREAS, this economic instability has forced many family farmers into bankruptcy, foreclosure, or the sale of assets to discharge indebtedness to creditors; and

WHEREAS, the current Internal Revenue Code imposes income taxes on sale transactions at a time when the family farmer is least able to pay the additional taxes; NOW, THEREFORE,

BE IT RESOLVED by the Legislature of the State of Minnesota that Congress should enact and the President sign legislation to exclude from taxation under the Internal Revenue Code income or gains recognized on the sale of agricultural production property used in a farm business owned and operated by the taxpayer as the taxpayer's principal business, if at the time of sale the taxpayer had a debt-to-asset-ratio of at least 70 percent and at least 70 percent of the proceeds of the sale were used solely to discharge indebtedness secured by a security interest on the property.

BE IT FURTHER RESOLVED, that Congress should enact and the President sign legislation excluding from taxation under the Internal Revenue Code income or gains recognized on any discharge of farm business indebtedness of a farmer who owns and operates a farm business, if at the time of the discharge the taxpayer had a debt-to-asset-ratio of at least 70 percent.

BE IT FURTHER RESOLVED that the legislation include a provision excluding such gains from preference items for purposes of the alternative minimum tax.

BE IT FURTHER RESOLVED that the Secretary of State of Minnesota is instructed to transmit copies of this resolution to the President of the United States, the President of the Senate of the United States, the Speaker of the House of Representatives of the United States, the Minnesota Senators and Representatives in Congress, and members of the Ways and Means Committee of the United States House of Representatives, and the members of the Finance Committee of the United States Senate."

Page 29, line 31, after the period, insert:

*"Sections 27 to 29 are effective for taxable years beginning after December 31, 1985."*

Renumber the sections in sequence

Correct the internal references

Amend the title accordingly

Mr. Dieterich questioned whether the amendment was germane.

The President ruled that the amendment was not germane.

S.F. No. 1790 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 60 and nays 2, as follows:

Those who voted in the affirmative were:

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

Messrs. Knaak and Knutson voted in the negative.

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

### SPECIAL ORDER

S.F. No. 1526: A bill for an act relating to natural resources; recodifying laws governing wild animals in general, the taking and possession of game and fish, and the management of natural resources; providing penalties; amending Minnesota Statutes 1984, sections 9.071; 14.02, subdivision 4; 14.38, subdivision 6; 18.021, subdivision 3; 84.0274, subdivision 6; 84.88, subdivision 2; 84.89; 84A.02; 85.018, subdivision 8; 86A.06; 105.391, subdivisions 3 and 12; 105.417, subdivision 4; 111.81, subdivision 1; 343.21, subdivision 8; 343.30; 352B.01, subdivision 2; 361.25; 383C.13; 477A.12; 477A.13; Minnesota Statutes 1985 Supplement, section 105.74; proposing coding for new law in Minnesota Statutes, chapters 84; 97A; 97B; 97C; 609; and 624; repealing Minnesota Statutes 1984, and 1985 Supplement, chapters 97, 98, 99, 100, 101, and 102.

Mr. Merriam moved to amend S.F. No. 1526 as follows:

Page 2, line 7, delete "*hunter, fisherman, trapper, tourist or vacationist*" and insert "*person fishing, hunting, trapping, vacationing, or touring.*"

Page 48, line 28, delete "*fishermen*" and insert "*fishing licensees*"

Page 56, line 31, delete "*sportsmen*" and insert "*hunters*"

Page 57, line 16, delete "SPORTSMAN" and insert "SPORTING"

Page 57, lines 17 and 28, delete "*sportsman*" and insert "*sporting*"

Page 62, line 2, delete "*licensed*" and delete "*fishermen*" and insert "*fishing licensees*"

Page 64, lines 7 and 13, delete "*sportsman*" and insert "*sporting*"

Page 123, line 14, delete "FISHERMEN'S" and insert "FISHING"

Page 123, line 16, delete "*fishermen's*" and insert "*fishing*"

The motion prevailed. So the amendment was adopted.

S.F. No. 1526 was read the third time, as amended, and placed on its final

passage.

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

The roll was called, and there were yeas 62 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

### SPECIAL ORDER

S.F. No. 1771: A bill for an act relating to education; expanding the types of institutions eligible for the post-secondary enrollment options act; requiring school districts to provide information and counseling services; requiring pupils to provide notice of intention to enroll; establishing a task force to study certain issues; amending Minnesota Statutes 1985 Supplement, section 123.3514, subdivision 3, and by adding subdivisions.

Mr. Vega moved to amend S.F. No. 1771 as follows:

Page 1, line 16, strike "or a private,"

Page 1, line 17, strike the old language and delete the new language

Page 1, line 18, strike everything before "located"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 13 and nays 46, as follows:

Those who voted in the affirmative were:

Berglin	Luther	Peterson, R.W.	Storm	Willet
Dahl	Mehrkens	Solon	Vega	
Knutson	Peterson, C.C.	Spear	Wegscheid	

Those who voted in the negative were:

Adkins	Dieterich	Jude	Moe, R.D.	Renneke
Anderson	Frank	Kamrath	Nelson	Schmitz
Belanger	Frederick	Knaak	Novak	Sieloff
Benson	Frederickson	Kroening	Olson	Stumpf
Bernhagen	Freeman	Kronebusch	Pehler	Taylor
Bertram	Gustafson	Langseth	Peterson, D.C.	Waldorf
Chmielewski	Hughes	Lantry	Peterson, D.L.	
Davis	Isackson	Lessard	Petty	
DeCramer	Johnson, D.E.	McQuaid	Purfeerst	
Dicklich	Johnson, D.J.	Merriam	Ramstad	

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

Mr. Knaak moved to amend S.F. No. 1771 as follows:

Delete everything after the enacting clause and insert:

"Section 1. [REPEALER.]

*Minnesota Statutes 1985 Supplement, section 123.3514, is repealed."*

Amend the title as follows:

Page 1, line 2, delete everything after the semicolon and insert "repealing the post-secondary enrollment options act; repealing Minnesota Statutes 1985 Supplement, section 123.3514."

Page 1, delete lines 3 to 9

Mr. Frederickson moved to amend the Knaak amendment to S. F. No. 1771 as follows:

Page 1, after line 5, insert:

"Sec. 2. [EFFECTIVE DATE.]

*Section 1 is effective June 30, 1987."*

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

The question recurred on the adoption of the Knaak amendment.

The roll was called, and there were yeas 18 and nays 47, as follows:

Those who voted in the affirmative were:

Benson	Chmielewski	Knaak	Peterson, C.C.	Vega
Bernhagen	Frederick	Kronebusch	Peterson, D.L.	Willett
Bertram	Gustafson	Lessard	Renneke	
Brataas	Kamrath	Novak	Samuelson	

Those who voted in the negative were:

Adkins	Dieterich	Kroening	Olson	Solon
Anderson	Frank	Langseth	Pehler	Spear
Belanger	Frederickson	Lantry	Peterson, D.C.	Storm
Berg	Freeman	Luther	Peterson, R.W.	Stumpf
Berglin	Hughes	McQuaid	Petty	Taylor
Dahl	Isackson	Mehrkens	Purfeerst	Waldorf
Davis	Johnson, D.E.	Merriam	Ramstad	Wegscheid
DeCramer	Johnson, D.J.	Moe, D.M.	Reichgott	
Dicklich	Jude	Moe, R.D.	Schmitz	
Diessner	Knutson	Nelson	Sieloff	

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

Mr. Knaak then moved to amend S.F. No. 1771 as follows:

Page 1, after line 11, insert:

"Section 1. Minnesota Statutes 1985 Supplement, section 123.3514, subdivision 2, is amended to read:

Subd. 2. [PURPOSE.] The purpose of this section is to promote rigorous academic pursuits and to provide a wider variety of options to high school pupils by encouraging and enabling secondary pupils to enroll full time or part time in nonsectarian courses or programs, *as defined in section 7*, in eligible post-secondary institutions, as defined in subdivision 3."

Page 1, after line 25, insert:

"Sec. 4. Minnesota Statutes 1985 Supplement, section 123.3514, subdivision 4, is amended to read:

Subd. 4. [AUTHORIZATION; NOTIFICATION.] Notwithstanding any other law to the contrary, an 11th or 12th grade pupil may apply to an eligible institution, as defined in subdivision 3, to allow the pupil to enroll in *eligible* nonsectarian courses or programs, *as defined in section 7*, offered at that post-secondary institution, *subject to the limitations specified in section 7*. If an institution accepts a secondary pupil for enrollment under this section, the institution shall send written notice to the pupil, the pupil's school district, and the commissioner of education within ten days of acceptance. The notice shall indicate the course or programs and hours of enrollment of that pupil."

Page 2, after line 31, insert:

"Sec. 7. Minnesota Statutes 1985 Supplement, section 123.3514, is amended by adding a subdivision to read:

Subd. 4c. [LIMIT ON COURSES OR PROGRAMS.] *A pupil may not enroll in a post-secondary course or program under this section if the same or a similar course or program is offered at the school the pupil attends. The school board shall determine whether the course or program offered at the school is the same as or similar to the course or program offered at the post-secondary institution. If there is a dispute under this subdivision between the school board and the pupil, the pupil may appeal the school board's decision to the state board of education. The state board's decision is final.*

Sec. 8. Minnesota Statutes 1985 Supplement, section 123.3514, subdivision 5, is amended to read:

Subd. 5. [CREDITS.] A school district shall grant academic credit to a pupil enrolled in ~~a~~ *an eligible course or program under this section as defined in section 7* if the pupil successfully completes the course or program attended. ~~If no comparable course or program is offered by the district, the state board of education shall determine the number of credits that shall be granted to a pupil who successfully completes and passes the course or program. If a comparable course or program is offered by the district, the school board shall grant a comparable number of credits to the pupil.~~ *The credit to be granted by a school district shall be determined by the state board of education.* If there is a dispute between the district and the pupil regarding the number of credits granted for a particular course or program, the pupil may appeal the school board's decision to the state board of education. The state board's decision regarding the number of credits shall be final.

The credits granted to a pupil shall be counted toward the graduation requirements and subject area requirements of the school district. Evidence of successful completion of each course or program and credits granted shall be included in the pupil's secondary school record."

Page 3, delete lines 28 to 35

Page 3, line 36, delete "also"

Page 4, line 17, delete "1, 3, 5, 6, 7, and 8" and insert "2, 5, 9, 10, 11, and 12"

Page 4, line 18, delete "2" and insert "1, 3, 4, 6, 7," and delete "4" and insert "8"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, after the semicolon, insert "prohibiting pupils from enrolling in post-secondary courses if the same or similar courses are offered in the pupil's school;"

Page 1, line 9, delete "subdivision" and insert "subdivisions 2," and after "3," insert "4, and 5,"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 46 and nays 18, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Johnson, D.J.	Merriam	Solon
Anderson	DeCramer	Jude	Moë, D.M.	Storm
Benson	Diessner	Kamrath	Moë, R.D.	Stumpf
Berg	Frederick	Knaak	Novak	Vega
Berglin	Frederickson	Knutson	Peterson, C.C.	Wegscheid
Bernhagen	Freeman	Kroening	Peterson, D.L.	Willet
Bertram	Gustafson	Kronebusch	Purfeerst	
Brataas	Hughes	Langseth	Ramstad	
Chmielewski	Isackson	Lessard	Renneke	
Dahl	Johnson, D.E.	Mehrkens	Samuelson	

Those who voted in the negative were:

Belanger	Luther	Pehler	Reichgott	Taylor
Dicklich	McQuaid	Peterson, D.C.	Schmitz	Waldorf
Dieterich	Nelson	Peterson, R.W.	Sicloff	
Lantry	Olson	Petty	Spear	

The motion prevailed. So the amendment was adopted.

Mr. Renneke moved to amend S.F. No. 1771 as follows:

Page 1, line 21, delete "attend" and insert "enroll in"

Page 1, line 22, delete "institution" and insert "course or program for secondary school credit"

Page 1, line 24, delete "attending the" and insert "enrolling in a"

Page 1, line 25, delete "institution" and insert "course or program for secondary school credit"

Page 1, after line 25, insert:

"Sec. 3. Minnesota Statutes 1985 Supplement, section 123.3514, subdivision 4, is amended to read:

Subd. 4. [AUTHORIZATION; NOTIFICATION.] Notwithstanding any other law to the contrary, an 11th or 12th grade pupil may apply to an eligible institution, as defined in subdivision 3, to allow the pupil to enroll in non-sectarian courses or programs offered at that post-secondary institution. *The pupil shall designate whether the course or program is for secondary or post-secondary credit.* If an institution accepts a secondary pupil for enrollment under this section, the institution shall send written notice to the pupil, the



pupil's school district, and the commissioner of education within ten days of acceptance. The notice shall indicate the course or programs and hours of enrollment of that pupil. *If the pupil is taking the course or program for post-secondary credit the institution shall include the statement of tuition and other charges in the notice: The notice must state that state and federal financial aid may be available to the pupil.*"

Page 2, after line 31, insert:

"Sec. 6. Minnesota Statutes 1985 Supplement, section 123.3514, subdivision 6, is amended to read:

Subd. 6. [FINANCIAL ARRANGEMENTS.] At the end of each school year, the department of education shall pay the tuition reimbursement amount within 30 days to the post-secondary institutions that enroll pupils under this section. *No reimbursement may be paid for courses or programs taken for post-secondary credit.* The amount of tuition reimbursement shall equal the lesser of:

(1) the actual costs of tuition, textbooks, materials, and fees directly related to the course or program charged for the secondary pupil enrolling in a course or program *for secondary credit* under this section; or

(2) an amount equal to the difference between the formula allowance plus the total tier revenue attributable to that pupil and an amount computed by multiplying the formula allowance plus the total tier revenue attributable to that pupil by a ratio. The ratio to be used is the total number of hours that the pupil is enrolled in courses in the secondary school during the regular school year over the total number of secondary instructional hours per pupil in that pupil's resident district.

The amount paid for each pupil shall be subtracted from the foundation aid paid to the pupil's resident district. If the amount to be subtracted is greater than the amount of foundation aid due the district, the excess reduction shall be made from other state aids due to the district."

Page 3, after line 15, insert:

"Sec. 9. Minnesota Statutes 1985 Supplement, section 123.3514, is amended by adding a subdivision to read:

Subd. 12. [STUDENT AID.] *A pupil who takes a course or program for post-secondary credit under this section is eligible for aid under chapter 136A.*"

Page 4, line 17, delete "3, 5, 6, 7, and 8" and insert "4, 7, 8, 10, and 11"

Page 4, line 18, delete "and 4" and insert "3, 5, 6, and 9"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, after the semicolon, insert "requiring designation of courses for secondary or post-secondary credit; limiting state tuition reimbursement to courses taken for secondary credit; clarifying availability of financial aid for courses taken for post-secondary credit;"

Page 1, line 9, after "3," insert "4, and 6,"

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 38 and nays 24, as follows:

Those who voted in the affirmative were:

Adkins	Dahl	Jude	Pehler	Storm
Anderson	Davis	Kamrath	Peterson, C.C.	Stumpf
Benson	DeCramer	Knaak	Peterson, D.L.	Taylor
Berg	Frederick	Knutson	Purfeerst	Vega
Bernhagen	Frederickson	Kronebusch	Ramstad	Wegscheid.
Bertram	Gustafson	Langseth	Reichgott	Willet
Brataas	Isackson	Lessard	Renneke	
Chmielewski	Johnson, D.E.	McQuaid	Samuelson	

Those who voted in the negative were:

Belanger	Freeman	Merriam	Olson	Sieloff
Berglin	Johnson, D.J.	Moe, D.M.	Peterson, D.C.	Solon
Dicklich	Kroening	Moe, R.D.	Peterson, R.W.	Spear
Diessner	Lantry	Nelson	Petty	Waldorf
Dieterich	Luther	Novak	Schmitz	

The motion prevailed. So the amendment was adopted.

S.F. No. 1771 was then progressed.

### MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Knaak, Mrs. McQuaid, Messrs. Anderson and Storm introduced—

Senate Resolution No. 116: A Senate resolution requesting the Governor to disclose the causes of the current budget shortfall.

Referred to the Committee on Rules and Administration. Mr. Knaak questioned the reference thereon and, under Rule 53, the resolution was referred to the Committee on Rules and Administration.

Mr. Mehrkens, Mrs. Kronebusch and Mr. Benson introduced—

Senate Resolution No. 117: A Senate resolution to recognize and celebrate the 25th anniversary of the Richard J. Dorer Memorial Hardwood Forest.

Referred to the Committee on Rules and Administration.

Mr. Kroening moved that S.F. No. 2238, on General Orders, be stricken and re-referred to the Committee on Taxes and Tax Laws. The motion prevailed.

Ms. Berglin moved that S.F. No. 1924, No. 104 on General Orders, be stricken and returned to its author. The motion prevailed.

### RECESS

Mr. Moe, R.D. moved that the Senate do now recess until 7:30 p.m. The motion prevailed.

The hour of 7:30 p.m. having arrived, the President called the Senate to order.

### CALL OF THE SENATE

Mr. Langseth imposed a call of the Senate. The Sergeant at Arms was

instructed to bring in the absent members.

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate take up the Special Orders Calendar. The motion prevailed.

### SPECIAL ORDER

S.F. No. 1823: A bill for an act relating to financial institutions; providing for open end loan account arrangements; modifying permissible finance charges and annual charges; eliminating alternative credit card plan requirements; amending Minnesota Statutes 1984, section 48.185, subdivisions 1, 3, and 4; repealing Minnesota Statutes 1984, section 48.185, subdivision 4a.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 42 and nays 15, as follows:

Those who voted in the affirmative were:

Anderson	Diessner	Kronebusch	Novak	Schmitz
Belanger	Freeman	Laidig	Olson	Solon
Benson	Gustafson	Langseth	Pehler	Storm
Bernhagen	Hughes	Luther	Peterson, D.L.	Taylor
Bertram	Isackson	McQuaid	Peterson, R.W.	Waldorf
Brataas	Johnson, D.E.	Mehrkens	Petty	Wegscheid
Chmielewski	Kamrath	Merriam	Ramstad	
Davis	Knaak	Moe, D.M.	Renneke	
DeCramer	Knutson	Moe, R.D.	Samuelson	

Those who voted in the negative were:

Berg	Dieterich	Jude	Peterson, C.C.	Reichgott
Berglin	Frank	Kroening	Peterson, D.C.	Stumpf
Dahl	Johnson, D.J.	Lantry	Purfeerst	Willet

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 2018: A bill for an act relating to historical sites; renaming a state historic site and establishing new boundaries; amending Minnesota Statutes 1984, section 138.58, subdivision 34.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

**SPECIAL ORDER**

S. F. No. 1848: A bill for an act relating to costs and attorney fees; providing for recovery of costs and attorney fees by prevailing parties in civil actions and contested case proceedings involving the state; amending Minnesota Statutes 1984, section 14.62, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 3.

Mr. Peterson, R.W. moved to amend S.F. No. 1848 as follows:

Page 3, delete lines 14 to 19 and insert:

*“(a) If a prevailing party other than the state, in a civil action or contested case proceeding other than a tort action, brought by or against the state, shows that the position of the state was not substantially justified, the court or administrative law judge shall award fees and other expenses to the party unless special circumstances make an award unjust.”*

Page 4, line 24, delete “may” and insert “shall”

The motion prevailed. So the amendment was adopted.

S.F. No. 1848 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 59 and nays 1, as follows:

Those who voted in the affirmative were:

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

Mr. Merriam voted in the negative.

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

**SPECIAL ORDER**

S.F. No. 1880: A bill for an act relating to veterans; establishing a veterans' cemetery; proposing coding for new law in Minnesota Statutes, chapter 197.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1965: A bill for an act relating to human services; revising the community social services act; clarifying allocation of funds; expanding responsibilities of county boards; requiring the county boards to publish biennial plans relating to community social services; amending Minnesota Statutes 1984, sections 256E.05, subdivision 3; 256E.06, subdivision 2; 256E.09, subdivision 1; and Minnesota Statutes 1985 Supplement, section 256E.08, subdivision 1.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1950: A bill for an act relating to taxation; limiting application of the open space property tax law to facilities that do not discriminate on the basis of sex; amending Minnesota Statutes 1984, section 273.112, subdivisions 3 and 4, and by adding a subdivision.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 57 and nays 3, as follows:

Those who voted in the affirmative were:

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

Messrs. Chmielewski, Lessard and Samuelson voted in the negative.

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1680: A bill for an act relating to Anoka county; providing that Anoka county park ordinances supersede local ordinances.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 61 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 985: A bill for an act relating to administrative procedure; clarifying provisions relating to emergency rules; defining order; limiting certain agency actions; requiring an order to be rendered in accordance with the contested case procedures of the administrative procedure act; amending Minnesota Statutes 1984, sections 14.02, by adding a subdivision; 14.29, subdivisions 1 and 2; and 14.57; proposing coding for new law in Minnesota Statutes, chapter 14.

Mr. Jude moved to amend S.F. No. 985 as follows:

Page 1, after line 21, insert:

“Sec. 2. Minnesota Statutes 1985 Supplement, section 14.02, subdivision 4, is amended to read:

Subd. 4. [RULE.] "Rule" means every agency statement of general applicability and future effect, including amendments, suspensions, and repeals of rules, adopted to implement or make specific the law enforced or administered by it or to govern its organization or procedure. *Every agency statement that meets this definition is a "rule," regardless of whether the agency labels the statement with another term, such as a policy, informational, interpretive, or instructional bulletin or statement.* ~~It~~ Rule does not include (a) rules concerning only the internal management of the agency or other agencies, and which do not directly affect the rights of or procedure available to the public; (b) rules of the commissioner of corrections relating to the internal management of institutions under the commissioner's control and those rules governing the inmates thereof prescribed pursuant to section 609.105; (c) rules of the division of game and fish published in accordance with section 97.53; (d) rules relating to weight limitations on the use of highways when the substance of the rules is indicated to the public by means of signs; (e) opinions of the attorney general; (f) the systems architecture plan and long-range plan of the state education management information system provided by section 121.931; (g) the data element dictionary and the annual data acquisition calendar of the department of education to the extent provided by section 121.932; (h) the comprehensive statewide plan of the crime control planning board provided in section 299A.03; or (i) occupational safety and health standards provided in section 182.655."

Renumber the sections in sequence

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

S.F. No. 985 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 54 and nays 1, as follows:

Those who voted in the affirmative were:

Adkins	Diessner	Kroening	Novak	Renneke
Anderson	Dieterich	Kronebusch	Olson	Schmitz
Belanger	Frank	Laidig	Pehler	Sieloff
Benson	Frederickson	Langseth	Peterson, C. C.	Spear
Berg	Freeman	Lantry	Peterson, D. C.	Storm
Berglin	Gustafson	Lessard	Peterson, D. L.	Stumpf
Bertram	Hughes	Luther	Peterson, R. W.	Taylor
Chmielewski	Isackson	McQuaid	Petty	Waldorf
Dahl	Jude	Merriam	Purfeerst	Wegscheid
Davis	Kamrath	Moe, D. M.	Ramstad	Willett
DeCramer	Knaak	Moe, R. D.	Reichgott	

Mr. Mehrkens voted in the negative.

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

### SPECIAL ORDER

S.F. No. 51: A bill for an act relating to health; requiring licensure of home care agencies; providing a home care bill of rights; providing a complaint procedure for home care clients; appropriating money; amending Minnesota

Statutes 1984, sections 144.335, subdivision 1; 144.699, subdivision 2; 144A.51, subdivision 6, and by adding a subdivision; 144A.52, subdivision 3; 144A.53, subdivisions 1, 2, 3, and 4; 144A.54, subdivision 1; 256B.04, by adding a subdivision; and 364.09; Minnesota Statutes 1985 Supplement, section 626.557, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 144A.

Ms. Berglin moved to amend S.F. No. 51 as follows:

Page 3, after line 18, insert:

*“(3) an individual not connected with a home care agency who provides basic chore, housekeeping, or personal care services to not more than one person or family, if the individual providing services was previously acquainted with the person or family receiving services; the services are provided primarily as a contribution of services and not as a business, as employment, or for substantial compensation; and compensation received for providing services is not the individual's primary source of income;”*

Page 3, line 19, delete “(3)” and insert “(4)”

Page 3, line 22, delete “(4)” and insert “(5)”

Page 14, line 32, delete “a visit” and insert “visits”

The motion prevailed. So the amendment was adopted.

Mr. Sieloff moved to amend S.F. No. 51 as follows:

Page 3, line 19, delete “or” and insert a comma

Page 3, line 20, after “services” insert “or meal preparations”

The motion prevailed. So the amendment was adopted.

Mr. Willet moved to amend the Berglin amendment to S.F. No. 51, adopted by the Senate March 4, 1986, as follows:

Page 1, delete line 6

Page 1, line 7, delete everything before the second “services”

Page 1, line 8, delete the comma and insert a semicolon

Page 1, delete lines 9 to 11

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

Mr. Benson moved to amend S.F. No. 51 as follows:

Page 14, line 21, after the period, insert “Emergency rules expire January 1, 1987.”

The motion prevailed. So the amendment was adopted.

S.F. No. 51 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 61 and nays 0, as follows:

Those who voted in the affirmative were:



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

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

### SPECIAL ORDER

S.F. No. 1581: A bill for an act relating to human services; establishing requirements for the regulation of child day care; prohibiting local governments from establishing special fire code requirements for small family day care homes; limiting the liability of municipalities for licensing activities; providing for indemnification of municipalities by the state; establishing a task force; requiring reports; amending Minnesota Statutes 1984, sections 245.802, subdivision 1; 299F.011, subdivision 4a; and 466.03, by adding a subdivision; proposing code for new law in Minnesota Statutes, chapters 245 and 466.

Mr. Kamrath moved to amend S.F. No. 1581 as follows:

Page 1, after line 15, insert:

“Section 1. Minnesota Statutes 1984, section 245.791, is amended to read:

#### 245.791 [EXCLUSIONS.]

*Subdivision 1.* Sections 245.781 to 245.812 shall not apply to:

- (1) Day care or residential care provided by a relative to related persons;
- (2) Day care or residential care provided for a cumulative total of less than 30 days in any 12-month period;
- (3) Day care provided for persons from a single unrelated family for any length of time;
- (4) A home caring for a person placed there by a licensed agency for legal adoption, unless the adoption is not completed within two years after placement;
- (5) A licensed hospital whose psychiatric or chemical dependency program is located within the hospital;
- (6) A nursing home, hospital, or boarding care home, licensed by the state commissioner of health, except that an identifiable unit of such a facility which regularly provides care for more than five adults defined as persons in Minnesota Statutes, section 245.782, subdivision 2, who are not residents or patients of the nursing home, hospital, or boarding care home, must be licensed under sections 245.781 to 245.812;
- (7) A day care or residential program serving any number of adults who are

not defined as persons under Minnesota Statutes, section 245.782, subdivision 2;

(8) A sheltered workshop day program, certified by the state board of education;

(9) A work activity day program, certified by the state board of education;

(10) A work-wage home providing care for one nonrelated child who has reached his sixteenth birthday and who has been independently placed for purposes of education or employment;

(11) A school under the general supervision of the commissioner of education or a local education agency;

(12) A residential or day care facility under the direct control and supervision of a local education agency or a state agency other than the commissioner;

(13) Day care provided for periods of no more than three hours per day for any person while his relatives are in the same building, or can be present in the same building within 30 minutes;

(14) Facilities which in the judgment of the commissioner of education are operated for the primary purpose of educating children shall be exempt from these rules and regulations except insofar as the regulations affect the health and safety of the children therein. The classrooms shall meet the applicable standards of the commissioner of public safety and state commissioner of health.

*Subd. 2. [RURAL CHILD CARE EXCLUSION.] Laws and rules relating to the regulation and operation of family day care or group family day care homes, including the provisions of the state building code under chapter 16B and the state fire code under chapter 299F, do not apply to a provider who resides in a city or town that has a population of under 5,000 persons, unless the provider chooses to be licensed. The city or town shall provide for local registration at the provider's request."*

Page 4, line 25, delete "2" and insert "3"

Page 7, line 10, delete "8" and insert "9"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the semicolon insert "exempting rural providers from licensure;"

Page 1, line 10, after "sections" insert "245.791;"

The motion prevailed. So the amendment was adopted.

S.F. No. 1581 was then progressed.

### SPECIAL ORDER

S.F. No. 1949: A bill for an act relating to natural resources; requiring public access restrictions to be the same as lake use restrictions; amending Minnesota Statutes 1984, sections 378.32, subdivisions 2, 6, and 7; and

459.20; proposing coding for new law in Minnesota Statutes, chapter 378.

Mr. Merriam moved to amend S.F. No. 1949 as follows:

Page 2, line 5, after "are" insert "generally"

Page 2, line 6, delete "by any other person" and after the period, insert "Special use exceptions that are not dependent on lakeshore or property ownership may be granted by permit."

The motion prevailed. So the amendment was adopted.

S.F. No. 1949 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 54 and nays 2, as follows:

Those who voted in the affirmative were:

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

Messrs. Knaak and Storm voted in the negative.

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

### SPECIAL ORDER

S.F. No. 1810: A bill for an act relating to human services; providing for conditions requiring monthly reporting by recipients of aid to families with dependent children; amending Minnesota Statutes 1985 Supplement, section 256.73, subdivision 6.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 54 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

**SPECIAL ORDER**

S.F. No. 1919: A bill for an act relating to mental health; extending the patients' bill of rights to cover people receiving out-patient mental health treatment; defining a minimum grievance procedure for health care facilities; including in the patients' bill of rights the right of access to protection and advocacy services; amending Minnesota Statutes 1984, section 144.651, subdivisions 2, 4, 20, and by adding a subdivision.

Ms. Berglin moved to amend S.F. No. 1919 as follows:

Page 3, line 14, after "of" insert "*reasonable*" and after "*access*" insert "*at reasonable times*"

The motion prevailed. So the amendment was adopted.

S.F. No. 1919 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 55 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

**SPECIAL ORDER**

S.F. No. 2039: A bill for an act relating to the attorney general; expanding the powers of the attorney general to obtain certain information and to investigate and prosecute for fraud of the medical assistance program; amending Minnesota Statutes 1984, sections 8.31, subdivision 1; 256B.064, subdivision 1a; 256B.12; 256B.27, subdivisions 3, 4, and 5; and 256B.30; Minnesota Statutes 1985 Supplement, section 214.10, subdivision 8.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 57 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 421: A bill for an act relating to transportation; railroads; requiring occupied caboose car on certain trains; requiring caboose car to be equipped with shortwave radio; imposing a penalty; amending Minnesota Statutes 1984, section 219.56; proposing coding for new law in Minnesota Statutes, chapter 219.

Mr. Merriam moved to amend S.F. No. 421 as follows:

Page 2, line 20, delete everything after the first "is"

Page 2, line 21, delete "*liable for*" and insert "*subject to*" and after "a" insert "*civil*"

The motion prevailed. So the amendment was adopted.

S.F. No. 421 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 45 and nays 14, as follows:

Those who voted in the affirmative were:

Adkins	DeCramer	Johnson, D.E.	Luther	Ramstad
Anderson	Dicklich	Johnson, D.J.	Merriam	Reichgott
Berglin	Diessner	Jude	Moe, R.D.	Samuelson
Bernhagen	Dieterich	Knaak	Nelson	Schmitz
Bertram	Frank	Kroening	Pehler	Solon
Brataas	Frederick	Laidig	Peterson, C.C.	Spear
Chmielewski	Frederickson	Langseth	Peterson, D.C.	Stumpf
Dahl	Freeman	Lantry	Peterson, R.W.	Waldorf
Davis	Hughes	Lessard	Purfeerst	Willet

Those who voted in the negative were:

Belanger	Isackson	McQuaid	Peterson, D.L.	Storm
Benson	Kamrath	Mehrkens	Renneke	Taylor
Berg	Kronebusch	Olson	Sietoff	

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

### SPECIAL ORDER

S.F. No. 1642: A bill for an act relating to commerce; regulating electri-

cians; amending Minnesota Statutes 1984, sections 326.01, by adding a subdivision; 326.245; 326.248; Minnesota Statutes 1985 Supplement, sections 326.01, subdivision 5; 326.242, subdivisions 1, 2, 6, and 12; 326.2421, subdivision 3; 326.244, subdivisions 2 and 5; and 326.246.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 59 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1850: A bill for an act relating to state government; regulating fees for state agency services; amending Minnesota Statutes 1985 Supplement, sections 16A.128 and 16A.1281.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 58 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1797: A bill for an act relating to public administration; providing for various town powers; permitting certain sales of public property; providing conditions for contractor's bonds; amending Minnesota Statutes 1984, sections 366.01, subdivision 1; 367.31, subdivision 4; and 471.64, subdivi-

sion 1; and Minnesota Statutes 1985 Supplement, sections 365.10; and 574.26.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 57 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1441: A bill for an act relating to human services; providing for computer services to comply with long-term sheltered employment program evaluation criteria and for training and employment of persons with disabilities; amending Minnesota Statutes 1984, section 129A.08, by adding a subdivision.

Mr. Wegscheid moved to amend S.F. No. 1441 as follows:

Page 1, lines 12 and 22, delete "*funds*" and insert "*money*"

The motion prevailed. So the amendment was adopted.

S.F. No. 1441 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 54 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

### SPECIAL ORDER

S.F. No. 1613: A bill for an act relating to agriculture; establishing filing

requirements, enforcement, and priority of veterinarian's lien; amending Minnesota Statutes 1984, section 514.92.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 55 and nays 1, as follows:

Those who voted in the affirmative were:

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

Mr. Peterson, D.L. voted in the negative.

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1733: A bill for an act relating to agriculture; clarifying the exceptions to prohibition against manufacture of food from adulterated milk or cream; amending Minnesota Statutes 1985 Supplement, section 32.21, subdivision 2.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 56 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

### SPECIAL ORDER

S.F. No. 1792: A bill for an act relating to agriculture; state agricultural society; removing the time and geographical restrictions on the society's ability to impose certain restrictions on performers at the state fairgrounds; amending Minnesota Statutes 1985 Supplement, section 37.17, subdivision



1.

Mr. Chmielewski moved to amend S.F. No. 1792 as follows:

Page 1, after line 22, insert:

“Sec. 2. [EFFECTIVE DATE.]

*This act is effective the day following final enactment.*”

The motion prevailed. So the amendment was adopted.

S.F. No. 1792 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 29 and nays 26, as follows:

Those who voted in the affirmative were:

Adkins	Freeman	Knaak	Mehrkens	Schmitz
Anderson	Gustafson	Kroening	Moe, D. M.	Sieloff
Belanger	Hughes	Laidig	Moe, R. D.	Storm
Diessner	Isackson	Langseth	Olson	Waldorf
Frank	Jude	Lessard	Purfeerst	Wegscheid
Frederickson	Kamrath	McQuaid	Reichgott	

Those who voted in the negative were:

Benson	Chmielewski	Johnson, D.E.	Peterson, C.C.	Taylor
Berg	Dahl	Kronebusch	Peterson, D.C.	Willet
Berglin	Davis	Lantry	Peterson, R.W.	
Bernhagen	DeCramer	Luther	Ramstad	
Bertram	Dicklich	Merriam	Spear	
Brataas	Frederick	Pehler	Stumpf	

So the bill, as amended, failed to pass.

### SPECIAL ORDER

S.F. No. 1742: A bill for an act relating to military affairs; authorizing the department of military affairs to purchase certain insurance; amending Minnesota Statutes, 1984, section 15.38, by adding a subdivision.

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

The question was taken on the passage of the bill.

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

Those who voted in the affirmative were:

Adkins	Davis	Jude	McQuaid	Ramstad
Anderson	DeCramer	Kamrath	Mehrkens	Reichgott
Belanger	Diessner	Knaak	Merriam	Schmitz
Benson	Frank	Kroening	Moe, R. D.	Sieloff
Berg	Frederick	Kronebusch	Olson	Spear
Berglin	Frederickson	Laidig	Pehler	Storm
Bernhagen	Freeman	Langseth	Peterson, D.C.	Stumpf
Bertram	Hughes	Lantry	Peterson, D.L.	Waldorf
Brataas	Isackson	Lessard	Peterson, R.W.	Wegscheid
Dahl	Johnson, D.E.	Luther	Purfeerst	Willet

So the bill passed and its title was agreed to.

**SPECIAL ORDER**

S.F. No. 1793: A bill for an act relating to local government; permitting an agreement to finance library construction in McGregor.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 53 and nays 0, as follows:

Those who voted in the affirmative were:

Adkins	Davis	Johnson, D.E.	McQuaid	Schmitz
Anderson	DeCramer	Jude	Mehrkins	Sieloff
Belanger	Dicklich	Kamrath	Merriam	Spear
Benson	Diessner	Knaak	Moe, R. D.	Storm
Berg	Frank	Kroening	Olson	Stumpf
Berglin	Frederick	Kronebusch	Pehler	Taylor
Bernhagen	Frederickson	Laidig	Peterson, D.C.	Waldorf
Bertram	Freeman	Langseth	Peterson, R.W.	Wegscheid
Brataas	Gustafson	Lantry	Purfeerst	Willet
Chmielewski	Hughes	Lessard	Ramstad	
Dahl	Isackson	Luther	Reichgott	

So the bill passed and its title was agreed to.

**SPECIAL ORDER**

S.F. No. 1643: A bill for an act relating to property taxes; permitting Aitkin county to levy a tax for development purposes; permitting the city of Breezy Point to increase its levy; providing for reverse referendum; amending Laws 1984, chapter 502, article 13, section 10, subdivision 1.

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

The question was taken on the passage of the bill.

The roll was called, and there were yeas 55 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill passed and its title was agreed to.

Remaining on the Order of Business of Motions and Resolutions, Mr. Moe, R.D. moved that the Senate revert to the Order of Business of Reports of Committees. The motion prevailed.

**REPORTS OF COMMITTEES**

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now

adopted, with the exception of reports pertaining to appointments. The motion prevailed.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2044: A bill for an act relating to port authorities; prohibiting the use of state money or credit to pay or guarantee the debt of a port authority or its debtor; proposing coding for new law in Minnesota Statutes, chapter 458.

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

Page 1, line 10, delete "*Public money or*" and after "*state*" insert "*or money from the general fund of the state*"

And when so amended the bill be re-referred to the Committee on Economic Development and Commerce without recommendation. Amendments adopted. Report adopted.

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2160: A bill for an act relating to unclaimed property; requiring that the sum payable on an abandoned warrant issued by a county be conveyed to the issuing county for deposit in the county treasury; amending Minnesota Statutes 1984, section 345.48, subdivision 1.

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

Page 1, line 13, delete the new language and insert "*except for the amounts*"

Page 1, line 14, after "*on*" insert "*county*" and delete "*issued by counties*" and strike "*shall forthwith*" and insert "*must*"

Page 1, line 16, delete "*convey sums*" and insert "*deposit amounts*" and after "*on*" insert "*county*" and delete "*issued by*"

Page 1, line 17, delete the first "*counties*" and delete "*treasurers*" and insert "*general fund*" and delete "*counties, who shall*" and insert "*county.*"

Page 1, line 18, delete the new language

Page 1, line 19, delete "*or conveyance*"

Amend the title as follows:

Page 1, line 4, delete "*conveyed to*" and insert "*deposited in*" and delete "*county for deposit in the*" and insert "*county's*"

Page 1, line 5, delete "*county treasury*" and insert "*general fund*"

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

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2105: A bill for an act relating to local government; permitting the establishment of special service districts in the cities of Cambridge and Lindstrom; providing taxing and other powers to the cities of Cambridge and Lindstrom.

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

Page 1, line 12, after "*Cambridge*" insert "*or the city of Lindstrom*"

Page 3, line 20, delete "*or to*"

Page 3, delete line 21

Page 3, line 22, delete "*section 473F.08*"

Page 3, line 26, after "*amount*" insert "*sufficient*"

Page 5, line 12, delete "*chapter 473F,*"

Page 5, line 18, after "*obligations*" insert "*including certificates of indebtedness*"

Page 5, line 32, after the period, insert "*The amount of any taxes that are required to be levied outside of the territory of the special services district or taken from the general funds of the municipality to pay principal and interest on the obligations shall be reimbursed to the municipality from taxes levied within the special services district.*"

Page 6, lines 17, 18, 22, 23, and 27, delete "*ten*" and insert "*15*"

Page 6, line 21, delete "*2*" and insert "*3*"

Page 7, line 26, delete "*2*" and insert "*3*"

Page 8, line 28, delete "*of Cambridge*"

Pages 8 to 16, delete sections 12 to 22

Page 16, line 18, after "*effective*" insert "*for the city of Cambridge*"

Page 16, line 19, delete "*12 to 22*" and insert "*1 to 11*" and after "*effective*" insert "*for the city of Lindstrom*"

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

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2255: A bill for an act relating to the city of Cloquet; permitting the establishment of a port authority; authorizing the port authority to exercise the powers of a municipal housing and redevelopment authority.

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

Page 1, line 19, after the period, insert "*The port authority commission may issue general obligation bonds in the same manner as provided under Minnesota Statutes; section 458.193, except that no election shall be required to authorize their issuance except as provided in section 2.*"

Sec. 2. [GENERAL OBLIGATION BONDS; REFERENDUM ON PETITION.]

*Before the issuance of the bonds, the city council shall publish in the official newspaper of the city an initial resolution authorizing the issuance of the bonds, and if within ten days after the publication there is filed with the city clerk a petition requesting an election on the proposition of issuing the bonds signed by a number of qualified voters greater than ten percent of the number who voted in the city at the last general election, the bonds must not be issued until the proposition has been approved by a majority of the votes cast on it at a regular or special election."*

Renumber the sections in sequence

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

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2223: A bill for an act relating to the city of Bowlus; permitting the city to exceed its debt limit for a firehall.

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

Page 1, line 7, after "debt" insert "in the amount of \$20,000"

Page 1, line 8, delete "in the amount of"

Page 1, line 9, delete "\$20,000,"

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

Mr. Merriam from the Committee on Agriculture and Natural Resources, to which was referred

S.F. No. 2159: A bill for an act relating to the environment; disapproving a nuclear waste repository in Minnesota; making findings on economics of nuclear power; requiring a report from nuclear power generators on the economic feasibility of nuclear power; requiring nuclear power plants to be decommissioned by December 31, 1990; proposing coding for new law in Minnesota Statutes, chapters 116C and 216B.

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

Pages 3 and 4, delete sections 3 and 4 and insert:

"Sec. 3. [APPROVAL OF NEW NUCLEAR POWER PLANTS.]

*A new nuclear fission power plant may not be constructed in the state unless the economic feasibility and the total economic costs to the ratepayers are presented to the legislature and the legislature expressly approves the construction by law."*

Page 4, line 3, delete "4" and insert "3"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 3, delete everything after the semicolon

Page 1, delete lines 4 and 5

Page 1, delete everything before the semicolon and insert "approval of new nuclear power plants"

Page 1, line 8, delete "chapters" and insert "chapter" and delete "and"

Page 1, line 9, delete "216B"

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

Mr. Merriam from the Committee on Agriculture and Natural Resources, to which was referred

S.F. No. 2091: A bill for an act relating to agriculture; creating a rural economy adjustment board; providing for the issuance of bonds or other obligations by the board and the loan of proceeds to counties for grants or loans to farmers to repay or refinance existing indebtedness; authorizing the levy and collection of taxes for the repayment of loans by counties; permitting the acquisition of conservation easements in agricultural property; proposing coding for new law in Minnesota Statutes, chapter 41A.

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

Page 1, line 15, delete "16" and insert "14"

Page 1, delete lines 18 to 28 and insert:

*"Agricultural economic conditions in the state require authorization for loans as provided in this act to preserve the rural areas of the state and making loans under this act constitutes an essential public purpose."*

Page 2, delete lines 1 to 24

Page 2, line 27, delete "16" and insert "14"

Page 2, line 31, before the period, insert ", also including poultry"

Page 2, line 36, delete everything after "3." and insert "[COMMISSIONER.] 'Commissioner' means the commissioner of the department of finance."

Page 3, delete line 1

Page 3, line 7, delete everything after "means" and insert "family farm, family farm corporation, authorized farm corporation, as defined in section 500.24."

Page 3, delete lines 8 to 10

Page 3, delete section 4

Page 3, line 33, delete "[41A.25]" and insert "[41A.24]"

Page 3, lines 34 and 35, delete "board" and insert "commissioner"

Page 3, line 35, delete "it" and insert "the commissioner"

Page 4, line 1, delete "6 or 7" and insert "5"

Page 4, line 3, delete "8" and insert "6"

Page 4, line 5, delete "board" in both places and insert "commissioner"

Page 4, lines 7, 8, 11, 13 and 30, delete "board" and insert "commissioner"

Page 4, line 19, delete "7" and insert "5"

Page 4, line 33, delete "16" and insert "14"

Page 5, lines 2 and 11, delete "16" and insert "14"

Page 5, lines 2, 9, 13, 14, 18 and 20, delete "board" and insert "commissioner"

Page 5, line 5, delete everything after "money"

Page 5, line 6, delete "to section 6," and delete "7" and insert "5"

Page 5, line 8, delete "8" and insert "6"

Page 5, line 18, delete "its" and insert "the commissioner's"

Page 5, line 22, delete "board" in both places and insert "commissioner"

Pages 5 and 6, delete section 6

Page 6, line 28, delete "[41A.27]" and insert "[41A.25]"

Page 6, lines 29 and 33, delete "board" and insert "commissioner"

Page 6, line 34, delete "board" in both places and insert "commissioner"

Page 7, lines 1, 8 and 22, delete "16" and insert "14"

Page 7, lines 2, 12 and 36, delete "board" and insert "commissioner"

Page 7, line 9, delete the first "of" and insert "to"

Page 7, line 11, delete "8" and insert "6"

Page 7, line 13, delete the comma

Page 8, line 1, delete "5" and insert "4"

Page 8, line 14, delete "[41A.28]" and insert "[41A.26]"

Page 8, lines 15, 16 and 20, delete "board" and insert "commissioner"

Page 8, line 17, delete "16" and insert "14"

Page 8, line 21, delete "board" in both places and insert "commissioner"

Page 9, line 13, delete "[41A.29]" and insert "[41A.27]" and delete "BOARD" and insert "COMMISSIONER"

Page 9, line 14, delete "board" in both places and insert "commissioner"

Page 9, lines 16, 17, 30 and 35, delete "16" and insert "14"

Page 9, lines 18, 21, 22, 26, 27, 29, 33, 35 and 36, delete "board" and insert "commissioner"

Page 9, line 31, delete "[41A.30]" and insert "[41A.28]"

Page 10, line 2, delete "*resolution of the members of the board*" and insert "*order of the commissioner*"

Page 10, line 15, delete "*resolution*" and insert "*order*"

Page 10, lines 16, 17, 18, 21, 26, 27, 33 and 35, delete "*board*" and insert "*commissioner*"

Page 10, line 29, delete "*resolutions*" and insert "*orders*"

Page 10, line 31, delete "*a bond resolution of the board*" and insert "*an order of the commissioner*"

Page 11, line 6, delete "*A resolution or resolutions*" and insert "*An order*"

Page 11, line 21, after "*consent*" insert "*to*"

Page 11, lines 23, 25, 29 and 36, delete "*board*" and insert "*commissioner*"

Page 11, line 26, delete "*5*" and insert "*4*"

Page 11, lines 30 and 36, delete "*its*" and insert "*the commissioner's*"

Page 11, line 32, delete "*members of the board*" and insert "*commissioner*"

Page 12, lines 1, 5, 6, 15, 18, 21, 25, 29 and 35, delete "*board*" and insert "*commissioner*"

Page 12, line 4, delete "[41A.31]" and insert "[41A.29]"

Page 12, lines 6 and 17, delete "*16*" and insert "*14*"

Page 12, lines 9 and 12, delete "*resolution*" and insert "*order*"

Page 12, line 17, delete "*resolution or resolution*" and insert "*order*"

Page 12, line 25, delete "*resolution*" and insert "*an order*"

Page 12, line 27, delete "[41A.32]" and insert "[41A.30]"

Page 12, line 30, delete "*board*" in both places and insert "*commissioner*"

Page 13, lines 5 and 19, delete "*board*" and insert "*commissioner*"

Page 13, line 20, delete "*it*" and insert "*the commissioner*"

Page 13, lines 21, 23, 25 and 35, delete "*16*" and insert "*14*"

Page 13, line 24, delete "[41A.33]" and insert "[41A.31]"

Page 13, line 34, delete "[41A.34]" and insert "[41A.32]"

Page 14, lines 2, 6, 8, 12, 16 and 26, delete "*16*" and insert "*14*"

Page 14, line 2, delete "*a resolution*" and insert "*an order*"

Page 14, lines 7, 9 and 12, delete "*resolution*" and insert "*order*"

Page 14, lines 9, 15 and 26, delete "*board*" and insert "*commissioner*"

Page 14, line 10, delete "*it*" and insert "*the commissioner*"

Page 14, line 14, delete "[41A.35]" and insert "[41A.33]"



Page 14, line 24, delete "[41A.36]" and insert "[41A.34]"

Page 15, line 9, delete "16" and insert "14"

Page 15, line 16, delete "9" and insert "7" and delete "10" and insert "8"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete "creating a rural economy"

Page 1, line 3, delete "adjustment board,"

Page 1, line 4, delete "board" and insert "commissioner of finance"

Page 1, line 5, delete "grants or"

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

Mr. Solon from the Committee on Economic Development and Commerce, to which was referred

S.F. No. 1905: A bill for an act relating to insurance; prohibiting discrimination in auto insurance based upon marital dissolution; amending Minnesota Statutes 1984, section 65B.13; and proposing coding for new law in Minnesota Statutes, chapter 65B.

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

Page 1, line 14, after "standard" insert "or preferred"

Page 2, line 18, delete "either" and insert "only"

Page 2, line 19, delete everything after "to"

Page 2, delete lines 20 to 30

Page 2, line 31, delete "record of"

Page 2, line 33, before the period, insert "provided the person or persons to be insured meets the insurer's eligibility standards"

Page 2, after line 33, insert:

*"Subd. 2. [NAMED INSURED.] A named insured under a policy of private passenger vehicle insurance shall have the premium determined at the first and any subsequent renewals of the policy after entry of a valid decree of dissolution of the marriage of the named insured only on the basis of the driving record applicable to the named insured and any person who is to be an insured, as defined in section 65B.43, under the policy to be renewed."*

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

Mr. Purfeerst from the Committee on Transportation, to which was referred

S.F. No. 2051: A bill for an act relating to highways; providing for

transfers of ownership of certain highways between the commissioner of transportation and Hennepin county; adding new routes to the trunk highway system in substitution of existing routes; deleting routes from the trunk highway system; authorizing the commissioner of transportation to add certain routes to the trunk highway system; amending Minnesota Statutes 1984, section 161.117.

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

Pages 2 and 3, delete section 3.

Page 4, line 10, delete "*University Avenue*"

Page 4, line 11, delete "*at the northerly limits of*" and insert "*Route No. 394 in*"

Page 4, delete section 7

Page 6, line 15, delete "*10*" and insert "*8*"

Page 6, line 27, delete "*the*" and insert "*its intersection with*"

Page 6, line 28, delete "*interchange on*" and insert "*near*"

Page 7, delete lines 2 to 5

Page 7, line 6, delete "*(6)*" and insert "*(5)*" and delete "*52*" and insert "*12*"

Page 7, line 10, delete "*(7)*" and insert "*(6)*"

Page 7, line 14, delete "*(8)*" and insert "*(7)*"

Page 7, line 18, delete "*(9)*" and insert "*(8)*"

Page 7, after line 20, insert:

*"(9) New Brighton Boulevard from its intersection with marked Interstate Highway No. 35W to its intersection with Broadway Street Northeast, in the city of Minneapolis;"*

Page 7, line 32, delete "*Interstate*" and insert "*Trunk*" and delete "*94*" and insert "*No. 101*"

Page 8, lines 9, 11, 15 and 30, delete "*14*" and insert "*12*"

Page 8, delete lines 19 to 26

Page 8, line 33, delete "*a*" and insert "*the*" and delete "*sections 1 to 14*" and insert "*section 9, subdivision 2, clause (10),*"

Page 9, line 1, delete "*14*" and insert "*12*"

Page 9, line 7, delete "*9*" and insert "*7*"

Page 9, line 12, delete "*14*" and insert "*12, or by reason of route description revisions required by the transfer*"

Page 9, line 13, delete "*11, subdivision 2 is*" and insert "*9, subdivisions 1 and 2 are*"

Page 9, line 14, delete "*13*" and insert "*11*" and delete "*11*" and insert "*9*"

Page 9, line 15, delete "subdivisions 1, 3 and 4" and insert "subdivision 3" and delete "10, 12, and 13," and insert "8, 10 and 11"

Renumber the sections in sequence

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

Mr. Schmitz from the Committee on Local and Urban Government, to which was referred

S.F. No. 2066: A bill for an act relating to the city of Redwood Falls; authorizing the city to exercise development and redevelopment powers.

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

Page 1, delete lines 6 to 10 and insert:

"Section 1. [REDWOOD FALLS; RURAL DEVELOPMENT FINANCING AUTHORITY POWERS.]

*The city of Redwood Falls may exercise the same powers as a rural development financing authority established under Minnesota Statutes, section 362A.01, or other law. The city may exercise all the powers relating to the rural development financing authority granted to a county by Minnesota Statutes, chapter 362A, or other law.*

Sec. 2. [REDWOOD FALLS; PORT AUTHORITY POWERS.]

*The city of Redwood Falls may exercise the same powers as a port authority established under Minnesota Statutes, section 458.09, or other law. The city may exercise all the powers relating to the port authority granted to a city by Minnesota Statutes, chapter 458, or other law. The port authority commission may issue general obligation bonds in the same manner as provided under Minnesota Statutes, section 458.193, except that no election shall be required to authorize their issuance except as provided in section 3.*

Sec. 3. [GENERAL OBLIGATION BONDS; REFERENDUM ON PETITION.]

*Before the issuance of the bonds authorized in section 2, the city council shall publish in the official newspaper of the city an initial resolution authorizing the issuance of the bonds, and if within ten days after the publication there is filed with the city clerk a petition requesting an election on the proposition of issuing the bonds, signed by a number of qualified voters greater than ten percent of the number who voted in the city at the last general election, the bonds must not be issued until the proposition has been approved by a majority of the votes cast on it at a regular or special election.*

Sec. 4. [REDWOOD FALLS; HOUSING AND REDEVELOPMENT AUTHORITY POWERS.]

*The city of Redwood Falls may exercise the same powers as a municipal housing and redevelopment authority established under Minnesota Statutes, section 462.425, or other law. The city may exercise all the powers relating to the municipal housing and redevelopment authority granted to a city by Minnesota Statutes, chapter 462, or other law."*

Page 1, line 11, delete everything before "*The*" and insert:

"Sec. 5. [REDWOOD FALLS; DEVELOPMENT AND REDEVELOPMENT POWERS.]"

Page 1, line 20, before the first "*The*" insert "*Notwithstanding any contrary provision of law or city charter,*" and delete "*this section*" and insert "*sections 1 to 5*"

Page 2, line 2, delete "*Section 1*" and insert "*This act*"

Renumber the sections in sequence

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

Mr. Purfeerst from the Committee on Transportation, to which was referred

S.F. No. 1473: A bill for an act relating to transportation; advertising devices; authorizing advertising on certain telephone booths; amending Minnesota Statutes 1984, section 160.27, subdivision 3.

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

Page 1, line 14, after "*city*" insert "*or town*"

Page 1, line 19, delete everything after the first "*city*" and insert "*or town.*"

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

Mr. Purfeerst from the Committee on Transportation, to which was referred

S.F. No. 2144: A bill for an act relating to transportation; railroads; permitting transportation regulation board to approve certain rate changes and applications for track abandonment or discontinuance of service in certain cases without a public hearing; amending Minnesota Statutes 1984, section 221.041, subdivision 1; Minnesota Statutes 1985 Supplement, sections 219.741; and 219.85.

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

Page 1, after line 10, insert:

"Section 1. Minnesota Statutes 1984, section 174A.02, subdivision 4, is amended to read:

Subd. 4. [HEARING UPON PETITIONS HEARINGS; NOTICE.] With respect to those matters within its jurisdiction the board shall receive, hear and determine ~~within six months~~ all petitions filed with it in accordance with the procedures established by law and may hold hearings and make determinations upon its own motion to the same extent, and in every instance, in which it may do so upon petition. *Upon receiving petitions filed pursuant to sections 221.061, 221.081, 221.121, subdivision 1, 221.151, 221.296, and*

221.55, the board shall give notice of the filing of the petition to representatives of associations or other interested groups or persons who have registered their names with the board for that purpose and to whomever the board deems to be interested in the petition. The board may grant or deny the request of the petition 30 days after notice of the filing has been fully given. If the board receives a written objection and notice of intent to appear at a hearing to object to the petition from any person within 20 days of the notice having been fully given, the request of the petition shall be granted or denied only after a contested case hearing has been conducted on the petition, unless the objection is withdrawn prior to the hearing. The board may elect to hold a contested case hearing if no objections to the petition are received. If a timely objection is not received, or if received and withdrawn, and the request of the petition is denied without hearing, the petitioner may request within 30 days of receiving the notice of denial, and shall be granted, a contested case hearing on the petition.

Sec. 2. Minnesota Statutes 1984, section 216A.05, subdivision 5, is amended to read:

Subd. 5. [HEARINGS UPON PETITIONS.] With respect to those matters within its jurisdiction the commission shall receive, hear and determine all petitions filed with it in accordance with the rules of practice and procedure promulgated by the commission, and may investigate, hold hearings and make determinations upon its own motion to the same extent, and in every instance, in which it may do so upon petition. Upon receiving petitions filed pursuant to sections 221.061, 221.081, 221.121, subdivision 1, 221.151, 221.296, and 221.55, the commission shall give notice of the filing of the petition to representatives of associations or other interested groups or persons who have registered their names with the executive secretary for that purpose and to whomever he deems to be interested in the petition. The commission may grant or deny the request of the petition 30 days after notice of the filing has been fully given. If the commission receives a written objection and a notice of intent to appear at a hearing to object to the petition from any person within 20 days of the notice having been fully given, the request of the petition shall be granted or denied only after a contested case hearing has been conducted on the petition, unless the objection is withdrawn prior to the hearing. The commission may elect to hold a contested case hearing if no objections to the petition are received. If a timely objection is not received, or if received and withdrawn, and the request of the petition is denied without hearing, the petitioner may request within 30 days of receiving the notice of denial, and shall be granted, a contested case hearing on the petition.

Sec. 3. Minnesota Statutes 1985 Supplement, section 219.47, subdivision 1, is amended to read:

Subdivision 1. [PERMANENT.] The board, upon application made, after a thorough investigation and hearing in any particular case, may permit a common carrier, person, or corporation to which sections 219.45 to 219.53 apply, to erect an overhead or side obstruction closer to the track than provided for in section 219.46, to construct track at less clearance than provided for in section 219.46, and to reconstruct and maintain them when in the judgment of the commissioner compliance with the clearance prescribed in section 219.46 is unreasonable or unnecessary or the erection or construction of the overhead or side obstruction or tracks or the reconstruction and main-

tenance of them at less clearance than provided in section 219.46 will not create a condition unduly hazardous to the employees of that common carrier, person, or corporation. *Before taking final action on the application, the board need conduct only those hearings or other proceedings as it finds necessary for the resolution of the material issues raised by the application.*"

Page 3, after line 28, insert:

"Sec. 7. Minnesota Statutes 1984, section 221.291, subdivision 3, is amended to read:

Subd. 3. [TRANSPORTATION OF HAZARDOUS MATERIALS.] A person who ships, transports, or offers for transportation hazardous waste or hazardous material in violation of a provision of this chapter or a rule or order of the commissioner or board adopted or issued under this chapter which specifically applies to the transportation of hazardous material or hazardous waste is guilty of a misdemeanor and upon conviction ~~shall~~ *may* be fined ~~not less than up to~~ the maximum fine which may be imposed for a misdemeanor for each violation."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, after the second semicolon, insert "clarifying procedures in certain contested matters brought before the transportation regulation board; permitting the transportation regulation board to grant clearance variances without evidentiary hearings in certain cases;"

Page 1, line 6, after the semicolon, insert "providing a maximum fine for motor carrier violations involving transportation of hazardous materials;"

Page 1, line 7, delete "section" and insert "sections 174A.02, subdivision 4; 216A.05, subdivision 5;" and before "Minnesota" insert "221.291, subdivision 3;"

Page 1, line 8, after "sections" insert "219.47, subdivision 1;"

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

Mr. Pehler from the Committee on Education, to which was referred

S.F. No. 1861: A bill for an act relating to education; appropriating money to the department of education for grants to the Little Crow Regional Tele-Network.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Finance. Report adopted.

Mr. Merriam from the Committee on Agriculture and Natural Resources, to which was referred

S.F. No. 2099: A bill for an act relating to taxation; gasoline; abolishing the credit for agricultural alcohol gasoline; repealing Minnesota Statutes 1985 Supplement, sections 296.01, subdivision 24; and 296.022, subdivisions 7 and 8.

Reports the same back with the recommendation that the bill be re-referred

to the Committee on Taxes and Tax Laws without recommendation. Report adopted.

Ms. Berglin from the Committee on Health and Human Services, to which was re-referred

S.F. No. 912: A bill for an act relating to human services; providing state hospital revolving fund for chemical dependency; creating a consolidated fund for payment of chemical dependency treatment; appropriating money to counties for treatment; providing for client eligibility, vendor eligibility, and state collections; providing for American Indian special funding; removing chemical dependency treatment from medical assistance, general assistance medical care, and general assistance funding; amending Minnesota Statutes 1984, sections 246.04; 246.18; 246.23; 246.50, by adding a subdivision; 246.51, subdivision 1; 246.54; 256B.02, subdivision 8; 256B.70; and 256D.03, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 246; and proposing coding for new law as Minnesota Statutes, chapter 254B.

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

Delete everything after the enacting clause and insert:

“Section 1. Minnesota Statutes 1984, section 246.04, is amended to read:

246.04 [BOOKS AND ACCOUNTS.]

The commissioner of human services shall keep at his office a proper and complete system of books and accounts with each institution, showing every expenditure authorized and made therefor. Such books shall contain a separate account of each extraordinary or special appropriation made by the legislature, with every item of expenditure therefrom. *The commissioner shall maintain a separate fund for all chemical dependency appropriations that will provide for an ascertainable review of receipts and expenditures under section 246.18, subdivision 2.*

Sec. 2. Minnesota Statutes 1984, section 246.18, is amended to read:

246.18 [DISPOSAL OF FUNDS.]

*Subdivision 1. [GENERALLY.] Except as provided in subdivision 2, every officer and employee of the several institutions under the jurisdiction of the commissioner of human services shall pay to the accounting officer thereof any funds in his hands belonging to the institution. Every accounting officer, at the close of each month or oftener, shall forward to the commissioner of human services a statement of the amount and sources of all moneys received. On receipt of such statement, the commissioner shall transmit the same to the commissioner of finance, who shall deliver to the state treasurer a draft upon the accounting officer for the same specifying the funds to which it is to be credited. Upon payment of such draft, the amount shall be so credited.*

*Subd. 2. [CHEMICAL DEPENDENCY FUND.] Money received by a chemical dependency treatment facility operated by a hospital or nursing home under the jurisdiction of the commissioner of human services must be*

*deposited in the state treasury and credited to a chemical dependency fund. Money in the chemical dependency fund is appropriated to the commissioner to operate chemical dependency programs.*

*Subd. 3. [CHEMICAL DEPENDENCY ACCOUNTS.] The commissioner of finance shall provide accounting procedures for separate interest bearing chemical dependency accounts within the chemical dependency fund for each state facility providing chemical dependency services that will allow money to be readily available to finance chemical dependency programs. After June 30, 1992, the commissioner must not allocate money to a state facility for chemical dependency programs in excess of the amount of deposits of money received by the facility and deposited in the facility's chemical dependency account without the approval of the governor after consultation with the legislative advisory commission, except that before June 30, 1992, the commissioner may transfer or supplement funds in chemical dependency accounts to cover any revenue shortfall in a particular state hospital chemical dependency program. Twenty percent of the money in the chemical dependency fund that was reappropriated from the state hospital account must be transferred to the state hospitals' chemical dependency accounts on a pro rata basis as an advance payment for chemical dependency services to be delivered under sections 8 to 16.*

Sec. 3. Minnesota Statutes 1985 Supplement, section 246.23, is amended to read:

246.23 [PERSONS ADMISSIBLE TO STATE HOSPITALS.]

No person who has not a settlement in a county, as defined in section 256D.18, shall be admitted to a state hospital for persons with mental illness, mental retardation, or chemical dependency, except that the commissioner of human services may authorize admission thereto when the residence cannot be ascertained, or when the circumstances in his judgment make it advisable. *Except for emergency admissions under sections 253B.05 and 253B.11, or when authorized by the commissioner, a chemical dependency program must not admit a chemically dependent person unless the cost of services will be paid for by private money or nongovernmental third-party payments, the person has been placed by a county or a federally recognized tribal unit that is responsible for payment, or the hospital obtains approval of the admission from the county financially responsible for the person. The commissioner shall maintain and enhance cooperative and effective relationships between counties and state hospitals and between the various state hospital chemical dependency programs. In carrying out this responsibility the commissioner shall maintain a regionally based system of chemical dependency programs.* When application is made to a judge of probate for admission to any of the state hospitals above named for admission thereto, if he finds that the person for whom application is made has not such residence, or that his residence cannot be ascertained, he shall so report to the commissioner; and he may recommend that such person be admitted notwithstanding, giving his reasons therefor. The commissioner of human services shall thereupon investigate the question of residence and, if he finds that such person has not such residence and has a legal residence in another state or country, he may cause him to be returned thereto at the expense of this state.

Sec. 4. Minnesota Statutes 1984, section 246.50, is amended by adding a



subdivision to read:

*Subd. 9. "Chemical dependency programs" means all planned services for chemically dependent persons provided by the commissioner in a specific state hospital, the chemical dependency unit operated by the Ah-Gwah-Ching nursing home, and diagnostic evaluation, prevention, referral, outpatient, or aftercare services developed as part of licensed residential or nonresidential chemical dependency treatment programs.*

Sec. 5. Minnesota Statutes 1984, section 246.51, subdivision 1, is amended to read:

Subdivision 1. [PROCEDURES.] The commissioner shall make investigation as necessary to determine, and as circumstances require redetermine, what part of the cost of care, if any, the patient is able to pay. If the patient is unable to pay the full cost of care the commissioner shall make a determination as to the ability of the relatives to pay. The patient or relatives or both shall provide the commissioner documents and proofs necessary to determine their ability to pay. Failure to provide the commissioner with sufficient information to determine ability to pay may make the patient or relatives, both, liable for the full ~~per capita~~ cost of care until the time when sufficient information is provided. No parent shall be liable for the cost of care given a patient at a state hospital after the patient has reached the age of 18 years. The commissioner's determination shall be conclusive in any action to enforce payment of the cost of care unless appealed from as provided in section 246.55. All money received, *except for chemical dependency receipts*, shall be paid to the state treasurer and placed in the general fund of the state and a separate account kept of it. Responsibility under this section shall not apply to those relatives having gross earnings of less than \$11,000 per year.

Sec. 6. Minnesota Statutes 1985 Supplement, section 246.54, is amended to read:

#### 246.54 [LIABILITY OF COUNTY; REIMBURSEMENT.]

*Except for chemical dependency services provided under sections 8 to 16, the patient's or resident's county shall pay to the state of Minnesota a portion of the cost of care provided in a state hospital to a patient or resident legally settled in that county. A county's payment shall be made from the county's own sources of revenue and payments shall be paid as follows: payments to the state from the county shall equal ten percent of the per capita rate, as determined by the commissioner, for each day, or the portion thereof, that the patient or resident spends at a state hospital. If payments received by the state under sections 246.50 to 246.53 exceed 90 percent of the per capita rate, the county shall be responsible for paying the state only the remaining amount. The county shall not be entitled to reimbursement from the patient or resident, the patient's or resident's estate, or from the patient's or resident's relatives, except as provided in section 246.53. No such payments shall be made for any patient or resident who was last committed prior to July 1, 1947.*

Sec. 7. [246.64] [CHEMICAL DEPENDENCY SERVICE AGREEMENTS.]

*Subdivision 1. [CHEMICAL DEPENDENCY RATES.] Notwithstanding*

sections 246.50, subdivision 5; 246.511; and 251.011, the commissioner shall establish separate rates for each chemical dependency service operated by the commissioner and may establish separate rates for each service component within the program by establishing fees for services or different per diem rates for each separate chemical dependency unit within the program based on actual costs attributable to the service or unit. The rate must allocate the cost of all anticipated maintenance, treatment, and expenses including depreciation of buildings and equipment, interest paid on bonds issued for capital improvements for chemical dependency programs, reimbursement and other indirect costs related to the operation of chemical dependency programs other than that paid from the Minnesota state building fund, and losses due to bad debt. The rate must not include allocations of chaplaincy, patient advocacy, or quality assurance costs that are not required for chemical dependency licensure by the commissioner or certification for chemical dependency by the Joint Commission on Accreditation of Hospitals. Notwithstanding any other law, the commissioner shall treat these costs as nonhospital department expenses.

Subd. 2. [DEPRECIATION COLLECTIONS.] Beginning July 1, 1987, depreciation collected under subdivision 1 must be credited to the general fund and principal and interest on the bonded debt collected under subdivision 1 must be deposited in the state bond fund.

Subd. 3. [RESPONSIBILITIES OF COMMISSIONER.] The commissioner shall credit all receipts from billings for rates set in subdivision 1, except those credited according to subdivision 2, to the chemical dependency fund. This money must not be used for a hospital activity that is not a chemical dependency service or an allocation of expenditures that are included in the base for computation of the rates under subdivision 1. The commissioner may expand chemical dependency services so long as expenditures are recovered by patient fees, transfer of funds, or supplementary appropriations. The commissioner may expand or reduce chemical dependency staff complement as long as expenditures are recovered by patient fees, transfer of funds, or supplementary appropriations. An increase or decrease in chemical dependency staff shall not result in an increase or decrease in staff in any facility or unit not providing chemical dependency services. Notwithstanding chapters 176 and 268, the commissioner shall provide for the self-insurance of state hospital chemical dependency programs for the costs of unemployment compensation and workers' compensation claims. The commissioner shall provide a biennial report to the chairs of the senate finance subcommittee on health and human services, the house of representatives health and human services division of appropriations, and the senate and house of representatives health and human services committees.

Subd. 4. [TRADE SECRET INFORMATION.] Notwithstanding any law to the contrary, data concerning matters affecting the competitive position of the chemical dependency programs is "trade secret information" for purposes of classification under section 13.37, subdivision 2.

#### Sec. 8. [254B.01] [DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] The definitions in this section apply to sections 8 to 20.

Subd. 2. [AMERICAN INDIAN.] For purposes of services provided under

section 16, subdivision 7; "American Indian" means a person who is a member of an Indian tribe, and the commissioner shall use the definitions of "Indian" and "Indian tribe" and "Indian organization" provided in Public Law Number 93-638. For purposes of services provided under section 16, subdivision 4, "American Indian" means a resident of federally recognized tribal lands who is recognized as an Indian person by the federally recognized tribal governing body.

Subd. 3. [CHEMICAL DEPENDENCY SERVICES.] "Chemical dependency services" means a planned program of care for the treatment of chemical dependency or chemical abuse to minimize or prevent further chemical abuse by the person. Diagnostic, evaluation, prevention, referral, detoxification, and aftercare services that are not part of a program of care licensable as a residential or nonresidential chemical dependency treatment program are not chemical dependency services for purposes of this section.

Subd. 4. [COMMISSIONER.] Unless otherwise indicated, "commissioner" means the commissioner of human services.

Subd. 5. [LOCAL AGENCY.] "Local agency" means the agency designated by a board of county commissioners or a human services board to make placements and submit state invoices according to sections 8 to 20.

Subd. 6. [LOCAL MONEY.] "Local money" means county levies, community social services block grants, federal social services money, or other money that may be spent at county discretion to provide chemical dependency services eligible for payment according to sections 8 to 20.

Sec. 9. [254B.02] [CHEMICAL DEPENDENCY ALLOCATION PROCESS.]

Subdivision 1. [CHEMICAL DEPENDENCY TREATMENT ALLOCATION.] The commissioner shall annually divide the money available in the chemical dependency fund that is not held in reserve by counties from a previous allocation. Twelve percent of the money must be reserved for treatment of American Indians by eligible vendors under section 12. The remainder of the money must be allocated among the counties according to the following formula, using state demographer data and other data sources determined by the commissioner:

(a) The county non-Indian and over age 14 per capita-months of eligibility for aid to families with dependent children, general assistance, and medical assistance is divided by the total state non-Indian and over age 14 per capita-months of eligibility to determine the caseload factor for each county.

(b) The average median family income for the previous three years for the state is divided by the average median family income for the previous three years for each county to determine the income factor.

(c) The non-Indian and over age 14 population of the county is multiplied by the sum of the income factor and the caseload factor to determine the adjusted population.

(d) \$15,000 shall be allocated to each county.

(e) The remaining funds shall be allocated proportional to the county adjusted population.

*Subd. 2. [COUNTY ADJUSTMENT; MAXIMUM ALLOCATION.] The commissioner shall determine the state money used by each county in fiscal year 1986, using all state data sources. If available records do not provide specific chemical dependency expenditures for every county, the commissioner shall determine the amount of state money using estimates based on available data. In state fiscal year 1988, a county must not be allocated more than 150 percent of the state money spent by or on behalf of the county for chemical dependency treatment services eligible for payment under section 12. The allocation maximums must be increased by 25 percent each year. After fiscal year 1992, there must be no allocation maximum. The commissioner shall reallocate the excess over the maximum to counties allocated less than the fiscal year 1986 state money, using the following process:*

*(a) The allocation is divided by 1985 state expenditures to determine percentage of prior expenditure, and counties are ranked by percentage of prior expenditure.*

*(b) The allocation of the lowest ranked county is raised to the same percentage of prior expenditure as the second lowest ranked county. The allocation of these two counties is then raised to the percentage of prior expenditures of the third lowest ranked county.*

*(c) The operations under paragraph (b) are repeated with each county by ranking until the money in excess of the allocation maximum has been allocated.*

*Subd. 3. [RESERVE ACCOUNT.] The commissioner shall allocate money from the reserve account to counties that, during the current fiscal year, have met or exceeded the base level of expenditures for eligible chemical dependency services from local money. The commissioner shall establish the base level for fiscal year 1988 as the amount of local money used for eligible services in calendar year 1986. In later years, the base level must be increased in the same proportion as state appropriations to implement sections 8 to 20 are increased. The base level must not be decreased if appropriations are decreased in later years. The local match rate for the reserve account is the same rate as applied to the initial allocation. Reserve account payments must not be included when calculating the county adjustments made according to subdivision 2.*

*Subd. 4. [ALLOCATION SPENDING LIMITS.] Money allocated according to subdivision 1 and section 16, subdivision 4, is available for payments for up to two years. The commissioner shall deduct payments from the most recent year allocation in which money is available. Allocations under this section that are not used within two years must be reallocated to the reserve account for payments under subdivision 3. Allocations under section 16, subdivision 4, that are not used within two years must be reallocated for payments under section 16, subdivision 5.*

*Subd. 5. [ADMINISTRATIVE ADJUSTMENT.] The commissioner may make payments to local agencies from money allocated under this section to support administrative activities under sections 10 and 11. The administrative payment must not exceed five percent of the first \$50,000, four percent of the next \$50,000, and three percent of the remaining county allocation and must not be paid if the level of expenditures indicates that the allocation for the year will be exhausted by payments for services from the allocation.*

Twenty-five percent of the administrative allowance shall be advanced at the beginning of each year and remaining payments must be made under this section at the end of each quarter from any unspent allocation for that year.

**Sec. 10. [254B.03] [RESPONSIBILITY TO PROVIDE CHEMICAL DEPENDENCY TREATMENT.]**

**Subdivision 1. [LOCAL AGENCY DUTIES.]** (a) Every local agency shall provide chemical dependency services to persons residing within its jurisdiction who meet criteria established by the commissioner for placement in a chemical dependency residential or nonresidential treatment service. Chemical dependency money must be administered by the local agencies according to law and rules adopted by the commissioner under sections 14.01 to 14.69.

(b) In order to contain costs, the county board shall, with the approval of the commissioner of human services, select eligible vendors of chemical dependency services who can provide economical care. Unless the local agency is a social services department directly administered by a county or human services board, the local agency shall not be an eligible vendor under section 12. The commissioner may approve proposals from county boards to provide services in an economical manner or to control utilization, with safeguards to ensure that necessary services are provided. If a county implements a demonstration or experimental medical services funding plan, the commissioner shall transfer the money as appropriate.

**Subd. 2. [CHEMICAL DEPENDENCY SERVICES.]** (a) Payment from the chemical dependency fund is limited to payments for services other than detoxification that, if located outside of federally recognized tribal lands, would be required to be licensed by the commissioner as a residential or nonresidential treatment program under sections 245.781 to 245.812. Hospitals may apply for and receive licenses to be eligible vendors, notwithstanding the provisions of section 245.791. Vendors receiving payments from the chemical dependency fund must not require copayment from a recipient of benefits for services provided under this subdivision.

(b) A county may, from its own resources, provide chemical dependency services for which state payments are not made.

(c) The commissioner shall coordinate chemical dependency services and determine whether there is a need for any proposed expansion of chemical dependency treatment services. The commissioner shall deny vendor certification to any provider that has not received prior approval from the commissioner for the creation of new programs or the expansion of existing program capacity. The commissioner shall consider the provider's capacity to obtain clients from outside the state based on plans, agreements, and previous utilization history, when determining the need for new treatment services.

**Subd. 3. [LOCAL AGENCIES TO PAY STATE FOR COUNTY SHARE.]** Local agencies shall submit invoices to the state on forms supplied by the commissioner and according to procedures established by the commissioner. Local agencies shall pay the state for the county share of the invoiced services.

**Subd. 4. [DIVISION OF COSTS.]** The county shall, out of local money, reimburse the state for 15 percent of the cost of chemical dependency serv-

ices costs paid by the state under this section. Counties may use the indigent hospitalization levy for treatment and hospital payments made under this section. Fifteen percent of any state collections from private or third-party pay must be distributed to the county that paid for the treatment under this section. If all funds allocated according to section 9 are exhausted by a county and the county has met or exceeded the base level of expenditures under section 9, subdivision 3, the county shall reimburse the state for 15 percent of the costs paid by the state under this section. The commissioner may refuse to pay state funds for services to persons not eligible under section 11, subdivision 1, if the commissioner determines that funds will otherwise not be available for persons who are entitled to chemical dependency fund services.

**Subd. 5. [RULES; APPEAL.]** *The commissioner shall adopt rules as necessary to implement sections 8 to 20. The commissioner shall establish an appeals process for use by vendors or recipients when services certified by the county are disputed. The commissioner may adopt rules and standards for the appeal process to assure adequate redress for persons referred to inappropriate services.*

**Subd. 6. [PILOT PROJECTS.]** *The commissioner may transfer funds for chemical dependency services from the general fund appropriations for the general assistance, general assistance medical care, and medical assistance programs for pilot projects to design and test procedures needed to implement this legislation. The commissioner shall exempt funds from these sources that are used in pilot projects from relevant provisions of state laws and rules governing the use of these funds. The commissioner may make grants and contracts for this purpose, and the provisions of chapter 14 shall not apply to the procedures and criteria used to implement pilot projects.*

**Subd. 7. [COMMISSIONER REVIEW; COMPLAINTS.]** *The commissioner shall:*

*(1) provide training and assistance to counties on procedures for processing placements and making payments;*

*(2) visit facilities and review records as necessary to determine compliance with procedures established by law and rule;*

*(3) take complaints from vendors and recipients and investigate county placement activities as needed to determine compliance with law and rule.*

*Counties and vendors shall make regular reports as required by the commissioner to facilitate commissioner review.*

**Subd. 8. [REPORT TO LEGISLATURE.]** *The commissioner shall report to the legislature each biennium beginning in 1989 on chemical dependency services provided and expenditures made, and shall make recommendations regarding funding levels and new legislation.*

**Sec. 11. [254B.04] [ELIGIBILITY FOR CHEMICAL DEPENDENCY FUND SERVICES.]**

**Subdivision 1. [ELIGIBILITY.]** *Persons eligible for benefits under sections 256D.01 to 256D.21 and persons eligible for federal health care benefits under section 256B.06 are entitled to chemical dependency fund services.*

*Subd. 2. [AMOUNT OF CONTRIBUTION.] The commissioner shall adopt a sliding fee scale to determine the amount of contribution to be required from persons whose income and nonexempt property are greater than the standard of assistance under sections 256B.06 and 256D.01 to 256D.21. The commissioner may adopt an existing fee scale from another assistance program or from the state facilities by publication in the state register. The fee scale must not provide assistance to persons whose income is more than 115 percent of the state median income. Payments of liabilities under this section are medical expenses for purposes of determining spend-down under sections 256B.06 and 256D.01 to 256D.21.*

#### Sec. 12. [254B.05] [VENDOR ELIGIBILITY.]

*Programs licensed by the commissioner are eligible vendors. Hospitals may apply for and receive licenses to be eligible vendors, notwithstanding the provisions of section 245.791. American Indian programs that, if located outside of federally recognized tribal lands, would be required to be licensed to provide chemical dependency primary treatment, extended care, transitional residence, or outpatient treatment services, are eligible vendors. Detoxification programs are not eligible vendors. Programs that, if located outside of federally recognized tribal lands, would not be licensed as a chemical dependency residential or nonresidential treatment program under sections 245.781 to 245.812 are not eligible vendors. To be eligible for payment under the Consolidated Chemical Dependency Treatment Fund, a vendor must participate in the Drug and Alcohol Abuse Normative Evaluation System or a comparable system determined by the commissioner.*

#### Sec. 13. [254B.06] [REIMBURSEMENT; PAYMENT; DENIAL.]

*Subdivision 1. [STATE COLLECTIONS.] The commissioner is responsible for all collections from persons determined to be partially responsible for the cost of care of an eligible person receiving services under sections 8 to 20. The commissioner may collect all third-party payments for chemical dependency services provided under sections 8 to 20, including private insurance and federal medicaid and medicare financial participation. The commissioner shall deposit in the general fund a percentage of collections to pay for the cost of billing and collections. The remaining receipts must be deposited in the chemical dependency fund.*

*Subd. 2. [ALLOCATION OF COLLECTIONS.] The commissioner shall allocate all federal financial participation collections to the reserve fund under section 9, subdivision 3. The commissioner shall retain 85 percent of patient payments and third-party payments and allocate the collections to the treatment allocation for the county that is financially responsible for the person. Fifteen percent of patient and third-party payments must be paid to the county financially responsible for the patient. Collections for patient payment and third-party payment for services provided under section 16 shall be allocated to the allocation of the tribal unit which placed the person. Collections of federal financial participation for services provided under section 16 shall be allocated to the tribal reserve account under section 16, subdivision 5.*

*Subd. 3. [PAYMENT; DENIAL.] The commissioner shall pay eligible vendors for placements made by local agencies under section 10, subdivision 1, and placements by tribal-designated agencies according to section 16. The*

*commissioner may reduce or deny payment of the state share when services are not provided according to the placement criteria established by the commissioner. The commissioner may pay for all or a portion of improper county chemical dependency placements and bill the county for the entire payment made when the placement did not comply with criteria established by the commissioner.*

**Sec. 14. [254B.07] [THIRD-PARTY LIABILITY.]**

*The state agency provision and payment of, or liability for, chemical dependency medical care is the same as in section 256B.042.*

**Sec. 15. [254B.08] [FEDERAL WAIVERS.]**

*The commissioner shall apply for any federal waivers necessary to secure, to the extent allowed by law, federal financial participation for the provision of services to persons who need chemical dependency services. The commissioner may seek amendments to the waivers or apply for additional waivers to contain costs. The commissioner shall ensure that payment for the cost of providing chemical dependency services under the federal waiver plan does not exceed the cost of chemical dependency services that would have been provided without the waived services.*

**Sec. 16. [254B.09] [INDIAN RESERVATION ALLOCATION OF CHEMICAL DEPENDENCY FUND.]**

*Subdivision 1. [AMERICAN INDIAN CHEMICAL DEPENDENCY ACCOUNT.] The commissioner shall pay eligible vendors for chemical dependency services to American Indians on the same basis as other payments, except that no local match is required when an invoice is submitted by the governing authority of a federally recognized American Indian tribal body on behalf of a current resident of the reservation under this section.*

*Subd. 2. [AMERICAN INDIAN AGREEMENTS.] The commissioner may enter into agreements with federally recognized tribal units to pay for chemical dependency treatment services provided under sections 8 to 20. The agreements must require the governing body of the tribal unit to fulfill all county responsibilities regarding the form and manner of invoicing, and provide that only invoices for eligible vendors according to section 12 will be included in invoices sent to the commissioner for payment, to the extent that money allocated under subdivision 3 is used.*

*Subd. 3. [TRIBAL NONPARTICIPATION.] If a federally recognized tribal governing body has not entered into an agreement under subdivision 2 or cancels the agreement, money must be reallocated to the account established by subdivision 5.*

*Subd. 4. [TRIBAL ALLOCATION.] Forty-two and one-half percent of the American Indian chemical dependency account must be allocated to the federally recognized American Indian tribal governing bodies that have entered into an agreement under subdivision 2 as follows: \$10,000 must be allocated to each governing body and the remainder must be allocated in direct proportion to the population of the reservation according to the most recently available estimates from the federal Bureau of Indian Affairs.*

*Subd. 5. [TRIBAL RESERVE ACCOUNT.] The commissioner shall reserve 7.5 percent of the American Indian chemical dependency account.*



*The reserve must be allocated to those tribal units that have used all money allocated under subdivision 4 according to agreements made under subdivision 2. An American Indian tribal governing body may receive not more than 30 percent of the reserve account in a year. Money must be allocated as invoices are received.*

*Subd. 6. [AMERICAN INDIAN TRIBAL PLACEMENTS.] After entering into an agreement under subdivision 2, the governing authority of each reservation may submit invoices to the state for the cost of providing chemical dependency services to residents of the reservation according to the placement regulations governing county placements, except that local match requirements are waived. The governing body may designate an agency to act on its behalf to provide placement services and manage invoices by written notice to the commissioner and evidence of agreement by the agency designated.*

*Subd. 7. [NONRESERVATION INDIAN ACCOUNT.] Fifty percent of the American Indian chemical dependency allocation must be held in reserve by the commissioner in an account for treatment of Indians not residing on lands of a reservation receiving money under subdivision 4. This money must be used to pay for services certified by county invoice to have been provided to an American Indian eligible recipient. Money allocated under this subdivision may be used for payments on behalf of American Indian county residents only if, in addition to other placement standards, the county certifies that the placement was appropriate to the cultural orientation of the client.*

Sec. 17. Minnesota Statutes 1985 Supplement, section 256B.02, subdivision 8, is amended to read:

Subd. 8. [MEDICAL ASSISTANCE; MEDICAL CARE.] "Medical assistance" or "medical care" means payment of part or all of the cost of the following care and services for eligible individuals whose income and resources are insufficient to meet all of this cost:

(1) Inpatient hospital services. A second medical opinion is required prior to reimbursement for elective surgeries. The commissioner shall publish in the State Register a proposed list of elective surgeries that require a second medical opinion prior to reimbursement. The list is not subject to the requirements of sections 14.01 to 14.70. The commissioner's decision whether a second medical opinion is required, made in accordance with rules governing that decision, is not subject to administrative appeal;

(2) Skilled nursing home services and services of intermediate care facilities, including training and habilitation services, as defined in section 256B.50, subdivision 1, for persons with mental retardation or related conditions who are residing in intermediate care facilities for persons with mental retardation or related conditions. Medical assistance must not be used to pay the costs of nursing care provided to a patient in a swing bed as defined in section 144.562;

(3) Physicians' services;

(4) Outpatient hospital or nonprofit community health clinic services or physician-directed clinic services. The physician-directed clinic staff shall include at least two physicians, one of whom is on the premises whenever the

clinic is open, and all services shall be provided under the direct supervision of the physician who is on the premises. Hospital outpatient departments are subject to the same limitations and reimbursements as other enrolled vendors for all services, except initial triage, emergency services, and services not provided or immediately available in clinics, physicians' offices, or by other enrolled providers. "Emergency services" means those medical services required for the immediate diagnosis and treatment of medical conditions that, if not immediately diagnosed and treated, could lead to serious physical or mental disability or death or are necessary to alleviate severe pain. Neither the hospital, its employees, nor any physician or dentist, shall be liable in any action arising out of a determination not to render emergency services or care if reasonable care is exercised in determining the condition of the person, or in determining the appropriateness of the facilities, or the qualifications and availability of personnel to render these services consistent with this section;

(5) Community mental health center services, as defined in rules adopted by the commissioner pursuant to section 256B.04, subdivision 2, and provided by a community mental health center as defined in section 245.62, subdivision 2;

(6) Home health care services;

(7) Private duty nursing services;

(8) Physical therapy and related services;

(9) Dental services, excluding cast metal restorations;

(10) Laboratory and X-ray services;

(11) The following if prescribed by a licensed practitioner: drugs, eyeglasses, dentures, and prosthetic devices. The commissioner shall designate a formulary committee which shall advise the commissioner on the names of drugs for which payment shall be made, recommend a system for reimbursing providers on a set fee or charge basis rather than the present system, and develop methods encouraging use of generic drugs when they are less expensive and equally effective as trademark drugs. The commissioner shall appoint the formulary committee members no later than 30 days following July 1, 1981. The formulary committee shall consist of nine members, four of whom shall be physicians who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, three of whom shall be pharmacists who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, a consumer representative, and a nursing home representative. Committee members shall serve two year terms and shall serve without compensation. The commissioner may establish a drug formulary. Its establishment and publication shall not be subject to the requirements of the administrative procedure act, but the formulary committee shall review and comment on the formulary contents. Prior authorization may be required by the commissioner, with the consent of the drug formulary committee, before certain formulary drugs are eligible for payment. The formulary shall not include: drugs or products for which there is no federal funding; over the counter

drugs, except for antacids, acetaminophen, family planning products, aspirin, insulin, prenatal vitamins, and vitamins for children under the age of seven; or any other over the counter drug identified by the commissioner, in consultation with the appropriate professional consultants under contract with or employed by the state agency, as necessary, appropriate and cost effective for the treatment of certain specified chronic diseases, conditions or disorders, and this determination shall not be subject to the requirements of chapter 14, the administrative procedure act; nutritional products, except for those products needed for treatment of phenylketonuria, hyperlysinemia, maple syrup urine disease, a combined allergy to human milk, cow milk, and soy formula, or any other childhood or adult diseases, conditions, or disorders identified by the commissioner as requiring a similarly necessary nutritional product; anorectics; and drugs for which medical value has not been established. Separate payment shall not be made for nutritional products for residents of long-term care facilities; payment for dietary requirements is a component of the per diem rate paid to these facilities. Payment to drug vendors shall not be modified before the formulary is established except that the commissioner shall not permit payment for any drugs which may not by law be included in the formulary, and his determination shall not be subject to chapter 14, the administrative procedure act. The commissioner shall publish conditions for prohibiting payment for specific drugs after considering the formulary committee's recommendations.

The basis for determining the amount of payment shall be the actual acquisition costs of the drugs plus a fixed dispensing fee established by the commissioner. Actual acquisition cost includes quantity and other special discounts except time and cash discounts. Establishment of this fee shall not be subject to the requirements of the administrative procedure act. Whenever a generically equivalent product is available, payment shall be on the basis of the actual acquisition cost of the generic drug, unless the prescriber specifically indicates "dispense as written" on the prescription as required by section 151.21, subdivision 2.

Notwithstanding the above provisions, implementation of any change in the fixed dispensing fee which has not been subject to the administrative procedure act shall be limited to not more than 180 days, unless, during that time, the commissioner shall have initiated rulemaking through the administrative procedure act;

(12) Diagnostic, screening, and preventive services;

(13) Health care prepayment plan premiums and insurance premiums if paid directly to a vendor and supplementary medical insurance benefits under Title XVIII of the Social Security Act;

(14) Abortion services, but only if one of the following conditions is met:

(a) The abortion is a medical necessity. "Medical necessity" means (1) the signed written statement of two physicians indicating the abortion is medically necessary to prevent the death of the mother, and (2) the patient has given her consent to the abortion in writing unless the patient is physically or legally incapable of providing informed consent to the procedure, in which case consent will be given as otherwise provided by law;

(b) The pregnancy is the result of criminal sexual conduct as defined in

section 609.342, clauses (c), (d), (e)(i), and (f), and the incident is reported within 48 hours after the incident occurs to a valid law enforcement agency for investigation, unless the victim is physically unable to report the criminal sexual conduct, in which case the report shall be made within 48 hours after the victim becomes physically able to report the criminal sexual conduct; or

(c) The pregnancy is the result of incest, but only if the incident and relative are reported to a valid law enforcement agency for investigation prior to the abortion;

(15) Transportation costs incurred solely for obtaining emergency medical care or transportation costs incurred by nonambulatory persons in obtaining emergency or nonemergency medical care when paid directly to an ambulance company, common carrier, or other recognized providers of transportation services. For the purpose of this clause, a person who is incapable of transport by taxicab or bus shall be considered to be nonambulatory;

(16) To the extent authorized by rule of the state agency, costs of bus or taxicab transportation incurred by any ambulatory eligible person for obtaining nonemergency medical care;

(17) Personal care attendant services provided by an individual, not a relative, who is qualified to provide the services, where the services are prescribed by a physician in accordance with a plan of treatment and are supervised by a registered nurse. Payments to personal care attendants shall be adjusted annually to reflect changes in the cost of living or of providing services by the average annual adjustment granted to vendors such as nursing homes and home health agencies; and

(18) Any other medical or remedial care licensed and recognized under state law unless otherwise prohibited by law, *except licensed chemical dependency treatment programs or primary treatment or extended care treatment units in hospitals that are covered under sections 8 to 20. The commissioner shall include chemical dependency services in the state medical assistance plan for federal reporting purposes, but payment must be made under sections 8 to 20.*

Sec. 18. Minnesota Statutes 1984, section 256B.70, is amended to read:

**256B.70 [DEMONSTRATION PROJECT WAIVER.]**

Each hospital that participates as a provider in a demonstration project, established by the commissioner of human services to deliver medical assistance, *or chemical dependency services on a prepaid, capitation basis*, is exempt from the prospective payment system for inpatient hospital service during the period of its participation in that project.

Sec. 19. Minnesota Statutes 1985 Supplement, section 256D.03, subdivision 4, is amended to read:

Subd. 4. [GENERAL ASSISTANCE MEDICAL CARE; SERVICES.] (a) Reimbursement under the general assistance medical care program shall be limited to the following categories of service: inpatient hospital care, outpatient hospital care, services provided by medicare certified rehabilitation agencies, prescription drugs, equipment necessary to administer insulin and diagnostic supplies and equipment for diabetics to monitor blood sugar level, eyeglasses and eye examinations provided by a physician or optometrist,

hearing aids, prosthetic devices, laboratory and X-ray services, physician's services, medical transportation, chiropractic services as covered under the medical assistance program, podiatric services, and dental care. In addition, payments of state aid shall be made for day treatment services provided by a mental health center established under sections 245.61 to 245.69, subdivision 1, and funded through chapter 256E and for prescribed medications for persons who have been diagnosed as mentally ill as necessary to prevent more restrictive institutionalization.

(b) In order to contain costs, the commissioner of human services shall select vendors of medical care who can provide the most economical care consistent with high medical standards and shall where possible contract with organizations on a prepaid capitation basis to provide these services. The commissioner shall consider proposals by counties and vendors for prepaid health plans, competitive bidding programs, block grants, or other vendor payment mechanisms designed to provide services in an economical manner or to control utilization, with safeguards to ensure that necessary services are provided. Before implementing prepaid programs in counties with a county operated or affiliated public teaching hospital or a hospital or clinic operated by the University of Minnesota, the commissioner shall consider the risks the prepaid program creates for the hospital and allow the county or hospital the opportunity to participate in the program in a manner that reflects the risk of adverse selection and the nature of the patients served by the hospital, provided the terms of participation in the program are competitive with the terms of other participants considering the nature of the population served. Payment for services provided pursuant to this subdivision shall be as provided to medical assistance vendors of these services under section 256B.02, subdivision 8. The rates payable under this section must be calculated according to section 256.966, subdivision 2.

(c) The commissioner of human services may reduce payments provided under sections 256D.01 to 256D.21 and 261.23 in order to remain within the amount appropriated for general assistance medical care, within the following restrictions.

For the period July 1, 1985, to December 31, 1985, reductions below the cost per service unit allowable under section 256.966, are permitted only as follows: payments for inpatient and outpatient hospital care provided in response to a primary diagnosis of chemical dependency or mental illness may be reduced no more than 30 percent; payments for all other inpatient hospital care may be reduced no more than 20 percent. Reductions below the payments allowable under general assistance medical care for the remaining general assistance medical care services allowable under this subdivision may be reduced no more than ten percent.

For the period January 1, 1986 to December 31, 1986, reductions below the cost per service unit allowable under section 256.966 are permitted only as follows: payments for inpatient and outpatient hospital care provided in response to a primary diagnosis of chemical dependency or mental illness may be reduced no more than 20 percent; payments for all other inpatient hospital care may be reduced no more than 15 percent. Reductions below the payments allowable under general assistance medical care for the remaining general assistance medical care services allowable under this subdivision may be reduced no more than five percent.

For the period January 1, 1987 to June 30, 1987, reductions below the cost per service unit allowable under section 256.966 are permitted only as follows: payments for inpatient and outpatient hospital care provided in response to a primary diagnosis of chemical dependency or mental illness may be reduced no more than 15 percent; payments for all other inpatient hospital care may be reduced no more than ten percent. Reductions below the payments allowable under medical assistance for the remaining general assistance medical care services allowable under this subdivision may be reduced no more than five percent.

There shall be no copayment required of any recipient of benefits for any services provided under this subdivision. A hospital receiving a reduced payment as a result of this section may apply the unpaid balance toward satisfaction of the hospital's bad debts.

(d) Any county may, from its own resources, provide medical 5 payments for which state payments are not made.

*(e) Chemical dependency services that are reimbursed under sections 8 to 20 must not be reimbursed under general assistance medical care.*

Sec. 20. Minnesota Statutes 1984, section 256E.08, subdivision 7, is amended to read:

Subd. 7. [COUNTY OF FINANCIAL RESPONSIBILITY.] (a) Except as described in paragraphs (b) and (c), the county responsible for payment for community social services is the county in which the recipient of services resides at the time of application if the applicant is not in a facility described in section 256B.02, subdivision 2, or has never resided in this state other than in such a facility. If the applicant is in a facility described in section 256B.02 and has previously resided in this state without being in such a facility, then the county of financial responsibility is the county in which he or she resided immediately before entering the facility. The county of financial responsibility does not change as a result of referral or approval of referral for services to another county by the county of financial responsibility. Minors are considered as residing in the county in which their parents or guardians reside. When a minor reaches the age of 18, the county of financial responsibility is the county in which the minor resides. If a person continues in residential care or treatment after reaching the age of 18, the county which initiated the treatment is the county of financial responsibility. When there is a dispute as to the county of financial responsibility, the county providing or arranging for services shall pay for them pending final determination of the county of residence. Disputes concerning the county of financial responsibility shall be settled in the manner prescribed in section 256D.18, subdivision 4. When the county board providing the care or service is not the county of the minor's legal residence, it has a claim for recovery of costs upon the county where the minor has residence.

(b) The county of financial responsibility for detoxification services and chemical dependency emergency admissions is the county where the client is when the need for services is identified. If the client is a resident of a chemical dependency facility, paragraph (a) applies.

(c) The county of financial responsibility for social services for a person receiving aid to families with dependent children, general assistance, or

medical assistance is the county from which that person is receiving the aid or assistance.

Sec. 21. [APPROPRIATIONS.]

*Subdivision 1. [CHEMICAL DEPENDENCY FUND.] The general fund appropriations for the general assistance, general assistance medical care, and medical assistance programs are reduced by the amount attributable to chemical dependency services covered under sections 8 to 16 and this amount is reappropriated to the commissioner of human services for transfer to the chemical dependency fund.*

*The general fund appropriation for the state hospital account is reduced by the amount attributable to chemical dependency programs and this amount is reappropriated to the commissioner of human services for transfer to the chemical dependency fund. This amount must be increased by the amount of salary supplement funds allocated for chemical dependency services for each biennium.*

*Notwithstanding any other law, \$1,050,000 of the federal alcohol and drug block grant is appropriated to the commissioner of human services for the chemical dependency fund.*

*Subd. 2. [AMERICAN INDIAN GRANTS.] The general fund appropriation for chemical dependency services grants for American Indians is reduced by \$640,000 and reappropriated to the commissioner of human services for transfer to the chemical dependency services fund.*

Sec. 22. [EXEMPTION.]

*Medical assistance funding for all intermediate care facilities providing chemical dependency services on or before January 1, 1986, shall be exempted from the provisions of sections 8 to 20. The commissioner shall include in the biennial report required under section 10, subdivision 8, recommendations regarding the necessity for continuing this exception beyond July 1, 1989.*

Sec. 23. [SUNSET.]

*The new sections and subdivisions and amendments enacted by sections 1 to 22 are repealed July 1, 1987, unless adequate funding is made available to meet the cash-flow and capital needs of the state hospital chemical dependency units as determined by the commissioner in consultation with the chief executive officers of those units.*

Sec. 24. [EFFECTIVE DATE.]

*Section 10, subdivision 6, and section 15 are effective the day following final enactment. Sections 1 to 9; 10, subdivisions 1 to 5, 7, and 8; 11 to 14; and 16 to 23 are effective July 1, 1987."*

Delete the title and insert:

*"A bill for an act relating to human services; providing state hospital revolving fund for chemical dependency; creating a consolidated fund for payment of chemical dependency treatment; appropriating money to counties for treatment; providing for client eligibility, vendor eligibility, and state collections; providing for American Indian special funding; removing chem-*

ical dependency treatment from medical assistance, general assistance medical care, and general assistance funding; amending Minnesota Statutes 1984, sections 246.04; 246.18; 246.50, by adding a subdivision; 246.51, subdivision 1; 256B.70; and 256E.08, subdivision 7; amending Minnesota Statutes 1985 Supplement, sections 246.23; 246.54; 256B.02, subdivision 8; and 256D.03, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 246; and proposing coding for new law as Minnesota Statutes, chapter 254B."

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

Mr. Merriam from the Committee on Agriculture and Natural Resources, to which was referred

S.F. No. 2173: A bill for an act relating to state lands; authorizing exchange of state property with Minnesota transportation museum property.

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

Page 1, line 16, after "*The*" insert "*commissioner may*" and delete "*must be*" and insert "*the property if the exchange is*"

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

Mr. Merriam from the Committee on Agriculture and Natural Resources, to which was referred

S.F. No. 1745: A bill for an act relating to state lands; authorizing sale of Pearl Lake lakeshore parcel in Stearns county.

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

Page 1, line 7, after "*94.09,*" insert "*94.10,*"

Page 1, line 9, delete "*declare as surplus*" and insert "*offer*"

Page 1, line 10, delete everything after "*Herges*"

Page 1, line 11, delete everything before "*before*"

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1886 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

#### GENERAL ORDERS

H.F. No. 1886  
S.F. No. 1955

#### CONSENT CALENDAR

H.F. No. S.F. No.

#### CALENDAR

H.F. No. S.F. No.

Pursuant to Rule 49, the Committee on Rules and Administration recom-



mends that H.F. No. 1886 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1886 and insert the language after the enacting clause of S.F. No. 1955; further, delete the title of H.F. No. 1886 and insert the title of S.F. No. 1955.

And when so amended H.F. No. 1886 will be identical to S.F. No. 1955, and further recommends that H.F. No. 1886 be given its second reading and substituted for S.F. No. 1955, and that the Senate File be indefinitely postponed.

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

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1850 for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1850	2006				

Pursuant to Rule 49, the Committee on Rules and Administration recommends that H.F. No. 1850 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 1850 and insert the language after the enacting clause of S.F. No. 2006, further, delete the title of H.F. No. 1850 and insert the title of S.F. No. 2006.

And when so amended H.F. No. 1850 will be identical to S.F. No. 2006, and further recommends that H.F. No. 1850 be given its second reading and substituted for S.F. No. 2006, and that the Senate File be indefinitely postponed.

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

Mr. Dieterich from the Committee on Public Utilities and State Regulated Industries, to which was referred the following appointment as reported in the Journal for February 13, 1986:

**PUBLIC UTILITIES COMMISSION**  
Barbara Chapman

Reports the same back with the recommendation that the appointment be confirmed.

Mr. Moe, R.D. moved that the foregoing committee report be laid on the table. The motion prevailed.

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

H.F. No. 1815: A bill for an act relating to taxation; real property; pre-

scribing requirements of the sales ratio study used by the state board of equalization; amending Minnesota Statutes 1984, section 270.12, subdivision 2.

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

Delete everything after the enacting clause and insert:

## “ARTICLE I

### INCOME TAX UPDATE

Section 1. Minnesota Statutes 1985 Supplement, section 290.01, subdivision 20, is amended to read:

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

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, 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, Public Law Number 96-223. The provisions of Public Law Number 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.

(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.

(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.

(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. The provisions of sections 13, 17, 25(b), 31, 32, 41 to 43, 52, 55, 56, 71 to 74, 77, 81, 82, 91, 92, 94, 101 to 103, 105 to 108, 111 to 113, 147(c), 171, 172, 174, 175, 179(a), 221, 223, 224, 421(b), 432, 481, 491, 512, 522 to 524, 554 to 557, 561, 611(a), 621 to 623, 626 to 628, 711(c), 712(d), 713(b), (e), (g), and (h), 721(a), (b), (d), (g), (i), (o), (p), (r), (t), and (w), 722(e), 1001, 1026, 1061 to 1064, 1066, 1076, 1078, and 2638(b) of the Deficit Reduction Act of 1984, Public Law Number 98-369, and section 1 of Public Law Number 98-611 shall be effective at the same time that they become effective for federal income tax purposes.

(v) The Internal Revenue Code of 1954, as amended through May 25, 1985, shall be in effect for taxable years beginning after December 31, 1984.

*The provisions of sections 101, 102, 103, 201, and 202 of Public Law Number 99-121 shall be effective at the same time that they become effective for federal income tax purposes.*

(vi) *The Internal Revenue Code of 1954, as amended through December 31, 1985, shall be in effect for taxable years beginning after December 31, 1985.*

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

Sec. 2. Minnesota Statutes 1985 Supplement, section 290.079, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT CONSTITUTING INTEREST.] For purposes of this chapter, in the case of any contract for the sale or exchange of property there shall be treated as interest that part of a payment to which section 483 of the Internal Revenue Code of 1954, as amended through December 31, 1984 1985, applies. The treatment of loans with below-market interest rates shall be the same as is provided in section 7872 of the Internal Revenue Code of 1954, as amended through December 31, 1984 1985.

Sec. 3. Minnesota Statutes 1985 Supplement, 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, 1984 1985, 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 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, 1984 1985, 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, 1984 1985, 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, 1984 1985:

(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 or, 18, or 19 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), (f)(12), or (j)(1) or a method provided

in section 168(e)(2) of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985. 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, ~~1984~~ 1985 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 ~~and~~, 18, ~~and~~ 19 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, ~~1984~~ 1985, 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, ~~1984~~ 1985, 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, ~~1984~~ 1985.

The provisions of section 168(i)(4) of the Internal Revenue Code of 1954, as amended through December 31, ~~1984~~ 1985 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 provisions of section 280F of the Internal Revenue Code of 1954, as amended through ~~May 25 December 31, 1985~~, shall apply to limit the depreciation deductions, (including the first year depreciation deduction provided in paragraph (B)), for luxury automobiles and other property as provided in that section, and provided that if that section applies, the taxpayer shall be allowed to deduct the same amount of depreciation as was deducted for federal income tax purposes.

(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 prop-

erly 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, 1984 / 1985.

Sec. 4. Minnesota Statutes 1985 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1); and

(ii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income or amounts that are not allowable under section

55(e)(8) of the Internal Revenue Code.

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code.

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) 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.

(2) 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.

(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.

(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984/1985.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section), reduced by the sum of the nonrefundable credits allowed under this chapter.

Sec. 5. Minnesota Statutes 1985 Supplement, section 290.132, subdivision 1, is amended to read:

Subdivision 1. [TAXABILITY OF CORPORATION ON DISTRIBUTION.] No gain or loss shall be recognized to a corporation on the distribution, with respect to its stock as provided in section 311 of the Internal Revenue Code of 1954, as amended through December 31, 1984/1985.

The effect on earnings and profits shall be determined according to the provisions of section 312 of the Internal Revenue Code of 1954, as amended through December 31, 1984/1985. However, when determining earnings and profits in section 312(f) and (g), the date December 31, 1932 shall be substituted for February 28, 1913, and January 1, 1933 shall be substituted for March 1, 1913.

Sec. 6. Minnesota Statutes 1985 Supplement, section 290.16, subdivision 7, is amended to read:

Subd. 7. [BONDS, OTHER EVIDENCES OF INDEBTEDNESS.] For the purpose of this section, the treatment of bonds and other debt instruments shall be governed by the provisions of sections 1271 to 1288 of the Internal Revenue Code of 1954, as amended through December 31, 1984/1985.

Sec. 7. Minnesota Statutes 1985 Supplement, section 290.16, subdivision 15, is amended to read:

Subd. 15. [GAIN FROM DISPOSITIONS OF CERTAIN DEPRECI-

ABLE PROPERTY.] For purposes of this subdivision "depreciable property" shall mean "Section 1245 property" or "Section 1245 recovery property" as those phrases are defined in section 1245(a) (3) or (5) of the Internal Revenue Code of 1954, as amended through December 31, 1984 1985.

In determining net income of any corporate taxpayer, the gain realized from the disposition of "depreciable property" shall be treated in the same manner as is provided by section 1245 of the Internal Revenue Code of 1954, as amended through December 31, 1984 1985 and regulations adopted pursuant thereto except that the determination shall be made using the basis computed under this chapter.

Sec. 8. Minnesota Statutes 1985 Supplement, 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 ~~May 25~~ December 31, 1985; 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 section 290.01, subdivision 20a, clauses (1), (2), (3), and (4);

(ii) all nontaxable income;

(iii) recognized net long-term capital gains;

(iv) dividends excluded from federal adjusted gross income under section 116 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;

(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;

(xii) the ordinary income portion of a lump sum distribution under section 402(e) of the Internal Revenue Code of 1954; and

(xiii) contributions made by the claimant to an individual retirement account, including a qualified voluntary employee contribution; simplified employee pension plan; self-employed retirement plan; cash or deferred



arrangement plan under section 401(k) of the Internal Revenue Code of 1954; or deferred compensation plan under section 457 of the Internal Revenue Code of 1954.

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;

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

(f) the first \$2,000 of household income if the claimant was disabled on or before June 1 or attained the age of 65 prior to June 1 of the year following the year for which the taxes were levied or in which the rent was paid.

Sec. 9. [INSTRUCTIONS TO REVISOR.]

*In the next edition of Minnesota Statutes, the revisor of statutes shall substitute the phrase "Internal Revenue Code of 1954, as amended through December 31, 1985" for the words "Internal Revenue Code of 1954, as amended through December 31, 1984" or "Internal Revenue Code of 1954, as amended through May 25, 1985" wherever the phrase occurs in chapter 290, except sections 290.01, subdivision 20, and 290.068.*

Sec. 10. [EFFECTIVE DATE.]

*Section 1 is effective for taxable years beginning after December 31, 1985, except as otherwise provided in clause (v) of that section. Sections 2 to 7 are effective at the same time as the federal changes are effective in 1985, as provided in Public Law Number 99-121. Section 8 is effective for claims based on rent paid in 1985 and thereafter and property taxes payable in 1986 and thereafter. Section 9 is effective for taxable years beginning after December 31, 1985.*

ARTICLE 2

INCOME TAX ADMINISTRATIVE

Section 1. Minnesota Statutes 1985 Supplement, 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 tax-~~

payer during his ownership thereof the basis of the property is its adjusted basis for federal income tax purposes, except as otherwise provided in this chapter. 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. 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 (11); 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 the basis of the property is its adjusted basis for federal income tax purposes, except as otherwise provided in this chapter.

Sec. 2. Minnesota Statutes 1985 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) 85 percent of dividends received by a corporation during the taxable year from another corporation, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. The remaining 15 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of the other corporation and the dividends were paid from income arising out of business done in this state by the corporation paying the dividends. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the remainder shall be allowed as a deduction. The proportion must be that which the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation. The amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their distribution. The burden is on

*the taxpayer to show that the amount of remainder claimed as a deduction has been received from income arising out of business done in this state.*

(b) If the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of the other corporation, *from income arising out of business done in this state by the corporation paying the dividends. If the dividends were declared from income arising out of business done within and without this state, then a proportion of the dividends shall be allowed as a deduction. The proportion must be that which the amount of the taxable net income of the corporation paying the dividends assignable or allocable to this state bears to the entire net income of the corporation. The amounts must be determined by the returns under this chapter of the corporation paying the dividends for the taxable year preceding their distribution. The burden is on the taxpayer to show that the amount of dividends claimed as a deduction has been received from income arising out of business done in this state.*

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) Dividends received by a corporation from another corporation which is organized under the laws of a foreign country or a political subdivision of a foreign country, if the dividends are paid from income arising from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. The deduction provided by this clause does not apply if the corporate stock with respect to which dividends are paid constitutes the stock in trade of the taxpayer, or would be included in the inventory

of the taxpayer, or constitutes property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or if the trade or business of the taxpayer consists principally of the holding of stocks and the collection of the income or gains therefrom. No dividend may be deducted under this clause if it is deducted under clause (a):

Sec. 3. Minnesota Statutes 1984, section 290.36, is amended to read:

290.36 [INVESTMENT COMPANIES; REPORT OF NET INCOME; COMPUTATION OF AMOUNT OF INCOME ALLOCABLE TO STATE.]

The taxable net income of investment companies shall be computed ~~and be~~ exclusively as follows:

Each investment company transacting business as such in this state shall report to the commissioner the net income returned by the company for the taxable year to the United States under the provisions of the Internal Revenue Code of 1954, as amended through December 31, 1983, less the credits provided therein *and subject to the adjustments required by this chapter*. The commissioner shall compute therefrom the taxable net income of the investment company by assigning to this state that proportion of such net income, less such credits which the aggregate of the gross payments collected by the company during the taxable year from old and new business upon investment contracts issued by the company and held by residents of this state, bears to the total amount of the gross payments collected during such year by the company from such business upon investment contracts issued by the company and held by persons residing within the state and elsewhere.

As used in this section, the term "investment company" means any person, co-partnership, association, or corporation, whether local or foreign, coming within the purview of section 54.26, and who or which is registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 and following), and who or which solicits or receives payments to be made to himself or itself and which issues therefor, or has issued therefor and has or shall have outstanding so-called bonds, shares, coupons, certificates of membership, or other evidences of obligation or agreement or pretended agreement to return to the holders or owners thereof money or anything of value at some future date; and as to whom the gross payments received during the taxable year in question upon outstanding investment contracts, plus interest and dividends earned on investment contracts determined by prorating the total dividends and interest for the taxable year in question in the same proportion that certificate reserves as defined by the Investment Company Act of 1940 is to total assets, shall be at least 50 percent of the company's gross payments upon investment contracts plus gross income from all other sources except dividends from subsidiaries for the taxable year in question. The term "investment contract" shall mean any such so-called bonds, shares, coupons, certificates of membership, or other evidences of obligation or agreement or pretended agreement issued by an investment company.

Sec. 4. Minnesota Statutes 1984, section 290.56, subdivision 3, is amended to read:

Subd. 3. [FAILURE TO REPORT CHANGE OR CORRECTION OF FEDERAL RETURN.] If a taxpayer shall fail to report a change or correc-

tion or renegotiation by the Commissioner of Internal Revenue or other officer of the United States or other competent authority or shall fail to file a copy of an amended return within 90 days as required by subdivision 2, the commissioner may, within six years thereafter, recompute the tax, including a refundment thereof, based upon such information as may be available to him, notwithstanding any period of limitations to the contrary.

*If a taxpayer reports the change, correction, or renegotiation, or files the amended return after the 90-day period required by subdivision 2 has expired, the time limit for the commissioner to recompute and reassess the tax due under this chapter, including making a refund, is the time limit provided in subdivision 4 determined from the date the report or amended return was filed with the commissioner.*

#### Sec. 5. [EFFECTIVE DATE.]

*Section 1 is effective for taxable years beginning after December 31, 1980. Section 2 is effective for taxable years beginning after June 30, 1985. Section 3 is effective for taxable years beginning after December 31, 1985. Section 4 is effective for reports or returns filed after the day of final enactment.*

### ARTICLE 3

#### INCOME TAX TECHNICAL

Section 1. Minnesota Statutes 1985 Supplement, section 270.77, is amended to read:

#### 270.77 [SUBSTANTIAL UNDERSTATEMENT OF LIABILITY.]

(a) The commissioner of revenue shall impose a penalty for substantial understatement of liability of any tax payable to the commissioner. ~~Except as otherwise provided in this section, the penalty must be determined under section 6661 of the Internal Revenue Code of 1954, as amended through December 31, 1984.~~

(b) ~~The provisions of section 6661 (b)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984 do not apply.~~

(c) ~~The penalty is not limited to taxes imposed by chapter 290.~~

(d) ~~A substantial understatement of liability for a tax not imposed by chapter 290 is an understatement that exceeds ten percent of the tax required to be shown on the return or \$5,000, whichever is greater. There must be added to the tax an amount equal to ten percent of the amount of any underpayment attributable to the understatement. There is a substantial understatement of tax for the period if the amount of the understatement for the period exceeds the greater of: (1) ten percent of the tax required to be shown on the return for the period; or (2)(a) \$10,000 in the case of a corporation other than an S corporation as defined in section 290.9725 when the tax is imposed by chapter 290, or (b) \$5,000 in the case of any other taxpayer, and in the case of a corporation any tax not imposed by chapter 290. The term "understatement" means the excess of the amount of the tax required to be shown on the return for the period, over the amount of the tax imposed which is shown on the return. The amount of the understatement shall be reduced by that portion of the understatement which is attributable to the tax treatment of any item by the taxpayer if there is or was substantial authority for the treatment, or any~~

*item with respect to which the relevant facts affecting the item's tax treatment are adequately disclosed in the return or in a statement attached to the return. The special rules in cases involving tax shelters provided in section 6661(b)(2)(C) of the Internal Revenue Code of 1954, as amended through December 31, 1985, shall apply and shall apply to a tax shelter the principal purpose of which is the avoidance or evasion of state taxes. The commissioner may abate all or any part of the addition to the tax provided by this section on a showing by the taxpayer that there was reasonable cause for the understatement, or part of it, and that the taxpayer acted in good faith.*

Sec. 2. Minnesota Statutes 1985 Supplement, section 290.06, subdivision 3g, is amended to read:

Subd. 3g. [INFLATION ADJUSTMENT OF CREDITS.] For taxable years beginning after December 31, 1985, the credits provided for individuals in subdivision 3f shall be adjusted for inflation. The dollar amount of each credit for the prior year in subdivision 3f shall be increased ~~in the same manner as by the same percentage~~ provided in subdivision 2d for the expansion of the tax rate brackets. *The resulting amount must be rounded to the nearest whole dollar amount.*

Sec. 3. Minnesota Statutes 1984, section 290.067, subdivision 2, is amended to read:

Subd. 2. [LIMITATIONS.] The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The total credit shall be reduced according to the amount of the combined federal adjusted gross income, plus the ordinary income portion of any lump sum distribution under section 402(e) of the Internal Revenue Code of 1954, as amended through December 31, 1983, of the claimant and his spouse, if any, as follows:

income up to \$10,000, \$720 maximum for one dependent, \$1,440 for all dependents;

income of \$10,001 to \$11,000, \$660 maximum for one dependent, \$1,320 for all dependents;

income over \$11,000, the maximum credit for one dependent shall be reduced by \$10 for every \$200 of additional income, \$20 for all dependents;

\$24,001 and over, no credit.

**A married claimant shall file his income tax return for the year for which he claims the credit either jointly or separately on one form with his spouse. In the case of a married claimant only one spouse may claim the credit.**

The commissioner shall construct and make available to taxpayers tables showing the amount of the credit at various levels of income and expenses. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transitions between expenses and income brackets.

Sec. 4. Minnesota Statutes 1985 Supplement, 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 a corporation which is a partner in a partnership, 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 the corporation's interest in the trade or business or entity) equal to the amount of tax attributable to that portion of taxable income which is allocable or apportionable to the corporation'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 45th month following the end of the taxable year in which the research and experimental expenditure credit arises which results in the carryback, *plus any extension of time granted for filing the return, but only if the return was filed within the extended time*. 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 45th month following the end of the subsequent taxable year, *plus any extension of time granted for filing the return, but only if the return was filed within the extended time*. 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. 5. Minnesota Statutes 1985 Supplement, 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 gross income of the taxpayer or the joint gross income of a married couple filing a joint return, up to a maximum deduction of \$2,400.

In the case of a married individual filing a separate return, the standard deduction is ten percent of the gross income of the taxpayer, up to a maximum of \$1,200, except that the standard deduction shall not be allowed to either if the net income of one of the spouses is determined without regard to the standard deduction.

(b) For taxable years beginning after December 31, 1985, the maximum amount of the standard deduction shall be adjusted for inflation ~~in~~ *by* the same ~~manner~~ *percentage* as provided in section 290.06, subdivision 2d, for the expansion of the rate 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, and the personal credits.~~ The tax of any individual taxpayer whose gross income is less than \$20,000 ~~an amount determined by the commissioner.~~ 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. 6. Minnesota Statutes 1985 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1); and

(ii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income ~~or amounts that are not allowable under section 55(e)(8) of the Internal Revenue Code.~~

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code ~~and reduced by the deductions allowed under sections 642(c), 651(a), and 661(a) of the Internal Revenue Code.~~

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) 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 Minne-



sota purposes than for federal purposes.

(2) 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.

(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.

(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

Sec. 7. Minnesota Statutes 1985 Supplement, 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 1985, 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-," *plus any extension of time granted for filing the return, but only if the return was filed within the extended time.* 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. 8. Minnesota Statutes 1985 Supplement, 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 *for estates and trusts* as required by

section 290.17, subdivision 2.

(2) 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.

(3) 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 (3).

(4) Interest, taxes, and other expenses not allowed under section 290.10, clause (9), *for estates and trusts*.

(5) 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.

(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.

Sec. 9. Minnesota Statutes 1985 Supplement, 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~~ *persons* as defined and as provided in section 267 of the Internal Revenue Code;
- (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;
- (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) 60 percent of the amount of taxes imposed on self-employment income under section 1401 of the Internal Revenue Code. 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;
- (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 prevent a subtraction to the extent allowed under section 290.01, subdivision 20b, clause (10)(b), or the deduction by a corporate taxpayer of expenses and other items to the extent that the expenses and other items are allowable under section 290.09 and are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax and do not exceed the amounts taken for federal income tax purposes for that year. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, or depletion expenses may not be deducted under this clause;
- (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) 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.

For purposes of this section, reference to the Internal Revenue Code means the Internal Revenue Code of 1954, as amended through December 31, 1984.

Sec. 10. Minnesota Statutes 1985 Supplement, section 290.13, subdivision 1, is amended to read:

Subdivision 1. [TRANSACTIONS IN WHICH NO GAIN OR LOSS IS RECOGNIZED.] Gain or loss from transactions described in section 1031, 1032, 1035, 1036, or 1042 of the Internal Revenue Code of 1954, as amended through December 31, 1984 1985, shall be recognized at the time and in the manner, including the basis computation, provided in those sections.

Sec. 11. Minnesota Statutes 1985 Supplement, section 290.14, is amended to read:

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

Except as otherwise provided in this chapter, the basis for determining the gain or loss from the sale or other disposition of property acquired on or after January 1, 1933, shall be the cost to the taxpayer of such property *its adjusted basis for federal income tax purposes*, 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 nonexercise 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 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.

*(1) Corporations, partnerships or individuals subject to the occupation tax under Minnesota Statutes, chapter 298; shall use the occupation tax basis;*

~~(7)~~ (2) The basis of property subject to the provisions of section 1034 of the Internal Revenue Code of 1954, as amended through December 31, 1983 1985 (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. 12. Minnesota Statutes 1985 Supplement, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a) 85 percent of dividends received by a corporation during the taxable year from another corporation, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of his trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom. The remaining 15 percent shall be allowed if the recipient owns 80 percent or more of all the voting stock of the other corporation.

(b) If the trade or business of the taxpayer consists principally of the holding of the stocks and the collection of the income and gains therefrom, dividends received by a corporation during the taxable year from another corporation, if the recipient owns 80 percent or more of all the voting stock of the other corporation.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) If dividends received by a corporation that does not have nexus with

Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) Dividends received by a corporation from another corporation which is organized under the laws of a foreign country or a political subdivision of a foreign country, if the dividends are paid from income arising from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. The deduction provided by this clause does not apply if the corporate stock with respect to which dividends are paid constitutes the stock in trade of the taxpayer, or would be included in the inventory of the taxpayer, or constitutes property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or if the trade or business of the taxpayer consists principally of the holding of stocks and the collection of the income or gains therefrom, *or if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code of 1954, as amended through December 31, 1985.* No dividend may be deducted under this clause if it is deducted under clause (a).

Sec. 13. Minnesota Statutes 1985 Supplement, section 290.21, subdivision 8, is amended to read:

Subd. 8. [FOREIGN SOURCE ROYALTIES.] (a) Rentals, fees, and royalties accrued or received from a foreign corporation for the use of or for the privilege of using outside of the United States patents, copyrights, secret processes and formulas, good will, know-how, trademarks, trade brands, franchises, and other like property. Rentals, fees, or royalties deducted under this subdivision shall not be included in the taxpayer's apportionment factors under section 290.19, subdivision 1, clause (1)(a) or (2)(a)(1). The preceding sentence shall not be construed to imply that nondeductible rentals, fees, and royalties from such properties are or were included in or excluded from the apportionment factors under any other provision of law.

(b) A corporation is allowed the deduction provided by this subdivision only if during the taxable year it received or accrued at least 80 percent of its gross income from sources as defined in clause (a) and from dividends received from foreign corporations. A corporation's gross income for purposes of paragraphs (b) and (c) shall be computed without regard to the requirement of section 290.34, subdivision 2, that a combined report be filed reflecting the entire income of the unitary business.

(c) For purposes of this subdivision, a foreign corporation is (i) a corporation organized under the laws of a foreign country or the political subdivision of a foreign country or (ii) a corporation which for the taxable year derives at least 80 percent of its gross income from sources without the United States, the commonwealth of Puerto Rico, and the possessions of the United States. A foreign corporation does not include a DISC as defined in section 992(a) of the Internal Revenue Code of 1954, as amended through December 31, 1983, *or a FSC as defined in section 922 of the Internal Revenue Code of 1954, as amended through December 31, 1985.*

(d) The deduction provided in this subdivision is allowed only with respect to rentals, fees, and royalties that are included in a corporation's Minnesota taxable net income for the taxable year.

Sec. 14. Minnesota Statutes 1984, section 290.281, subdivision 5, is amended to read:

Subd. 5. [RETURN REQUIRED OF BANK.] Every bank maintaining a common trust fund shall make a return for each taxable year, stating specifically, with respect to such fund, the items of gross income and deductions allowed by this section, and shall include in the return the names and addresses of the participants who would be entitled to share in the net income if distributed and the amount of the proportionate share of each participant. ~~The return shall be sworn to as in the case of a return required to be filed by the bank under section 290.361.~~

Sec. 15. Minnesota Statutes 1984, section 290.34, subdivision 2, is amended to read:

Subd. 2. [AFFILIATED OR RELATED CORPORATIONS, COMBINED REPORT.] When a corporation which is required to file an income tax return is affiliated with or related to any other corporation through stock ownership by the same interests or as parent or subsidiary corporations, or has its income regulated through contract or other arrangement, the commissioner of revenue may permit or require such combined report as, in his opinion, is necessary in order to determine the taxable net income of any one of the affiliated or related corporations. For purposes of computing either the arithmetic average or weighted apportionment formulas under section 290.19, subdivision 1 for each corporation involved, the numerator of the fraction shall be that corporation's sales, property, and payroll in Minnesota and the denominator shall be the total sales, payroll, and property of all the corporations shown on the combined report. The combined report shall reflect the income of the entire unitary business as provided in section 290.17, subdivision 2, clause (4). The combined report shall reflect income only from corporations created or organized in the United States or under the laws of the United States or of any state, the District of Columbia, the commonwealth of Puerto Rico, any possession of the United States, or any political subdivision of any of the foregoing *and from FSCs qualifying under subchapter N, part III, subpart C of the Internal Revenue Code of 1954, as amended through December 31, 1985.* All intercompany transactions between companies which are contained on the combined report shall be eliminated. This subdivision shall not apply to insurance companies whose income is determined under section 290.35 or to investment companies whose income is determined under section 290.36.

Sec. 16. Minnesota Statutes 1985 Supplement, section 290.41, subdivision 1, is amended to read:

Subdivision 1. [PARTNERSHIPS, FIDUCIARIES, AND S CORPORATIONS.] (a) Partnerships shall make a return for each taxable year which shall conform to the requirements of section 290.31, and shall, in addition, include the names and addresses of all partners entitled to a distributive share in their taxable net income and the amount of such distributive share to which each is entitled. The return shall contain ~~or be verified by~~ a written declaration that it is ~~made under the penalties of criminal liability for willfully making~~



~~a false return~~ *correct and complete*. Each partnership required to file a return for any partnership taxable year shall, on or before the day on which the return for the taxable year was filed, furnish to each person who is a partner at any time during the taxable year a copy of the information shown on the return as may be required.

(b) The fiduciary of any estate or trust making the return required to be filed under this chapter for any taxable year shall, on or before the date on which the return was filed, furnish to each beneficiary who receives a distribution from the estate or trust with respect to the taxable year or to whom any item with respect to the taxable year is allocated, a statement containing the information shown on the return as the commissioner may require.

(c) Each S corporation required to file a return under section 290.974 for any taxable year shall, on or before the day on which the return for the taxable year was filed, furnish to each person who is a shareholder at any time during the taxable year a copy of the information shown on the return.

(d) The statements required to be given to the partners, beneficiaries, or shareholders by this subdivision must be furnished at the time required by this subdivision, notwithstanding section 290.42, clause (7).

Sec. 17. Minnesota Statutes 1984, section 290.50, subdivision 3, is amended to read:

Subd. 3. [EXCEPTIONS.] This section shall not be construed so as to disallow:

(a) a net operating loss carryback to any taxable year authorized by section 290.095 or section 172 of the Internal Revenue Code of 1954, as amended through December 31, 1983, but the refund or credit shall be limited to the amount of overpayment arising from the carryback;

(b) a capital loss carryback by a corporation under section 290.16, provided that the claim for refund or credit is made prior to the expiration of the 15th day of the 45th month following the end of the taxable year of the net capital loss which results in the carryback, *plus any extension of time granted for filing the return, but only if the return was filed within the extended time*, and the refund or credit is limited to the amount of overpayment arising from the carryback.

Sec. 18. Minnesota Statutes 1985 Supplement, 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 optional 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 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, 1983/1985, 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, 1983/1985, 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.

(10) [VEHICLE FRINGE BENEFITS.] An employer ~~may elect~~ *shall not* to deduct and withhold any tax under this section with respect to any vehicle fringe benefit provided to an employee *if the employer has so elected for federal purposes* and the requirement of and the definition contained in section 3402(s) of the Internal Revenue Code of 1954, as amended through ~~May 25~~ *December 31*, 1985, are complied with.

Sec. 19. Minnesota Statutes 1985 Supplement, 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), (5), or (6), there must 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 (66-2/3 percent in the case of farmers referred to in subdivision 5(2)) of the taxes shown on the return for the taxable year or 80 percent (66-2/3 percent in the case of farmers referred to above) 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 unpaid required installments in the order in which the installments are required to be paid.

(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

*The amount of any installment required to be paid shall be 25 percent of the required annual payment except as provided in paragraph (c). The term "required annual payment" means the lesser of*

(a) 80 percent (66-2/3 percent in the case of farmers referred to in subdivision 5, paragraph (2)), of the tax shown on the return for the taxable year or 80 percent (66-2/3 percent in the case of farmers referred to above) of the tax for the year if no return is filed, or

(b) 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

(c) An amount equal to the applicable percentage of the tax for the taxable year (after deducting personal credits) computed by placing on an annualized basis the taxable income and alternative minimum taxable income for the months in the taxable year ending before the month in which the installment is required to be paid. The applicable percentage of the tax is 20 percent in the case of the first installment, 40 percent for the second installment, 60 percent for the third installment, and 80 percent for the fourth installment. For purposes of this subparagraph, the taxable income and alternative minimum 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 and alternative minimum 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.

(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) No addition to the tax shall be imposed under this subdivision with respect to any underpayment to the extent the commissioner determines that the provisions of section 6654(e)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984, apply.

(7) 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 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) 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. 20. Minnesota Statutes 1984, section 290A.03, subdivision 8, is amended to read:

Subd. 8. [CLAIMANT.] (a) "Claimant" means a person, other than a dependent, who filed a claim authorized by this chapter and who was domiciled in this state during the calendar year for which the claim for relief was filed.

(b) In the case of a claim relating to rent constituting property taxes, the claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim:

(c) "Claimant" shall not include a resident of a nursing home, intermediate care facility, or long term residential facility whose rent constituting property taxes is paid pursuant to the supplemental security income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.41, the medical assistance program pursuant to title XIX of the Social Security Act, or the general assistance medical care program pursuant to section 256D.03, subdivision 3. If only a portion of the rent constituting property taxes is paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3 reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program or the general assistance medical care program and the denominator of which is income as defined in subdivision 3 plus vendor payments under the medical assistance program or the general assistance medical care program, to determine the allowable refund pursuant to this chapter. *For purposes of this paragraph and paragraph (d), household income or income as defined in subdivision 3 must not be reduced by the \$2,000 reduction provided in subdivision 3, paragraph (2), clause (f), for claimants who are disabled or age 65 or more.*

(d) Notwithstanding paragraph (c), if the claimant was a resident of the

nursing home, intermediate care facility or long term residential facility for only a portion of the calendar year covered by the claim, the claimant may compute rent constituting property taxes by disregarding the rent constituting property taxes from the nursing home, intermediate care facility, or long term residential facility and use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the claimant was not in the facility. The claimant's household income is his income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue and his decision shall be final. If a homestead property owner was a part year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

(f) If a homestead is occupied by two or more renters, who are not husband and wife, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be his household income for purposes of computing the amount of credit to be allowed.

#### Sec. 21. [REPEALER.]

*(a) Minnesota Statutes 1984, sections 290.06, subdivision 15, and 290.39, subdivision 1a, are repealed.*

*(b) Laws 1985, First Special Session chapter 14, article 21, sections 16 and 17, are repealed.*

*(c) Minnesota Statutes 1984, section 290A.04, subdivision 2f, is repealed.*

#### Sec. 22. [EFFECTIVE DATE.]

*Section 1 is effective for returns filed after June 30, 1985. Sections 2, 3, 5, paragraph (b), 6, 8, 9, 14, 16, 19, and 21, paragraph (b), are effective for taxable years beginning after December 31, 1984. Sections 4, 7, 17, and 18 are effective the day after final enactment. Section 5, paragraph (c), is effective for taxable years beginning after December 31, 1981. Sections 10, 11, and 21, paragraph (a), are effective for taxable years beginning after December 31, 1985. Sections 12, 13, and 15 are effective for transactions after December 31, 1984, in tax years ending after such date. Section 20 is effective for claims based on rent paid in 1985 and thereafter. Section 21, paragraph (c), is effective for claims based on property taxes payable in 1985 and thereafter.*

### ARTICLE 4 PROPERTY TAX

Section 1. Minnesota Statutes 1984, section 69.021, subdivision 4, is amended to read:

Subd. 4. [DETERMINATION OF QUALIFIED STATE AID RECIPIENTS; CERTIFICATION TO COMMISSIONER OF FINANCE.] The

commissioner shall determine which municipalities and independent nonprofit firefighting corporations are qualified to receive fire state aid and which municipalities and counties are qualified to receive police state aid. Any municipality, independent nonprofit firefighting corporation or county which received state aid for the year immediately previous shall be presumed to be qualified to receive state aid for the year in question. If subsequent examination reveals that the state aid recipient was not in fact qualified to receive state aid for any year, the commissioner shall retroactively disqualify the recipient and shall take any necessary steps to recover the state aid payments which had been made for the years of disqualification, plus interest at a rate equal to the maximum lawful interest rate for a state bank pursuant to section 48.195, as of the date of disqualification, compounded annually from the date on which the state aid payment was made until the date on which the payment is recovered. The determination of qualification by the commissioner shall be based on information contained in the fire department, personnel and equipment certification required pursuant to section 69.011, the annual financial report required pursuant to section 69.051, any actuarial valuation or experience study report required pursuant to sections 69.77 or 69.773, any audits conducted by the state auditor or an independent auditor, and any other relevant information which comes to the attention of the commissioner. Upon completion of the determination, on or before June 1, the commissioner shall calculate pursuant to subdivision 6 the amount of fire state aid and police state aid which each county, *municipality, or independent nonprofit firefighting corporation* is to receive for subsequent apportionment pursuant to subdivision 7 and shall certify to the commissioner of finance the name of each county in which are located one or more qualified state aid recipients, *municipality, or independent nonprofit firefighting corporation* and the amount of state aid which each county is to receive for subsequent apportionment. The commissioner shall also certify to each county auditor the name of each qualified state aid recipient located in the county and any other information deemed necessary for the county auditor to make the subsequent apportionment of state aid.

Sec. 2. Minnesota Statutes 1984, section 69.021, subdivision 5, is amended to read:

Subd. 5. [CALCULATION OF STATE AID.] The amount of state aid available for apportionment shall be two percent of the fire, lightning, sprinkler leakage and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report and two percent of the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The amount for apportionment in respect to firefighter's state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. The total amount for apportionment in respect to police state aid shall not be greater or lesser than the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report. The total amount for apportionment in respect to police state aid shall be distributed to the counties for apportionment to municipalities maintaining police departments and to the county on the basis of the number of active peace officers, as certified pursuant to section 69.011, subdivision 2, clause (b). The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

Sec. 3. Minnesota Statutes 1984, section 69.021, subdivision 7, is amended to read:

**Subd. 7. [APPORTIONMENT OF AID TO MUNICIPALITIES AND FIREFIGHTER'S RELIEF ASSOCIATIONS BY COUNTY AUDITOR.]**

(1) The ~~county auditor~~ *commissioner* shall apportion the state aid received by him relative to the premiums reported on the Minnesota Firetown Premium Reports filed pursuant to this chapter to each municipality and/or firefighter's relief association certified to him ~~by the commissioner~~ in the same manner that state aid is apportioned to the counties, one-half in proportion to the population and one-half in proportion to the assessed property valuation of the fire towns in the county for which aid is proportioned. Necessary adjustments shall be made to subsequent apportionments.

In the case of municipalities or independent fire departments qualifying for the aid the ~~county auditor~~ *commissioner* shall calculate the state aid for the municipality or relief association on the basis of the population and the property valuation of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with him. If one or more fire departments are furnishing contracted fire service to a city, town or township only the population and valuation of the area served by each fire department shall be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the assessed property valuation of each service area. Agreement shall be in writing and filed with the commissioner in duplicate. The commissioner shall forward one copy of the agreement to the county auditor of the county wherein the fire department is located and retain one copy.

In the case of cities of the first and second class the state aid calculated shall be paid directly to the treasurer of the relief association. In the case of all other municipalities and independent fire department relief associations or retirement plans the aid shall be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall within 30 days transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment.

The ~~county auditor and~~ *commissioner* ~~are~~ *is* hereby empowered to make rules and regulations to permit the administration of the provisions of this section.

(2) The ~~county auditor~~ *commissioner* shall apportion the state police aid ~~received by him~~ to each municipality and to the county in the following manner:

(a) For all municipalities maintaining police departments and the county, the state aid shall be distributed ~~by the county auditor~~ in proportion to the total number of peace officers, as determined pursuant to section 69.011, subdivision 1, clause (g), and subdivision 2, clause (b), employed by each municipality and by the county for 12 calendar months and the proportional or fractional number who were employed less than 12 months;

(b) For each municipality which contracts with the county for police service, a proportionate amount of the state aid distributed to the county based on



the full time equivalent number of peace officers providing contract service shall be credited against the municipality's contract obligation;

(c) For each municipality which contracts with another municipality for police service, a proportionate amount of the state aid distributed to the municipality providing contract service based on the full time equivalent number of peace officers providing contract service on a full time equivalent basis shall be credited against the contract obligation of the municipality receiving contract service;

(d) No municipality entitled to receive police state aid shall be apportioned less police state aid for any year under Laws 1976, Chapter 315, than the amount which was apportioned to it for calendar year 1975 based on premiums reported to the commissioner for calendar year 1974; provided, the amount of police state aid to other municipalities within the county and to the county shall be adjusted in proportion to the total number of peace officers in the municipalities and the county; so that the amount of police state aid apportioned shall not exceed the amount of police state aid available for apportionment.

~~The county auditor and commissioner are hereby empowered to make rules and regulations to permit the administration of the provisions of this section.~~

Sec. 4. Minnesota Statutes 1984, section 69.021, subdivision 9, is amended to read:

Subd. 9. [APPEAL.] In the event that any fire or police department feels itself to be aggrieved, it may request the ~~county board of the county wherein the fire or police department is located~~ commissioner to review and adjust the apportionment of funds within the county and the decision of the ~~county board~~ commissioner shall be subject to appeal; review, and adjustment by the district court in the county in which the fire or police department is located.

Sec. 5. Minnesota Statutes 1985 Supplement, section 69.031, subdivision 1, is amended to read:

Subdivision 1. [COMMISSIONER OF FINANCE'S WARRANT.] The commissioner of finance shall issue to the ~~auditor of each county, municipality, or independent nonprofit firefighting corporation~~ certified to him by the commissioner his warrant for an amount equal to the amount certified to by the commissioner pursuant to section 69.021. The amount due to a ~~county~~ and not paid by September 1 accrues interest at the rate of one percent for each month or part of a month the amount remains unpaid, beginning the preceding June 1.

Sec. 6. Minnesota Statutes 1984, section 69.031, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATIONS.] There is hereby appropriated annually from the state general fund to the ~~counties who are entitled to payments under sections 69.021 and 69.031~~ commissioner of revenue an amount sufficient to make the payments specified in ~~these~~ sections 69.021 and 69.031 not exceeding the tax collected.

Sec. 7. Minnesota Statutes 1985 Supplement, section 116C.63, subdivision 4, is amended to read:

Subd. 4. When private real property defined as class 1a, 1b, 1c, 2a, 2c, 4a,

5a, or 6a 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. 8. Minnesota Statutes 1984, section 124.195, subdivision 5, is amended to read:

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

(a) assume that the payments to school districts by the county treasurer of revenues accruing to the fiscal year of receipt pursuant to section 276.10 are made in the following manner:

(1) 50 percent within seven business days of each due date; and

(2) 100 percent within 14 business days of each due date;

(b) assume that the payments to school districts by the county treasurer of revenues accruing to the fiscal year of receipt pursuant to section 21 are made in the following manner:

(1) 50 percent within seven business days from October 15;

(2) 100 percent within 14 business days from October 15; and

(3) 100 percent within ten business days from November 15.

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

Sec. 9. Minnesota Statutes 1985 Supplement, section 124.2131, subdivision 3, is amended to read:

Subd. 3. [DECREASE IN IRON ORE ASSESSED VALUE.] If in any year the assessed value of class 9a and 9b property, as defined in sections

section 273.13, subdivision 30, and 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 9a and 9b property. If subdivision 2, clause (a) is applicable to such a district, the decrease in class 9a and 9b property shall be applied to the adjusted assessed value as limited therein. In all other respects, the provisions of clause (1) shall be applicable.

Sec. 10. Minnesota Statutes 1984, section 270.12, subdivision 2, is amended to read:

Subd. 2. The board shall meet annually on August 15 at the office of the commissioner of revenue and examine and compare the returns of the assessment of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

(1) The board shall add to the aggregate valuation of the real property of every county, which the board believes to be valued below its market value in money, such percent as will bring the same to its market value in money;

(2) The board shall deduct from the aggregate valuation of the real property of every county, which the board believes to be valued above its market value in money, such percent as will reduce the same to its market value in money;

(3) If the board believes the valuation of the real property of any town or district in any county, or the valuation of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board may add to, or take from, the valuation of any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value in money;

(4) The board shall add to the aggregate valuation of any class of personal property of any county, town, or city, which the board believes to be valued below the market value thereof, such percent as will raise the same to its market value in money;

(5) The board shall take from the aggregate valuation of any class of personal property in any county, town or city, which the board believes to be valued above the market value thereof, such percent as will reduce the same to its market value in money;

(6) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof; and

(7) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to

be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization; and

*(8) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the department of revenue containing only sales that occurred between October 1 of the year immediately preceding the previous year to September 30 of the previous year. The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property.*

Sec. 11. Minnesota Statutes 1985 Supplement, 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 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, whose income must not exceed 110 percent of the St. Paul-Minneapolis metropolitan area income as determined by the United States Department of Housing and Urban Development 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, 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 section 273.124, subdivision 6.

"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. 12. Minnesota Statutes 1985 Supplement, section 273.124, subdivision 6, is amended to read:

Subd. 6. [LEASEHOLD COOPERATIVES.] When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed 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) *to the extent permitted under state or federal law*, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 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.

Sec. 13. Minnesota Statutes 1985 Supplement, section 273.13, subdivision 15a, is amended to read:

Subd. 15a. [GENERAL FUND, REPLACEMENT OF REVENUE.] (1) Payment from the general fund shall be made, as provided herein, for the purpose of replacing revenue lost as a result of the reduction of property taxes provided in subdivisions 22 and 23.

(2) Each county auditor shall certify, not later than May 1 of each year to the commissioner of revenue the amount of reduction resulting from subdivisions 22 and 23 in his county. This certification shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under the provisions of section 275.29. Any prior year adjustments shall also be certified in the abstracts of tax lists. The commissioner of revenue shall review such certifications to determine their accuracy. He may make such changes in the certification as he may deem necessary or return a certification to the county auditor for corrections.

(3) Based on current year tax data reported in the abstracts of tax lists, the commissioner of revenue shall annually determine the taxing district distribution of the amounts certified under clause (2). The commissioner of revenue shall pay to each taxing district, other than school districts, its total payment for the year in equal installments on or before July 15, ~~August 15, September 15, October 15, November 15,~~ and December 15 of each year.

Sec. 14. Minnesota Statutes 1985 Supplement, section 273.13, subdivision 26, is amended to read:

Subd. 26. [CLASS 5.] (a) Residential real estate containing less than four units, other than seasonal residential, recreational, and homesteads, is class 5a. Class 5a shall also include post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing. Class 5a property is assessed at 28 percent of market value.

(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. Class 5b property is assessed at 25 percent of market value. The 25 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.

*(c) Manufactured homes not classified under any other provision constitute class 5c. Class 5c property is assessed at 28 percent of market value.*

Sec. 15. Minnesota Statutes 1985 Supplement, section 273.13, subdivision 28, is amended 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 20 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 20 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 ten 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 20 percent.

The 20 percent and ten 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 or individuals. Class 7d land and improvements, if any, shall be assessed at 20 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, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this 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.

Sec. 16. Minnesota Statutes 1985 Supplement, section 273.136, is amended to read:

**273.136 [TACONITE PROPERTY TAX RELIEF FUND; REPLACEMENT OF REVENUE.]**

Subdivision 1. Payment from the 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.

Subd. 2. The commissioner of revenue shall determine, not later than May April 1 of each year, 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 changes in the abstracts of tax lists as he deems necessary. The commissioner of revenue, after such review, shall submit to the St. Louis county auditor, on or before June 4 April 15, the amount of the first half payment payable hereunder and



on or before ~~October~~ September 15 the amount of the second half payment.

Subd. 3. The St. Louis county auditor shall pay out of the taconite property tax relief account to each county treasurer one-half of the amount certified under subdivision 2 not later than ~~June~~ May 15 and the remaining half not later than ~~November~~ October 15 of each year.

Subd. 4. The county treasurer shall distribute *as part of the May and October settlements* the funds received by him as if they had been collected as a part of the property tax reduced by section 273.135.

Sec. 17. Minnesota Statutes 1984, section 273.1391, subdivision 3, is amended to read:

Subd. 3. Not later than December 1, each county auditor having jurisdiction over one or more tax relief areas defined in subdivision 2 shall certify to the commissioner of revenue his estimate of the total amount of the reduction, determined under subdivision 2, in taxes payable the next succeeding year with respect to all tax relief areas in his county. *The commissioner shall make payments to the county by May 15 and October 15 annually. The county treasurer shall distribute as part of the May and October settlements the funds received from the commissioner.*

Sec. 18. Minnesota Statutes 1985 Supplement, section 273.42, subdivision 2, is amended to read:

Subd. 2. Owners of land defined as class 1a, 1b, 1c, 2a, 2c, 4a, 5a, or 6a, 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 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 state-

ment, 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 received pursuant to sections 273.13 and 273.135, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than \$10.

If, after the county auditor has computed the credit to those qualifying property owners in unorganized townships, there is money remaining in the utility property tax credit fund, then that excess amount in the fund shall be returned to the general school fund of the county.

Sec. 19. Minnesota Statutes 1985 Supplement, section 274.19, subdivision 1, is amended to read:

Subdivision 1. *The provisions of subdivisions 1 to 7 apply to manufactured homes that are assessed under subdivision 8, clause (c).* Each manufactured home 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. 20. Minnesota Statutes 1985 Supplement, section 274.19, subdivision 8, is amended 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~~ *treated* as a ~~manufactured home~~ *personal property*, 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 ~~this~~ 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. 21. Minnesota Statutes 1984, section 275.125, subdivision 9, is amended to read:

Subd. 9. [LEVY REDUCTIONS; TACONITE.] (1) Reductions in levies pursuant to subdivision 10 of this section, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 294.21 to 294.26; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; 477A.15; and any law imposing a tax upon severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties, or recognized revenue pursuant to section 477A.15; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section and sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15

in the previous fiscal year less the product of the same dollar amount of payments or revenue times the ratio of the maximum levy allowed the district under section 124A.03, subdivision 1, to the total levy allowed the district under this section and sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a in the year in which the levy is certified.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 124A.03, subdivision 1, to an amount less than the amount raised by a levy of 12.5 mills times the adjusted assessed valuation of that district for the preceding year as determined by the equalization aid review committee. The amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2 shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure levy authorized by subdivision 11a, and the community service levy authorized by subdivision 8, the commissioner shall ascertain from each affected school district the amount it proposes to levy for capital expenditures pursuant to subdivision 11a and for community services pursuant to subdivision 8. The reduction of the capital expenditure levy and the community services levy shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 294.21 to 294.26; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; 298.51 to 298.67; or any law imposing a tax on severed mineral values, or under any other law distributing proceeds in lieu of ad valorem tax assessments on copper or nickel properties; and not deducted from foundation aid pursuant to section 124A.035, subdivision 5, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the ~~commissioner of finance~~ *St. Louis county auditor* in the following amount by March 15 of each year *except 1986*, the amount required to be subtracted from the previous fiscal year's foundation aid pursuant to section 124A.035, subdivision 5, which is in excess of the foundation aid earned for that fiscal year. The ~~commissioner of finance~~ *county auditor* shall deposit any amounts received pursuant to this clause in the ~~taconite property tax relief fund in the state treasury, established pursuant to section 16A.70~~ *St. Louis county treasury* for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 22. Minnesota Statutes 1984, section 276.09, is amended to read:

276.09 [SETTLEMENT BETWEEN AUDITOR AND TREASURER.]

On the fifth day of March and the 20th day of May, ~~and October~~ of each year, the county treasurer shall make full settlement with the county auditor of all receipts collected by him for all purposes, from the date of the last settlement up to and including each day mentioned. The county auditor shall, within 30 days after each settlement, send an abstract of same to the state auditor in the form prescribed by the state auditor. At each settlement the treasurer shall make complete returns of the receipts on the current tax list,

showing the amount collected on account of the several funds included in the list.

*Settlement of receipts from May 20 to December 31 of each year shall be made as provided in section 21.*

For purposes of this section, "receipts" shall include all tax payments received by the county treasurer on or before the settlement date.

Sec. 23. Minnesota Statutes 1984, section 276.10, is amended to read:

**276.10 [APPORTIONMENT AND DISTRIBUTION OF FUNDS.]**

On the settlement day in March, ~~and May, and October~~ of each year, the county auditor and county treasurer shall distribute all undistributed funds in the treasury, apportioning them, as provided by law, and placing them to the credit of the state, town, city, school district, special district and each county fund. Within 20 days after the distribution is completed, the county auditor shall make a report of it to the state auditor in the form prescribed by the state auditor. The county auditor shall issue his warrant for the payment of moneys in the county treasury to the credit of the state, town, city, school district, or special districts on application of the persons entitled to receive them. The county auditor may apply the mill rate from the year previous to the year of distribution when apportioning and distributing delinquent tax proceeds, provided that the composition of the previous year's mill rate between taxing districts is not significantly different than that which existed for the year of the delinquency.

Sec. 24. Minnesota Statutes 1984, section 276.11, is amended to read:

**276.11 [WHEN TREASURER SHALL PAY FUNDS FROM MARCH AND MAY SETTLEMENT.]**

As soon as practical after ~~each the March and the May settlement settlements~~ the county treasurer shall pay over to the state treasurer or the treasurer of any town, city, school district, or special district, on the warrant of the county auditor, all receipts arising from taxes levied by and belonging to the state, or to such municipal corporation, or other body, and deliver up all orders and other evidences of indebtedness of such municipal corporation or other body, taking triplicate receipts therefor. The treasurer shall file one of the receipts with the county auditor, and shall return one by mail on the day of its reception to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall preserve the receipt in the clerk's office. Upon written request of the state, a municipal corporation or other public body, the county treasurer shall, to the extent practicable, make partial payments of amounts collected periodically in advance of the next settlement and distribution. Accompanying each payment shall be a statement prepared by the county treasurer designating the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties thereon. The county treasurer shall pay, upon written request of the state, a municipal corporation or other public body except school districts, at least 70 percent of the estimated collection within 30 days after the ~~March and May settlement date dates~~. Within seven business days after the due date, the county treasurer shall pay to the treasurer of the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district and the remaining 50 percent of the estimated col-

lections shall be paid to the treasurer of the school district within the next seven business days. The treasurer shall pay the balance of the amounts collected to the state or to a municipal corporation or other body within 60 days after the *March and May settlement date dates*, provided, however, that after 45 days interest shall accrue at a rate of eight percent per annum to the credit of and shall be paid to the state, municipal corporation or other body. Interest shall be payable upon appropriation from the general revenue fund of the county and, if not paid, may be recovered by the state, municipal corporation, or other body, in a civil action.

Sec. 25. [276.111] [DISTRIBUTIONS AND FINAL YEAR END SETTLEMENT.]

*Within seven business days after October 15, the county treasurer shall pay to the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district from May 20 to October 20 and the remaining 50 percent of the estimated tax collections must be paid to the school district within the next seven business days. Within ten business days after November 15, the county treasurer shall pay to the school district 100 percent of the estimated collections arising from taxes levied by and belonging to the school districts from October 20 to November 20.*

*Not later than November 15, the county treasurer shall pay to each taxing district, except any school district, 70 percent of the estimated tax collections from May 20 to October 20. Not later than December 15, the county treasurer shall pay to each taxing district, except school districts, 90 percent of the estimated tax collections through November 30 which have not previously been distributed to the taxing district.*

*On December 26, the county treasurer shall make full settlement with the county auditor of all receipts collected from the 20th day of May to December 24. After subtracting any tax distributions which have been made to the taxing districts in October, November, and December, the treasurer shall pay to each of the taxing districts on or before December 31, the balance of the tax amounts collected on behalf of each taxing district. Interest shall accrue at a rate of eight percent per annum to the credit of and shall be paid to the taxing district if this final settlement amount is not paid by December 31. Interest shall be payable upon appropriation from the general revenue fund of the county and, if not paid may be recovered by the state, municipal corporation, or other body, in a civil action.*

Sec. 26. Minnesota Statutes 1984, section 278.03, is amended to read:

278.03 [PAYMENT OF TAX.]

*If the proceedings instituted by the filing of the petition have not been completed before the 16th day of May next following the filing, the petitioner shall pay to the county treasurer 50 percent of the tax levied for such year against the property involved, unless permission to continue prosecution of the petition without such payment is obtained as herein provided. If the proceedings instituted by the filing of the petition have not been completed by the next October 16, or, in the case of class 3cc agricultural homestead, class 3b agricultural homestead, and class 3 agricultural nonhomestead property, November 16, the petitioner shall pay to the county treasurer 50 percent of the unpaid balance of the taxes levied for the year against the property*

involved if the unpaid balance is \$2,000 or less and 80 percent of the unpaid balance if the unpaid balance is over \$2,000, unless permission to continue prosecution of the petition without payment is obtained as herein provided. The petitioner, upon ten days notice to the county attorney and to the county auditor, given at least ten days prior to the 16th day of May or the 16th day of October, *or, in the case of class 3cc agricultural homestead, class 3b agricultural homestead, and class 3 agricultural nonhomestead property, the 16th day of November*, may apply to the court for permission to continue prosecution of the petition without payment; and, if it is made to appear

(1) That the proposed review is to be taken in good faith;

(2) That there is probable cause to believe that the property may be held exempt from the tax levied or that the tax may be determined to be less than 50 percent of the amount levied; and

(3) That it would work a hardship upon petitioner to pay the taxes due,

the court may permit the petitioner to continue prosecution of the petition without payment, or may fix a lesser amount to be paid as a condition of continuing the prosecution of the petition.

Failure to make payment of the amount required when due shall operate automatically to dismiss the petition and all proceedings thereunder unless the payment is waived by an order of the court permitting the petitioner to continue prosecution of the petition without payment. The county treasurer shall, upon request of the petitioner, issue duplicate receipts for the tax payment, one of which shall be filed by the petitioner in the proceeding.

Sec. 27. Minnesota Statutes 1985 Supplement, section 278.05, subdivision 5, is amended to read:

Subd. 5. Any time after the filing of the petition and before the trial of the issues raised thereby, when the defense or claim presented is that the property has been partially, unfairly, or unequally assessed, or that the parcel has been assessed at a valuation greater than its real or actual value, or that a parcel which is classified as homestead under the provisions of section 273.13, subdivision 22 or 23, has been assessed at a valuation which exceeds by ten percent or more the valuation which the parcel would have if it were valued at the average assessment/sales ratio for real property in the same class in that portion of the county in which the parcel is located, for which the commissioner is able to establish and publish a sales ratio study, the attorney representing the state, county, city or town in the proceedings may serve on the petitioner, or 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, *or, in the case of class 3cc agricultural homestead, class 3b agricultural home-*

*stead, and class 3 agricultural nonhomestead property, the 16th day of November, of the year the taxes are payable, shall be taxed in its favor and included in the judgment and when collected shall be credited to the county revenue fund, unless the taxes were paid in full before the 16th day of October, or, in the case of class 3cc agricultural homestead, class 3b agricultural homestead, and class 3 agricultural nonhomestead property, the 16th day of November, of the year in which the taxes were payable, in which event interest shall not be taxable.*

Sec. 28. Minnesota Statutes 1984, section 279.01, as amended by Laws 1985, chapter 300, section 12, is amended to read:

279.01 [DUE DATE; PENALTIES, INTEREST.]

Subdivision 1. *Except as provided in subdivision 3, on May 16, of each year, with respect to property actually occupied and used as a homestead by the owner of the property, a penalty of three percent shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer, and a penalty of seven percent on nonhomestead property, except that this penalty shall not accrue until June 1 of each year on commercial use real property used for seasonal residential recreational purposes and classified as class 1c, 2e, or 6a, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1 shall attach an affidavit to 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 \$50, one-half thereof may be paid prior to May 16; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of four percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the 16th day of each month up to and including December 16 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 thereupon 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 \$100, upon resolution of the county board, 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.

Subd. 2. In the case of any tax on *class 3cc, 3b, and 3c* homestead property paid within 30 days after the due date specified in this section *or after the 30-day extension as specified in subdivision 3*, the county board may, with the concurrence of the county treasurer, delegate to the county treasurer the power to abate the penalty provided for late payment. Notwithstanding section 270.07, if any county board so elects, the county treasurer may abate the penalty if in his judgment the imposition of the penalty would be unjust and unreasonable.

Subd. 3. In the case of *class 3cc agricultural homestead, class 3b agricultural homestead property, and class 3 agricultural nonhomestead property*, no penalties shall attach to the second one-half property tax payment as provided in this section if paid by November 15. Thereafter for *class 3cc agricultural homestead and class 3b homestead property*, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 16 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for *class 3 agricultural nonhomestead property*, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 16 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of *class 3cc agricultural homestead, class 3b, or class 3 agricultural property* receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as *class 3cc agricultural homestead, class 3b, or class 3 agricultural property*, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15 provided that at least 50 percent of the property's market value is classified *class 3cc agricultural, class 3b, or class 3 agricultural*.

Sec. 29. Minnesota Statutes 1985 Supplement, 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) *nonagricultural* homesteaded land as defined in section 273.13, subdivision 22; (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a); or (c) seasonal recreational land as defined in section 273.13, subdivision 22, paragraph (c) or subdivision 27, paragraph (a), 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. 30. Minnesota Statutes 1985 Supplement, section 287.12, is amended to read:

287.12 [TAXES, HOW APPORTIONED.]

All taxes paid to the county treasurer on or after July 1, 1985, under the provisions of sections 287.01 to 287.12 shall be credited to the county revenue fund.

On or before the tenth day of each month the county treasurer shall determine the receipts from the mortgage registration tax during the preceding month. The 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 97 percent of 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. *The net receipts from the preceding month must be credited to the county welfare fund by the tenth day of each month.*

Sec. 31. Minnesota Statutes 1985 Supplement, 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 report to the county welfare agency the receipts attributable to the tax imposed during the preceding month. The report must accompany the report required in section 287.12. The receipts shall be deposited in the county treasury and credited to the county revenue fund. *The net receipts from the preceding month must be credited to the county welfare fund by the tenth day of each month.*

Sec. 32. Minnesota Statutes 1985 Supplement, 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 22, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 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 multipurpose building and the land on which it is built. A manufactured home, as defined in section ~~468.014~~ 274.19, subdivision 8, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 33. Minnesota Statutes 1985 Supplement, section 290A.03, subdivision 13, is amended to read:

Subd. 13. [PROPERTY TAXES PAYABLE.] "Property taxes payable"

means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead before reductions made pursuant to section 273.13, subdivisions 22 and 23, but after deductions made pursuant to sections 124.2137, 273.115, 273.116, 273.135, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section ~~168.014~~ 274.19, subdivision 8, "property taxes payable" shall also include the amount of the gross rent paid in the preceding year for the site on which the homestead is located, which is attributable to the net tax paid on the site. The amount attributable to property taxes shall be determined by multiplying the net tax on the parcel by a fraction, the numerator of which is the gross rent paid for the calendar year for the site and the denominator of which is the gross rent paid for the calendar year for the parcel. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue 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, subdivision 22 or 23 on or before June 1 of the year in which the "property taxes payable" were levied; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made prior to October 1 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

Sec. 34. Minnesota Statutes 1984, section 296.16, subdivision 1, is amended to read:

Subdivision 1. [INTENT.] All gasoline received in this state and all gasoline produced in or brought into this state except aviation gasoline and marine gasoline shall be determined to be intended for use in motor vehicles in this state. Approximately three-fourths of one percent of all gasoline received in this state and three-fourths of one percent of all gasoline produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of motor boats on the waters of this state and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than ~~in motor boats for aviation purposes~~, three-fourths of one percent of such revenues is the amount of tax on fuel used in motor boats operated on the waters of this state. Approximately three-fourths of one percent of all gasoline received in and produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of snowmobiles

in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than ~~in snowmobiles~~ *for aviation purposes*, three-fourths of one percent of such revenues is the amount of tax on fuel used in snowmobiles operated in this state.

Sec. 35. Minnesota Statutes 1984, section 296.17, subdivision 6, is amended to read:

Subd. 6. [RECIPROCAL AGREEMENTS.] The commissioner is ~~hereby empowered to~~ *of public safety or the commissioner of revenue may enter into* reciprocal agreements with the appropriate officials of any other state under which ~~he either commissioner may waive all or any part of the requirements imposed by this section upon those who use in Minnesota gasoline or other motor vehicle fuel upon which the tax has been paid to such other state,~~ *provided that the officials of such other state grant equivalent privileges with respect to gasoline or other motor vehicle fuel used in such other state but upon which the tax has been paid to Minnesota.*

The commissioner is ~~also hereby empowered to~~ *of public safety or the commissioner of revenue may enter into* reciprocal agreements with the appropriate officials of other states, exempting vehicles licensed in such other states from the license and use tax provisions contained in this section, which otherwise would apply to vehicles licensed by such other state, provided that such other state grant equivalent privileges with respect to vehicles licensed by Minnesota.

Sec. 36. Minnesota Statutes 1984, section 296.17, is amended by adding a subdivision to read:

Subd. 9a. [MINNESOTA BASED INTERSTATE CARRIERS.] *Notwithstanding the exemption contained in subdivision 9, as the commissioner of public safety enters into interstate fuel tax compacts which require base state licensing and filing and which eliminate filing in the nonresident compact states, the Minnesota based motor vehicles registered pursuant to section 168.187 will be required to license under the fuel tax compact in Minnesota.*

*The commissioner of public safety will have all the powers granted to the commissioner of revenue under this section, including the authority to collect and issue licenses, to collect the tax due, and issue any refunds. All license fees paid to the commissioner of public safety pursuant to subdivision 10 will be deposited in the general fund.*

Sec. 37. Minnesota Statutes 1984, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) There is hereby imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of \$1.25 cents per gross ton of merchantable iron ore concentrate produced therefrom. The tax on concentrates produced in 1978 and subsequent years prior to 1985 shall be equal to \$1.25 multiplied by the steel mill products index during the production year, divided by the steel mill products index in 1977. The index stated in code number 1013, or any subsequent equivalent, as published by the United States Department of Labor, Bureau of Labor Statistics Wholesale Prices and Price Indexes for the month of Jan-

uary of the year in which the concentrate is produced shall be the index used in calculating the tax imposed herein. In no event shall the tax be less than \$1.25 per gross ton of merchantable iron ore concentrate. The tax on concentrates produced in 1985 and 1986 shall be at the rate determined for 1984 production. For concentrates produced in 1987 and subsequent years, the tax shall be equal to the preceding year's tax plus an amount equal to the preceding year's tax multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross national product prepared by the bureau of economic analysis of the United States department of commerce.

(b) On concentrates produced in 1984, an additional tax is imposed equal to eight-tenths of one percent of the total tax imposed by clause (a) per gross ton for each one percent that the iron content of such product exceeds 62 percent, when dried at 212 degrees Fahrenheit.

(c) The tax imposed by this subdivision on concentrates produced in 1984 shall be computed on the production for the current year. The tax on concentrates produced in 1985 shall be computed on the average of the production for the current year and the previous year. The tax on concentrates produced in 1986 and thereafter shall be the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(d) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of \$1.25 per gross ton of merchantable iron ore concentrate produced shall be imposed.

Sec. 38. Minnesota Statutes 1985 Supplement, section 298.28, subdivision 1, is amended to read:

Subdivision 1. [DISTRIBUTION.] The proceeds of the taxes collected under section 298.24, except the tax collected under section 298.24, subdivision 2, shall, upon certification of the commissioner of revenue, be 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

(7), 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 the difference between 50 percent of 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 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 year or the 1983-1984 school year, whichever is greater, less the product of 1-3/4 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 1-3/4 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 iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in clause (9).

(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 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 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 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 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) Three cents per taxable ton shall be paid to the iron range resources and rehabilitation board 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.

(7) (a) .20 cent per taxable ton shall be paid to the range association of municipalities and schools, for the purpose of providing an areawide 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.

(8) the amounts determined under clauses (4)(a), (4)(c), (5), and (7)(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.

(9) the proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in clauses (1) to (8), as certified by the commissioner of revenue, and parts (a) and (b) of this clause have been made, together with interest earned on all money 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 eco-

conomic 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.

(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. *The amount distributed under this subclause (b) shall be expended within or for the benefit of the tax relief area defined in section 273.134.*

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~~ 275.58 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~~ 275.58, 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~~ 275.58 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

### Sec. 39. [REPORT ON SALES RATIO STUDY.]

*The department of revenue shall study alternative means of calculating the*

*assessment/sales ratio for communities in which few sales occur and report its findings and recommendations to the legislature by January 15, 1987.*

Sec. 40. Laws 1985, chapter 289, section 5, subdivision 2, is amended to read:

Subd. 2. [REVERSE REFERENDUM.] If the Clearwater county board proposes to increase the levy of the county pursuant to subdivision 1, it shall pass a resolution stating that fact. Thereafter, the resolution shall be published for two successive weeks in the official newspaper of the county or if there is no official newspaper, in a newspaper of general circulation in the county, together with a notice fixing a date for a public hearing on the matter. The hearing shall be held not less than two weeks nor more than four weeks after the first publication of the resolution. Following the public hearing, the county may determine to take no further action or, in the alternative, adopt a resolution confirming its intention to exercise the authority. That resolution shall also be published in the official newspaper of the county or if there is no official newspaper, in a newspaper of general circulation in the county. If within 30 days thereafter a petition signed by voters equal in number to five percent of the votes cast in the county in the last general election requesting a referendum on the proposed resolution is filed with the county auditor the resolution shall not be effective until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the resolution are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the referendum. The referendum must be held at a special or general election prior to October 1, 1985 of the year when a tax is initially proposed to be levied pursuant to this section.

Sec. 41. Laws 1985, chapter 289, section 7, is amended to read:

Sec. 7. [LOCAL APPROVAL.]

Sections 1, 2, 3, and 4 are effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Hubbard county board. Section 5 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Clearwater county board for taxes levied in 1985, 1986, 1987, and 1988 and subsequent years. Section 6 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Cass county board.

Sec. 42. [REPEALER.]

*Minnesota Statutes 1984, section 69.031, subdivision 4, is repealed.*

Sec. 43. Laws 1985, First Special Session chapter 14, article 11, section 13, is amended to read:

Sec. 13. [REPEALER.]

Minnesota Statutes 1984, sections 287.27, 287.29, subdivision 3, and 287.32 are repealed.

Sec. 44. [EFFECT OF PRIOR ACTION.]

*Notwithstanding Minnesota Statutes, section 645.36, the repeal of Minnesota Statutes, section 287.27 by Laws 1985, First Special Session chapter 14, article 11, section 13, is of no effect, and section 287.27, remains in*

*effect without interruption. The amendment to section 287.27 by Laws 1985, First Special Session chapter 14, article 11, section 8, takes effect July 1, 1985.*

Sec. 45. [INSTRUCTION TO THE REVISOR.]

*In the next edition of Minnesota Statutes, the revisor shall change class 3cc to class 1b, class 3b to class 2a, class 3 to class 2c, and class 3c to class 1a, wherever they appear in sections 278.03, 278.05, subdivision 5, and 279.01.*

Sec. 46. [EFFECTIVE DATES.]

*Sections 1 to 6 and 42 are effective for police and fire aids payable in 1986 and subsequent years. Sections 7, 8, 9, 11, 12, 14 to 20, 29, 32, and 33 are effective for property taxes levied in 1986 and subsequent years, payable in 1987 and subsequent years. Section 13 is effective July 15, 1986. Section 21 is effective March 15, 1986. Sections 22 to 28 are effective for taxes paid in 1986 and subsequent years. Sections 30, 31, 35, and 36 are effective July 1, 1986. Sections 34, 37, 38, 40, and 41 are effective the day following final enactment. Sections 43 and 44 are effective July 1, 1985.*

ARTICLE 5.

AID PAYMENTS

Section 1. Minnesota Statutes 1985 Supplement, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. [LEVY RECOGNITION.] (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to section 275.125, subdivision 9a, and Laws 1976, chapter 20, section 4.

(b) In June of each year, the school district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the June and July school district tax settlement revenue received in that calendar year; or

(2) the sum of the state aids and credits enumerated in section 124.155, subdivision 2 which are for the fiscal year payable in that fiscal year plus 24 percent in 1986 and 34 percent in 1987 and thereafter of the amount of the levy certified in the prior calendar year according to section 275.125, subdivision 2d, plus or minus auditor's adjustments, not including levy portions that are assumed by the state; or

(3) 24 percent in 1986 and 34 percent in 1987 and thereafter of the amount of the levy certified in the prior calendar year, plus or minus auditor's adjustments, not including levy portions that are assumed by the state, which remains after subtracting, by fund, the amounts levied for the following purposes:

(i) reducing or eliminating projected deficits in the appropriated fund balance accounts for unemployment insurance and bus purchases;

(ii) statutory operating debt pursuant to section 275.125, subdivision 9a,

and Laws 1976, chapter 20, section 4; and

(iii) retirement and severance pay pursuant to section 275.125, subdivision 6a, and Laws 1975, chapter 261, section 4; and

(iv) amounts levied for bonds issued and interest thereon, amounts levied for debt service loans and capital loans, and amounts levied pursuant to section 275.125, subdivision 14a.

(c) In July of each year, the school district shall recognize as revenue that portion of the school district tax settlement revenue received in that calendar year and not recognized as revenue for the previous fiscal year pursuant to clause (b).

(d) All other school district tax settlement revenue shall be recognized as revenue in the fiscal year of the settlement. Portions of the school district levy assumed by the state, including prior year adjustments and the amount to fund the school portion of the reimbursement made pursuant to section 273.425, shall be recognized as revenue in the fiscal year beginning in the calendar year for which the levy is payable.

Sec. 2. Minnesota Statutes 1985 Supplement, section 121.904, subdivision 4c, is amended to read:

Subd. 4c. [PROPERTY TAX SHIFT REDUCTION.] (a) If the most recent forecast of general fund revenues and expenditures prepared by the commissioner of finance as of December 1 indicates a projected unobligated general fund balance at the close of the biennium in excess of \$10,000,000, *Money made available under section 16A.1541 by December 31, 1986, must be used to reduce the levy recognition percent specified in subdivision 4a, clauses (b)(2) and (b)(3), shall be reduced for taxes payable in the succeeding calendar year, according to the provisions of this subdivision and section 16A.1541.*

(b) The levy recognition percent shall equal the result of the following computation: 24 3/4 percent, times the ratio of

(1) the statewide total amount of levy recognized in June of the year in which the taxes are payable pursuant to subdivision 4a, clause (b), reduced by the amount of *the projected general fund balance money made available under section 16A.1541, to*

(2) the statewide total amount of the levy recognized in June of the year in which the taxes are payable pursuant to subdivision 4a, clause (b).

The result shall be rounded up to the nearest whole percent. However, in no case shall the levy recognition percent be reduced below ~~zero~~ 24 percent.

(c) The commissioner of finance must certify to the commissioner of education the levy recognition percent computed under this subdivision by January 5 of each year. The commissioner of education must notify school districts of a change in the levy recognition percent by January 15.

(d) The commissioner of finance shall transfer from the general fund to the education aids appropriations specified by the commissioner of education, the amounts needed to finance the additional payments required because of the reduction pursuant to this subdivision of the levy recognition percent. Payments to a school district of additional state aids resulting from a reduc-

tion in the levy recognition percent must be included in the cash metering of payments made according to section 124.195 after January 15, and must be paid in a manner consistent with the percent specified in that section.

### Sec. 3. [PROPERTY TAX SHIFT REDUCTION.]

*Notwithstanding Minnesota Statutes, sections 16A.15, subdivision 6, and 16A.1541, until June 30, 1987, when the balance in the budget and cash flow reserve account has been restored to \$100,000,000, the excess must be used, one-half to fund a property tax shift reduction under Minnesota Statutes, section 121.904, subdivision 4c, and the remainder to restore the budget and cash flow reserve account and for other purposes as provided in Minnesota Statutes, section 16A.1541.*

Sec. 4. Minnesota Statutes 1984, section 124.195, subdivision 3, is amended to read:

Subd. 3. [PAYMENT DATES AND PERCENTAGES.] Beginning in fiscal year 1984 and thereafter, the commissioner of education shall pay to a school district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (a) the district's other district receipts through the current payment, and (b) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	First business day prior to July 15:	2.25
Payment 2	First business day prior to July 30:	4.50
Payment 3	First business day prior to August 15:	6.75
Payment 4	First business day prior to August 30:	9.0
Payment 5	First business day prior to September 15: the greater of (a) one-half of the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392, or (b) the amount needed to provide 12.75 percent	
Payment 6	First business day prior to September 30: the greater of (a) one-half of the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392, or (b) the amount needed to provide 16.5 percent	
Payment 7	First business day prior to October 15: the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 20.75 percent	
Payment 8	First business day prior to October 30: the greater of (a) one-half of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits, or (b) the amount needed to provide 25.0 percent	

Payment 9	First business day prior to November 15:	31.0
Payment 10	First business day prior to November 30:	37.0
Payment 11	First business day prior to December 15:	40.0
Payment 12	First business day prior to December 30:	43.0
Payment 13	First business day prior to January 15:	47.25
Payment 14	First business day prior to January 30:	51.5
Payment 15	First business day prior to February 15:	56.0
Payment 16	First business day prior to February 28:	60.5
Payment 17	First business day prior to March 15:	65.25
Payment 18	First business day prior to March 30:	70.0
Payment 19	First business day prior to April 15:	74.0
		73.0
Payment 20	First business day prior to April 30:	85.0
		79.0
Payment 21	First business day prior to May 15:	92.0
		82.0
Payment 22	First business day prior to May 30:	100.0
		90.0
Payment 23	First business day prior to June 20:	100.0

Sec. 5. Minnesota Statutes 1984, section 124.195, is amended by adding a subdivision to read:

*Subd. 3a. [APPEAL.] The commissioner may revise the payment dates and percentages in subdivision 3 and section 6 of this article for a district if it is determined that there is an emergency or there are serious cash flow problems in the district that cannot be resolved by issuing warrants or other forms of indebtedness. The commissioner shall establish a process and criteria for school districts to appeal the payment dates and percentages established in subdivision 3 and section 6 of this article.*

**Sec. 6. [TEMPORARY CHANGE IN PAYMENT OF AIDS AND CREDITS TO SCHOOL DISTRICTS.]**

*If the commissioner of finance determines that modifications in the payment schedule are required to avoid state short-term borrowing, the commissioner of education shall modify payments to school districts according to this section. The modifications shall begin no sooner than September 1, 1986, and shall remain in effect until no later than May 30, 1987. In calculating the payment to a school district pursuant to Minnesota Statutes, section 124.195, subdivision 3, the commissioner may subtract the sum specified in that subdivision, plus an additional amount no greater than the following:*

*(1) the net cash balance in the district's four operating funds on June 30, 1986; minus*

*(2) the product of \$150 times the number of actual pupil units in the 1985-1986 school year; minus*

*(3) the amount of payments made by the county treasurer during fiscal year 1986, pursuant to Minnesota Statutes, section 276.10, which is considered revenue for the 1986-1987 school year. However, no additional amount shall be subtracted if the total of the net unappropriated fund balances in the*



*district's four operating funds on June 30, 1986, is less than the product of \$350 times the number of actual pupil units in the 1985-1986 school year. The net cash balance shall include all cash and investments, less certificates of indebtedness outstanding and orders not paid for want of funds.*

*A district may appeal the payment schedule established by this section according to the procedures established in section 5.*

#### Sec. 7. [PAYMENT DELAYS.]

*In addition to the authority given in section 6 and notwithstanding any other law to the contrary, the commissioner of finance may delay payment of any type of state aids to local units of government, excluding school districts. The commissioner may exercise the authority granted in this section only to the extent necessary to avoid short-term borrowing by the state. The delay may not extend beyond the end of the fiscal year of the recipient.*

#### Sec. 8. [REPEALER.]

*Minnesota Statutes 1984, section 124A.031, subdivision 2, and Minnesota Statutes 1985 Supplement, section 16A.154, are repealed.*

### ARTICLE 6

#### LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 1985 Supplement, section 477A.011, subdivision 10, is amended to read:

Subd. 10. [MAXIMUM AID AMOUNT.] For any calendar year aid distribution, a city's maximum aid amount shall be 106 percent of its previous year aid amount, provided that its previous year aid amount exceeded \$150 per capita. If its previous year aid amount was less than \$150 per capita, its maximum aid amount shall be the lesser of: (a) 112 percent of its previous year aid amount, or (b) \$159 multiplied by the population figure used in determining its previous year aid provided that its average equalized municipal mill rate exceeded 18 mills. If its average equalized municipal mill rate was less than or equal to 18 mills, its maximum aid amount shall be 105.5 percent of its previous year aid amount.

Sec. 2. Minnesota Statutes 1985 Supplement, section 477A.011, subdivision 14, is amended to read:

Subd. 14. [LOCAL EFFORT MILL RATE.] For any calendar year aid distribution, a city's local effort mill rate means its fiscal need factor per capita divided by \$16 \$18 per capita per mill for the first \$300 of its fiscal need factor per capita; plus its fiscal need factor per capita divided by \$14 per capita per mill on that part of its fiscal need factor per capita, if any, in excess of \$300. In no case shall a city's local effort mill rate be less than eight mills.

Sec. 3. Minnesota Statutes 1985 Supplement, section 477A.012, is amended to read:

#### 477A.012 [COUNTY GOVERNMENT DISTRIBUTIONS.]

In calendar year 1986 1987, each county government shall receive a distribution equal to 60 104 percent of the aid amount certified for 1983 1986 pursuant to sections 477A.011 to 477A.03. Each county government that received no distribution in 1986 pursuant to sections 477A.011 to 477A.03

*shall receive a distribution in calendar year 1987 computed by multiplying the county's population by the average per capita increase in aid paid to all other counties under this section in 1987 over the average per capita aid paid to counties in 1986.*

Sec. 4. Minnesota Statutes 1985 Supplement, section 477A.013, is amended to read:

477A.013 [MUNICIPAL GOVERNMENT DISTRIBUTIONS.]

Subdivision 1. [TOWNS.] In calendar year ~~1986~~ 1987, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03; or (b) ~~106~~ 104 percent of the amount received in 1985 1986 pursuant to Minnesota Statutes ~~1984~~ 1985 Supplement, sections 477A.011 to 477A.03.

Subd. 2. [CITIES.] In calendar year ~~1986~~ 1987, each city shall receive a local government aid distribution as determined by the following steps.

(1) A preliminary aid amount shall be computed for each city equal to the amount obtained by subtracting its local effort mill rate multiplied by its equalized assessed value from its fiscal need factor, except that its preliminary aid amount may not be less than its previous year aid amount.

For any city which received more than \$70 per capita in attached machinery aids in 1983 pursuant to Minnesota Statutes 1982, section 273.138, an amount equal to the amount of attached machinery aids received in 1983 shall be added to the preliminary aid amount.

(2) For each city, an aid increase amount equal to the amount by which its preliminary aid amount exceeds its previous year aid amount shall be determined. Each city's aid increase amount shall be reduced by a uniform percentage as determined by the commissioner of revenue, to make the sum of the final aid distributions for all cities equal the aid limitation imposed by subdivision 3.

(3) Each city's final aid amount shall be equal to the sum of its aid increase amount, as adjusted, and its previous year aid amount; provided, however, that no city's aid shall exceed its maximum aid amount, and further provided that no city which is a city of the first class shall have a final aid amount which is less than 102 percent of its previous year aid.

Subd. 3. [AID LIMITATION.] The total amount available for distribution to cities pursuant to subdivision 2 shall be ~~\$286,000,000~~ \$300,320,000 for calendar year ~~1986~~ 1987.

Sec. 5. Minnesota Statutes 1984, section 477A.015, is amended to read:

477A.015 [PAYMENT DATES.]

The commissioner of revenue shall make the payments of local government aid to affected taxing authorities in ~~six~~ two 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 aids 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. The commissioner may pay all or part of the payment due on December 15 at any time after August 15 upon the request of a city that requests such payment as being necessary for meeting its cash flow needs.

## ARTICLE 7

### COMPLIANCE

Section 1. Minnesota Statutes 1984, section 60A.15, subdivision 2, is amended to read:

Subd. 2. [DOMESTIC MUTUAL INSURANCE COMPANIES.] On or before April 15, June 15, ~~September 15~~ and December 15 of each year, every domestic mutual insurance company including township and farmers' insurance companies shall pay to the commissioner of revenue ~~quarterly~~ installments *equal to one-third* of the insurer's total estimated tax for the current year based on a sum equal to two percent of the gross direct fire, lightning, and sprinkler leakage premiums, less return premiums on all direct business, except auto and ocean marine fire business received by it, or by its agents for it, in cash or otherwise, on property located in this state, during such year. If unpaid by such dates, there shall be added to the tax for the taxable year an amount determined pursuant to subdivisions 1a to 1c. Failure of a company to make ~~quarterly~~ payments of at least ~~one-fourth~~ *one-third* of either (a) the total tax paid during the previous calendar year or (b) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this subdivision.

Sec. 2. Minnesota Statutes 1985 Supplement, section 60A.17, subdivision 1a, is amended to read:

Subd. 1a. [LICENSE APPLICATION.] (a) [PROCEDURE.] An application for a license to act as an insurance agent shall be made to the commissioner by the person who seeks to be licensed. The application for license shall be accompanied by a written appointment from an admitted insurer authorizing the applicant to act as its agent under one or both classes of license. The insurer must also submit its check payable to the state treasurer for the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9) at the time the agent becomes licensed. The application and appointment shall be on forms prescribed by the commissioner.

If the applicant is a natural person, no license shall be issued until that natural person has become qualified.

If the applicant is a partnership or corporation, no license shall be issued until at least one natural person who is a partner, director, officer, stockholder, or employee shall be licensed as an insurance agent.

(b) [RESIDENT AGENT.] The commissioner shall issue a resident insurance agent's license to a qualified resident of this state as follows:

(1) a person may qualify as a resident of this state if that person resides in this state or the principal place of business of that person is maintained in this state. Application for a license claiming residency in this state for licensing purposes, shall constitute an election of residency in this state. Any license issued upon an application claiming residency in this state shall be void if the licensee, while holding a resident license in this state, also holds, or makes application for, a resident license in, or thereafter claims to be a resident of, any other state or jurisdiction or if the licensee ceases to be a resident of this state; provided, however, if the applicant is a resident of a community or trade area, the border of which is contiguous with the state line of this state, the applicant may qualify for a resident license in this state and at the same time hold a resident license from the contiguous state;

(2) the commissioner shall subject each applicant who is a natural person to a written examination as to the applicant's competence to act as an insurance agent. The examination shall be held at a reasonable time and place designated by the commissioner;

(3) the examination shall be approved for use by the commissioner and shall test the applicant's knowledge of the lines of insurance, policies, and transactions to be handled under the class of license applied for, of the duties and responsibilities of the licensee, and pertinent insurance laws of this state;

(4) the examination shall be given only after the applicant has completed a program of classroom studies in a school, which shall include a school conducted by an admitted insurer. The course of study shall consist of 30 hours of classroom study devoted to the basic fundamentals of insurance for those seeking a Minnesota license for the first time, 15 hours devoted to specific life and health topics for those seeking a life and health license, and 15 hours devoted to specific property and casualty topics for those seeking a property and casualty license. The program of studies or study course shall have been approved by the commissioner in order to qualify under this clause. If the applicant has been previously licensed for the particular line of insurance in the state of Minnesota, the requirement of a program of studies or a study course shall be waived. A certification of compliance by the organization offering the course shall accompany the applicant's license application. This program of studies in a school or a study course shall not apply to farm property perils and farm liability applicants, or to agents writing such other lines of insurance as the commissioner may exempt from examination by order;

(5) the applicant must pass the examination with a grade determined by the commissioner to indicate satisfactory knowledge and understanding of the class or classes of insurance for which the applicant seeks qualification. The commissioner shall inform the applicant as to whether or not the applicant has passed;

(6) an applicant who has failed to pass an examination may take subsequent examinations. Examination fees for subsequent examinations shall not be waived; and

(7) any applicant for a license covering the same class or classes of insurance for which the applicant was licensed under a similar license in this state, other than a temporary license, within the three years preceding the date of the application shall be exempt from the requirement of a written examination, unless the previous license was revoked or suspended by the commissioner. *An applicant whose license is not renewed under subdivision 20 is exempt from the requirement of a written examination.*

(c) [NONRESIDENT AGENT.] The commissioner shall issue a nonresident insurance agent's license to a qualified person who is a resident of another state or country as follows:

(1) A person may qualify for a license under this section as a nonresident only if that person holds a license in another state, province of Canada, or other foreign country which, in the opinion of the commissioner, qualifies that person for the same activity as that for which a license is sought;

(2) The commissioner shall not issue a license to any nonresident applicant until that person files with the commissioner a designation of the commissioner and the commissioner's successors in office as the applicant's true and lawful attorney upon whom may be served all lawful process in any action, suit, or proceeding instituted by or on behalf of any interested person arising out of the applicant's insurance business in this state. This designation shall constitute an agreement that this service of process is of the same legal force and validity as personal service of process in this state upon that applicant.

Service of process upon any licensee in any action or proceeding commenced in any court of competent jurisdiction of this state may be made by serving the commissioner with appropriate copies of the process along with payment of the fee pursuant to section 60A.14, subdivision 1, paragraph (c), clause (4). The commissioner shall forward a copy of the process by registered or certified mail to the licensee at the last known address of record or principal place of business of the licensee; and

(3) A nonresident license shall terminate automatically when the resident license for that class of license in the state, province, or foreign country in which the licensee is a resident is terminated for any reason.

(d) [DENIAL.] (1) If the commissioner finds that an applicant for a resident or nonresident license has not fully met the requirements for licensing, the commissioner shall refuse to issue the license and shall promptly give written notice to both the applicant and the appointing insurer of the denial, stating the grounds for the denial. All fees which accompanied the application and appointment shall be deemed earned and shall not be refundable.

(2) The commissioner may also deny issuance of a license for any cause that would subject the license of a licensee to suspension or revocation. If a license is denied pursuant to this clause, the provisions of subdivision 6c, paragraph (c) apply.

(3) The applicant may make a written demand upon the commissioner for a hearing within 30 days of the denial of a license to determine whether the reasons stated for the denial were lawful. The hearing shall be held pursuant to chapter 14.

(e) [TERM.] All licenses issued pursuant to this section shall remain in force until voluntarily terminated by the licensee, not renewed as prescribed in subdivision 1d, or until suspended or revoked by the commissioner. A voluntary termination shall occur when the license is surrendered to the commissioner with the request that it be terminated or when the licensee dies, or when the licensee is dissolved or its existence is terminated. In the case of a nonresident license, a voluntary termination shall also occur upon the happening of the event described in paragraph (c), clause (3).

Every licensed agent shall notify the commissioner within 30 days of any change of name, address, or information contained in the application.

(f) [SUBSEQUENT APPOINTMENTS.] A person who holds a valid agent's license from this state may solicit applications for insurance on behalf of an admitted insurer with which the licensee does not have a valid appointment on file with the commissioner; provided, that the licensee has permission from the insurer to solicit insurance on its behalf and, provided further, that the insurer upon receipt of the application for insurance submits a written notice of appointment to the commissioner accompanied by its check payable to the state treasurer in the amount of the appointment fee prescribed by section 60A.14, subdivision 1, paragraph (c), clause (9). The notice of appointment shall be on a form prescribed by the commissioner.

(g) [AMENDMENT OF LICENSE.] An application to the commissioner to amend a license to reflect a change of name, or to include an additional class of license, or for any other reason, shall be on forms provided by the commissioner and shall be accompanied by the applicant's surrendered license and a check payable to the state treasurer for the amount of fee specified in section 60A.14, subdivision 1, paragraph (c).

An applicant who surrenders an insurance license pursuant to this clause retains licensed status until an amended license is received.

(h) [EXCEPTIONS.] The following are exempt from the general licensing requirements prescribed by this section:

(1) agents of township mutuals who are exempted pursuant to subdivision 1b;

(2) fraternal beneficiary association representatives exempted pursuant to subdivision 1c;

(3) any regular salaried officer or employee of a licensed insurer, without license or other qualification, may act on behalf of that licensed insurer in the negotiation of insurance for that insurer; provided that a licensed agent must participate in the sale of any such insurance;

(4) employers and their officers or employees, and the trustees or employees of any trust plan, to the extent that the employers, officers, employees, or trustees are engaged in the administration or operation of any program of employee benefits for the employees of the employers or employees of their subsidiaries or affiliates involving the use of insurance issued by a licensed insurance company; provided, that the activities of the officers, employees and trustees are incidental to clerical or administrative duties and their compensation does not vary with the volume of insurance or applications therefor;

(5) employees of a creditor who enroll debtors for life or accident and health insurance; provided the employees receive no commission or fee therefor; and

(6) clerical or administrative employees of an insurance agent who take insurance applications or receive premiums in the office of their employer, if the activities are incidental to clerical or administrative duties and the employee's compensation does not vary with the volume of the applications or premiums.

Sec. 3. Minnesota Statutes 1984, section 60A.17, is amended by adding a subdivision to read:

*Subd. 20. [TAX CLEARANCE CERTIFICATE.] (a) The commissioner may not issue or renew a license under this section if the commissioner of revenue notifies the commissioner and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The commissioner may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the commissioner. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.*

*(b) For purposes of this subdivision, the following terms have the meanings given.*

*(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.*

*(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.*

*(c) In lieu of the notice and hearing requirements of subdivisions 6c and 6d, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.*

*(d) The commissioner shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the commissioner must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commis-*

*sioner of revenue may release information necessary to accomplish the purpose of this subdivision.*

Sec. 4. Minnesota Statutes 1984, section 69.54, is amended to read:

**69.54 [SURCHARGE ON PREMIUMS TO RESTORE DEFICIENCY IN SPECIAL FUND.]**

The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any foreign or domestic fire insurance company on property in this city of the first class, or by its agents for it, in cash or otherwise. This surcharge shall be due and payable from these companies to the state treasurer, in ~~semiannual~~ *equal* installments, on ~~June 30th and December 31st~~ *April 15, June 15, and December 15* of each calendar year, and if not paid within 30 days after these dates, a penalty of ten percent shall accrue thereon and thereafter this sum and penalty shall draw interest at the rate of one percent per month until paid.

Sec. 5. Minnesota Statutes 1984, section 82.22, subdivision 3, is amended to read:

Subd. 3. [RE-EXAMINATIONS.] An examination may be required before the renewal of any license which has been suspended, or before the issuance of a license to any person whose license has been ineffective for a period of one year, except no re-examination shall be required of any individual who has failed to cause renewal of an existing license because of absence from the state while on active duty with the armed services of the United States of America, *and no re-examination shall be required of an individual whose license has not been renewed under section 82.27, subdivision 7.*

Sec. 6. Minnesota Statutes 1984, section 82.27, is amended by adding a subdivision to read:

Subd. 7. [TAX CLEARANCE CERTIFICATE.] *(a) In addition to the provisions of subdivision 1, the commissioner may not issue or renew a license if the commissioner of revenue notifies the commissioner and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The commissioner may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the commissioner. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.*

*(b) For purposes of this subdivision, the following terms have the meanings given.*

*(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.*

*(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.*

*(c) In lieu of the notice and hearing requirements of subdivisions 3, 4, 5,*



and 6, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

(d) The commissioner shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the commissioner must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 7. Minnesota Statutes 1985 Supplement, section 147.021, is amended by adding a subdivision to read:

*Subd. 7. [TAX CLEARANCE CERTIFICATE.] (a) In addition to the provisions of subdivision 1, the board may not issue or renew a license if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.*

*(b) For purposes of this subdivision, the following terms have the meanings given.*

*(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.*

*(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.*

*(c) In lieu of the notice and hearing requirements of subdivision 1, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary,*

*the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.*

*(d) The board shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.*

Sec. 8. Minnesota Statutes 1984, section 148.10, is amended by adding a subdivision to read:

*Subd. 5. [TAX CLEARANCE CERTIFICATE.] (a) In addition to the grounds provided in subdivision 1, the board may not issue or renew a license to practice chiropractic if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.*

*(b) For purposes of this subdivision, the following terms have the meanings given.*

*(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.*

*(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.*

*(c) In lieu of the notice and hearing requirements of subdivisions 3 and 4, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.*

*(d) The board shall require all licensees or applicants of a license to practice chiropractic to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of*

revenue a list of all licensees and applicants for a license to practice chiropractic, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

Sec. 9. Minnesota Statutes 1984, section 150A.08, is amended by adding a subdivision to read:

*Subd. 9. [TAX CLEARANCE CERTIFICATE.] (a) In addition to the grounds provided in subdivision 1 and notwithstanding subdivision 3, the board may not issue or renew a license to practice dentistry if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.*

*(b) For purposes of this subdivision, the following terms have the meanings given.*

*(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.*

*(2) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.*

*(c) In lieu of the notice and hearing requirements of subdivision 8, when a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.*

*(d) The board shall require all licensees or applicants for a license to practice dentistry to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all licensees and applicants for a license to practice dentistry including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release*

*information necessary to accomplish the purpose of this subdivision.*

Sec. 10. Minnesota Statutes 1985 Supplement, section 270.063, is amended to read:

270.063 [COLLECTION OF DELINQUENT TAXES.]

For the purpose of collecting delinquent state tax liabilities ~~from taxpayers who do not reside or are not located in Minnesota~~, there is appropriated to the commissioner of revenue an amount representing the cost of collection, not to exceed one-third of the amount collected by contract with collection agencies, revenue departments of other states, or attorneys to enable the commissioner to reimburse these agencies, *departments, or attorneys* for this service. The commissioner shall report quarterly on the status of this program to the chairmen of the house tax and appropriation committees and senate tax and finance committees.

Notwithstanding section 16A.15, subdivision 3, the commissioner of revenue may authorize the prepayment of sheriff's fees, attorney fees, fees charged by revenue departments of other states, or court costs to be incurred in connection with the collection ~~out of state~~ of delinquent tax liabilities owed to the commissioner of revenue.

Sec. 11. Minnesota Statutes 1985 Supplement, section 270.69, subdivision 2, is amended to read:

Subd. 2. [FILING OF LIENS NECESSARY FOR ENFORCEABILITY AGAINST CERTAIN PERSONS.] The lien imposed by subdivision 1 is not enforceable against any purchaser, mortgagee, pledgee, holder of a uniform commercial code security interest, mechanic's lienor, or judgment lien creditor, until a notice of lien has been filed by the commissioner of revenue in the office of the county recorder of the county in which the property is situated, or in the case of personal property belonging to an individual who is not a resident of this state, or which is a corporation, partnership, or other organization, in the office of the secretary of state. ~~The indexing of liens filed pursuant to this subdivision and, notwithstanding section 386.77, the fees charged for such filing and indexing, shall be as prescribed in sections 272.483 and 272.484. Notwithstanding any other law to the contrary, the department of revenue is exempt from the payment of fees at the time the lien is offered for filing or recording. The fee for filing or recording the lien must be paid at the time the release of lien is offered for filing or recording.~~

Sec. 12. Minnesota Statutes 1985 Supplement, section 270.69, subdivision 4, is amended to read:

Subd. 4. [PERIOD OF LIMITATIONS.] The lien imposed by this section shall, notwithstanding any other provision of law to the contrary, be enforceable from the time the lien arises and for ten years from the date of filing the notice of lien, which must be filed by the commissioner within five years after the date of assessment of the tax. A notice of lien filed in one county may be transcribed to any other county within ten years after the date of its filing, but the transcription shall not extend the period during which the lien is enforceable. *A notice of lien may be renewed by the commissioner before the expiration of the ten-year period for an additional ten years. The taxpayer must receive written notice of the renewal.*

Sec. 13. Minnesota Statutes 1984, section 270.72, subdivision 1, is

amended to read:

Subdivision 1. [TAX CLEARANCE REQUIRED.] The state or a political subdivision of the state may not issue, *transfer*, or renew a license for the conduct of a profession, trade, or business, if the commissioner notifies the licensing authority that the applicant owes the state delinquent taxes, penalties, or interest. The commissioner may not notify the licensing authority unless the applicant taxpayer owes ~~\$1,000~~ \$500 or more in delinquent taxes. A licensing authority that has received a notice from the commissioner may issue, *transfer*, or renew the applicant's license only if (a) the commissioner issues a tax clearance certificate and (b) the commissioner or the applicant forwards a copy of the clearance to the authority. The commissioner may issue a clearance certificate only if the applicant does not owe the state any uncontested delinquent taxes, penalties, or interest.

Sec. 14. Minnesota Statutes 1984, section 270.72, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Taxes" are limited to withholding tax as provided in section 290.92, sales and use tax as provided in chapter 297A, and motor vehicle excise tax as provided in chapter 297B. Penalties and interest are limited to penalties and interest due on taxes included in this definition.

(b) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action which contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the applicant has entered into a payment agreement and is current with the payments.

(c) "Applicant" means an individual if the license is issued to or in the name of an individual or the corporation or partnership if the license is issued to or in the name of a corporation or partnership. *"Applicant" also means an officer of a corporation or a member of a partnership who is liable for the delinquent taxes pursuant to section 270.10, subdivision 4, either for the entity for which the license is at issue or for another entity for which the liability was incurred, or personally as a licensee.*

Sec. 15. Minnesota Statutes 1984, section 270.72, subdivision 3, is amended to read:

Subd. 3. [NOTICE AND HEARING.] If the commissioner notifies a licensing authority pursuant to subdivision 1, he must send a copy of the notice to the applicant. ~~In the case of the renewal of a license~~ If the applicant requests, in writing, within 30 days of the ~~receipt date~~ date of the notice a hearing, a contested case hearing must be held. The hearing must be held within 45 days of the date the commissioner refers the case to the office of administrative hearings. ~~The hearing must be held under the procedures provided by section 270A.09 and the administrative rules promulgated under chapter 270A.~~ Notwithstanding any law to the contrary, the applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the applicant. The notice may be served personally or by mail.

Sec. 16. Minnesota Statutes 1985 Supplement, section 270.76, is amended

to read:

**270.76 [INTEREST ON REFUNDS.]**

When any tax payable to the commissioner of revenue or to the department of revenue is overpaid and an amount is due the taxpayer as a refund of the overpayment, the overpayment shall bear interest from the date of payment of the tax until the date the refund is paid or credit is made, unless another period for computing interest is provided by law. The interest rate per annum on overpayments shall be ~~80 percent~~ of the interest rate contained in section 270.75, subdivision 5; the rate shall be adjusted annually and become effective as provided in section 270.75, subdivision 5; ~~and the result of the adjustment in the rate shall be rounded to the nearest full percent.~~ The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the administrative procedure act contained in chapter 14.

Sec. 17. Minnesota Statutes 1985 Supplement, section 273.124, is amended by adding a subdivision to read:

*Subd. 13. [SOCIAL SECURITY NUMBER REQUIRED FOR HOMESTEAD APPLICATION.] Beginning with the January 2, 1987, assessment, every property owner applying for homestead classification must furnish to the county assessor that owner's social security or taxpayer identification number. If the social security or taxpayer identification number is not provided, the county assessor shall classify the property as nonhomestead. The social security numbers of the property owners are private data on individuals as defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue.*

*At the request of the commissioner, each county must give the commissioner a listing that includes the name and social security or taxpayer identification number of each property owner applying for homestead classification.*

*If, in comparing the lists supplied by the counties, the commissioner finds that a property owner is claiming more than one homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead credit that had been improperly allowed. The county auditor shall send a notice to the owners of the affected property, demanding reimbursement of the homestead credit plus a penalty equal to 25 percent of the homestead credit. The property owners may appeal the county's determination by filing a notice of appeal with the Minnesota tax court within 60 days of the date of the notice from the county.*

*If the amount of homestead credit and penalty is not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount to the succeeding year's tax list to be collected as part of the property taxes.*

*Any amount of homestead credit recovered from the property owner must be transmitted to the commissioner by the end of each month. The amount of penalty collected must be deposited in the county general fund.*

*The commissioner will provide suggested homestead applications to each*

*county. If a property owner has applied for more than one homestead and the county assessors cannot determine which property should be classified as homestead, the county assessors will refer the information to the commissioner. The commissioner shall make the determination and notify the counties within 60 days.*

*In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners.*

Sec. 18. Minnesota Statutes 1984, section 290.53, subdivision 2, is amended to read:

Subd. 2. [FAILURE TO MAKE AND FILE RETURN.] In case of any failure to make and file a return as required by this chapter within the time prescribed by law or prescribed by the commissioner in pursuance of law, there shall be added to the tax *or subtracted from the refund* in lieu of the penalty provided in subdivision 1: *ten percent of the amount of tax unpaid or of the amount of the refund claimed* 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 such failure continues, not exceeding 25 percent in the aggregate.

*In addition to the penalty imposed above, in the case of a failure to file a return of tax imposed by this chapter within 60 days of the date prescribed for filing of the return (determined with regard to any extensions of time for filing), where the return has been demanded by the commissioner under the provisions of section 290.47, the amount there shall be added to the tax under this subdivision shall not be less than or subtracted from the refund the lesser of \$50 \$100 or 100 percent of the amount required to be shown as the amount of tax which is due with the return or the amount of the refund.*

The amount so added to any tax shall be collected at the same time and in the same manner and as a part of the tax, and the amount of said tax together with the amount so added shall bear interest at the rate specified in section 270.75 from the time such tax should have been paid until paid unless the tax has been paid before the discovery of the neglect, in which case the amount so added shall be collected in the same manner as the tax.

For the purposes of this subdivision the amount of any taxes required to be shown on the return shall be reduced by the amount of any part of the tax which is paid on or before the date prescribed for payment of the tax and by the amount of any credit against the tax which may be claimed upon the return.

Sec. 19. Minnesota Statutes 1984, section 290.61, is amended to read:

#### 290.61 [PUBLICITY OF RETURNS, INFORMATION.]

It shall be unlawful for the commissioner or any other public official or employee to divulge or otherwise make known in any manner any particulars set forth or disclosed in any report or return required by this chapter, or any information concerning the taxpayer's affairs acquired from his or its records, officers, or employees while examining or auditing any taxpayer's liability for taxes imposed hereunder, except in connection with a proceeding involving taxes due under this chapter from the taxpayer making such return or to comply with the provisions of sections 256.978, 268.12, subdivision

12, 270A.11, 273.1314, subdivision 16, 290.612 and 302A.821. The commissioner may furnish a copy of any taxpayer's return, including audit documents and information, to any official of the United States or of any state having duties to perform in respect to the assessment or collection of any tax imposed upon or measured by income, if such taxpayer is required by the laws of the United States or of such state to make a return therein. Prior to the release of any information to any official of the United States or any other state under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that he will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota. The commissioner and all other public officials and employees shall keep and maintain the same secrecy in respect to any information furnished by any department, commission, or official of the United States or of any other state in respect to the income of any person as is required by this section in respect to information concerning the affairs of taxpayers under this chapter. Nothing herein contained shall be construed to prohibit the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and the items thereof. Upon request of a majority of the members of the senate tax committee or of the house tax committee or the tax study commission, the commissioner shall furnish abstracted financial information to those committees for research purposes from returns or reports filed pursuant to this chapter, provided that he shall not disclose the name, address, social security number, business identification number or any other item of information associated with any return or report which the commissioner believes is likely to identify the taxpayer. The commissioner shall not furnish the actual return, or a portion thereof, or a reproduction or copy of any return or portion thereof. "Abstracted financial information" means only the dollar amounts set forth on each line on the form including the filing status.

Any person violating the provisions of this section shall be guilty of a gross misdemeanor.

In order to locate the named payee on state warrants issued pursuant to this chapter or chapter 290A and undeliverable by the United States postal service, the commissioner may publish in any newspaper of general circulation in this state or make available to radio or television stations a list of the name and last known address of the payee as shown on the reports or returns filed with the commissioner. The commissioner may exclude the names of payees whose refunds are in an amount which is less than a minimal amount to be determined by the commissioner. The list shall not contain any particulars set forth on any report or return. The publication or announcement shall include instructions on claiming the warrants.

An employee of the department of revenue may, in connection with his official duties relating to any audit, collection activity, or civil or criminal tax investigation or any other offense under this chapter, disclose return information to the extent that such disclosure is necessary in obtaining information, which is not otherwise reasonably available, with respect to the correct determination of tax, liability for tax, or the amount to be collected or with respect to the enforcement of any other provision of this chapter.

In order to facilitate processing of returns and payments of taxes required



by this chapter, or to facilitate the development, implementation, and use of computer programs and automated procedures for purposes of administering this chapter or chapter 290A, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed will be administered by the vendor consistent with this section, and the vendor must agree to subject himself and his employees to the civil and criminal penalties provided by law for unlawful disclosure.

Information from a tax return required under this chapter on a holder of a license issued by the Minnesota racing commission or an owner of a horse may be provided by the commissioner to the Minnesota racing commission.

*The commissioner may if an attorney owes the state delinquent taxes that would prohibit license clearance under the provisions of section 60A.17, subdivision 20, provide to the Minnesota supreme court and the board of professional responsibility information regarding the amount of any uncontested delinquent taxes due under this chapter or a failure to file a return due under this chapter by an attorney admitted to practice law in this state under chapter 481.*

Sec. 20. Minnesota Statutes 1984, section 297.07, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY RETURN FILED WITH COMMISSIONER.] On or before the ~~eighteenth~~ *twenty-fifth* day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from without the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. Every licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. The return shall be accompanied by a remittance for the full unpaid tax liability shown by it.

Sec. 21. Minnesota Statutes 1984, section 297.07, subdivision 4, is amended to read:

Subd. 4. [MONTHLY TAX PAYMENTS; PENALTY FOR NONPAYMENT.] (a) *Except as provided in paragraph (b),* all taxes shall be due and payable not later than the ~~eighteenth~~ *twenty-fifth* day of the month following the calendar month in which they were incurred, and thereafter shall bear interest at the rate specified in section 270.75. The commissioner in issuing his final assessment pursuant to subdivision 3 shall add to the amount of tax found due and unpaid a penalty of ten percent thereof, except that, if he finds that the distributor has made a false and fraudulent return with intent to evade the tax imposed by sections 297.01 to 297.13, the penalty shall be 25 percent of the entire tax as shown by the corrected return. If any such tax is not paid within the time herein specified for the payment thereof or within 30 days after final determination of an appeal to the Minnesota tax court relating thereto, there shall be added thereto a specific penalty equal to ten percent of the amount so remaining unpaid, but in no event shall the penalty for failure to pay such tax within the time provided for such payment be less than \$10.

The commissioner is authorized to extend the time for paying such tax without penalty for good cause shown.

*(b) Every distributor having a liability of \$1,400 or more in May 1987 or in May of each subsequent year, shall remit the June liability in the manner required by this section.*

*On or before June 25, 1987, or June 25 of each subsequent year, the distributor shall remit the actual May liability and one-half of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.*

*On or before August 25, 1987, or August 25 of each subsequent year, the distributor shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is hereby imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty shall not be imposed if the amount remitted in June equals the lesser of (a) 45 percent of the actual June liability, or (b) 50 percent of the preceding May's liability.*

Sec. 22. Minnesota Statutes 1984, section 297.23, subdivision 1, is amended to read:

Subdivision 1. On or before the ~~eighteenth~~ twenty-fifth day of each calendar month, every consumer who during the preceding calendar month has acquired title to or possession of cigarettes for use or storage in this state, upon which cigarettes the tax imposed by sections 297.01 to 297.13 has not been paid, shall file a return with the commissioner showing the quantity of cigarettes so acquired. The return shall be made upon a form furnished and prescribed by the commissioner, and shall contain such other information as the commissioner may require. The return shall be accompanied by a remittance for the full unpaid tax liability shown by it.

Sec. 23. Minnesota Statutes 1985 Supplement, section 297.35, subdivision 1, is amended to read:

Subdivision 1. On or before the ~~eighteenth~~ twenty-fifth day of each calendar month every distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product (1) brought, or caused to be brought, into this state for sale; and (2) made, manufactured or fabricated in this state for sale in this state, during the preceding calendar month. Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns shall be made upon forms furnished and prescribed by the commissioner and shall contain such other information as the commissioner may require. Each return shall be accompanied by a remittance for the full tax liability shown therein, less two percent of such liability as compensation to reimburse the distributor for his expenses incurred in the administration of sections 297.31 to 297.39.

Sec. 24. Minnesota Statutes 1984, section 297.35, subdivision 5, is amended to read:

Subd. 5. *(a) Except as provided in paragraph (b), all taxes shall be due and*

payable not later than the ~~eighteenth~~ twenty-fifth day of the month following the calendar month in which they were incurred, and thereafter shall bear interest at the rate specified in section 270.75. If any tax required to be paid under the provisions of this section is not paid within the time herein specified, a penalty of five percent of the unpaid tax remaining each month up to a maximum of 25 percent is herein imposed but in no event shall the penalty for failing to pay such tax within the time so provided be less than \$10. The commissioner of revenue is authorized to extend the time for paying such tax without penalty for good cause shown.

Where, under the provisions of subdivisions 2 and 3, the amount of tax due for a given period is assessed without allocating it to any particular month or months, the interest shall commence to run from the date of such assessment.

The commissioner shall have power to reduce or abate the penalty or interest when in his opinion the facts warrant such reduction or abatement. The exercise of this power shall be subject to the provisions of chapter 270 if the reduction or abatement exceeds \$500.

*(b) Every distributor having a liability of \$1,400 or more in May 1987 or in May of each subsequent year, shall remit the June liability in the manner required by this section.*

*On or before June 25, 1987, or June 25 of each subsequent year, the distributor shall remit the actual May liability and one-half of the estimated June liability to the commissioner and file the return on a form prescribed by the commissioner.*

*On or before August 25, 1987, or August 25 of each subsequent year, the distributor shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is hereby imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty shall not be imposed if the amount remitted in June equals the lesser of (a) 45 percent of the actual June liability, or (b) 50 percent of the preceding May's liability.*

Sec. 25. Minnesota Statutes 1984, section 297.35, subdivision 8, is amended to read:

Subd. 8. On or before the ~~eighteenth~~ twenty-fifth day of each calendar month, every consumer who, during the preceding calendar month, has acquired title to or possession of tobacco products for use or storage in this state, upon which tobacco products the tax imposed by section 297.32 has not been paid, shall file a return with the commissioner showing the quantity of tobacco products so acquired. The return shall be made upon a form furnished and prescribed by the commissioner, and shall contain such other information as the commissioner may require. The return shall be accompanied by a remittance for the full unpaid tax liability shown by it.

#### Sec. 26. [REVENUE FROM ACCELERATION.]

*Notwithstanding the provisions of Minnesota Statutes, sections 297.13, subdivision 1, and 297.32, subdivision 9, all revenue collected in June 1987 as a result of the acceleration under the provisions of sections 21 and 24 shall be deposited in the general fund.*

Sec. 27. Minnesota Statutes 1984, section 297A.43, is amended to read:

## 297A.43 [CONFIDENTIAL NATURE OF INFORMATION.]

It shall be unlawful for the commissioner or any other public official or employee to divulge or otherwise make known in any manner any particulars disclosed in any report or return required by sections 297A.01 to 297A.44, or any information concerning the affairs of the person making the return acquired from his records, officers, or employees while examining or auditing under the authority of sections 297A.01 to 297A.44, except in connection with a proceeding involving taxes due under this chapter from the taxpayer making such report or return or to comply with the provisions of section 297A.431 or where a question arises as to the proper tax applicable, that is, sales or use tax. In the latter instance, the commissioner may furnish information to a buyer and a seller with respect to the specific transaction in question. Nothing herein contained shall be construed to prohibit the commissioner from publishing statistics so classified as not to disclose the identity of particular returns or reports and the contents thereof. Any person violating the provisions of this section shall be guilty of a gross misdemeanor.

The commissioner may enter into an agreement with the commissioner or other taxing officials of another state for the interpretation and administration of the acts of their several states providing for the collection of a sales and/or use tax for the purpose of promoting fair and equitable administration of such acts and to eliminate double taxation.

Notwithstanding the above provisions of this section, the commissioner, at his discretion, in order to implement the purposes of this chapter, may furnish information on a reciprocal basis to the taxing officials of another state, or to the taxing officials of any municipality of the state of Minnesota which has a local sales and/or use tax. *The commissioner may furnish to the Minnesota supreme court and the board of professional responsibility information regarding the amount of any uncontested delinquent taxes due under this chapter or a failure to file a return due under this chapter by an attorney admitted to practice law in this state under chapter 481.*

In order to facilitate processing of returns and payments of taxes required by this chapter, the commissioner may contract with outside vendors and may disclose private and nonpublic data to the vendor. The data disclosed will be administered by the vendor consistent with this section.

Sec. 28. Minnesota Statutes 1985 Supplement, section 297C.03, subdivision 1, is amended to read:

Subdivision 1. [MANNER AND TIME OF PAYMENT; PENALTIES; DEPOSIT OF TAX PROCEEDS.] The tax on wines and distilled spirits on which the excise tax has not been previously paid must be paid to the commissioner by persons having on file with the commissioner a sufficient bond as provided in subdivision 2 on or before the ~~tenth~~ *twenty-fifth* day of the month following the month in which the first sale is made in this state by a licensed manufacturer or wholesaler. Every person liable for the tax on wines or distilled spirits imposed by section 297C.02 must file with the commissioner on or before the ~~tenth~~ *twenty-fifth* day of the month following first sale in this state by a licensed manufacturer or wholesaler a return in the form prescribed by rule of the commissioner, and must keep records and render reports required by rule of the commissioner. A person liable for any tax on wines or distilled spirits not having on file a sufficient bond must pay the tax

within 24 hours after first sale in this state. The commissioner may certify to the commissioner of public safety any failure to pay taxes when due as a violation of a statute relating to the sale of intoxicating liquor for possible revocation or suspension of license.

If a person fails to pay the tax within the time specified or within 30 days after final determination of an appeal to the Minnesota tax court relating thereto, there is added a penalty equal to ten percent of the remaining unpaid amount. The penalty must be collected as part of the tax. The amount of tax not timely paid, together with the penalty, must bear interest at the rate specified in section 270.75 from the time the tax should have been paid until it is paid.

Sec. 29. Minnesota Statutes 1985 Supplement, section 297C.04, is amended to read:

297C.04 [PAYMENT OF TAX; MALT LIQUOR.]

The commissioner shall by rule provide a reporting method for paying and collecting the excise tax on fermented malt beverages. The rules must require reports to be filed with and the excise tax to be paid to the commissioner on or before the ~~fifteenth~~ twenty-fifth day of the month following the month in which the importation into or the first sale is made in this state, whichever first occurs. *The rules must also require payments in June of 1987 and subsequent years according to the provisions of section 297C.05, subdivision 2, paragraph (b).* If the excise tax is not paid when due, the amount due is increased by a penalty of ten percent thereof, and interest on the tax and penalty at an annual rate of 20 percent, adjusted as provided in section 270.75, from the date the tax became due until paid.

Sec. 30. Minnesota Statutes 1985 Supplement, section 297C.05, subdivision 2, is amended to read:

Subd. 2. [MONTHLY TAX PAYMENTS; PENALTY FOR NONPAYMENT.] (a) *Subject to paragraph (b),* all taxes shall be due and payable as directed in this chapter, and taxes not paid shall bear interest at the rate specified in section 270.75. The commissioner in issuing a final assessment shall add to the amount of tax found due and unpaid a penalty of ten percent thereof, except that, if the commissioner finds that the taxpayer has made a false and fraudulent return with intent to evade the tax imposed by this chapter, the penalty shall be 25 percent of the entire tax as shown by the corrected return. If the tax is not paid within the time herein specified for the payment thereof or within 30 days after final determination of an appeal to the Minnesota tax court relating thereto, there shall be added thereto a specific penalty equal to ten percent of the amount so remaining unpaid, but in no event shall the penalty for failure to pay the tax within the time provided for payment be less than \$10. The commissioner may extend the time for paying the tax without penalty for good cause shown.

(b) *Every person liable for tax under this chapter having a liability of \$1,400 or more in May 1987 or in May of each subsequent year, shall remit the June liability in the manner required by this section.*

*On or before June 25, 1987, or June 25 of each subsequent year, the taxpayer shall remit the actual May liability and one-half of the estimated June liability to the commissioner and file the return on a form prescribed by the*

commissioner.

On or before August 25, 1987, or August 25 of each subsequent year, the taxpayer shall submit a return showing the actual June liability and paying any additional amount of tax not remitted in June. A penalty is hereby imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty shall not be imposed if the amount remitted in June equals the lesser of (a) 45 percent of the actual June liability, or (b) 50 percent of the preceding May's liability.

Sec. 31. Minnesota Statutes 1984, section 299F.21, is amended to read:

**299F.21 [FIRE INSURANCE COMPANIES TO PAY COST OF MAINTENANCE.]**

On or before April 15, June 15, and December 15 of each year, every insurance company, including reciprocals, interinsurance exchanges or Lloyds, doing business in the state, excepting farmers' mutual fire insurance companies and township mutual fire insurance companies, shall hereafter pay to the commissioner of revenue on or before March 1 annually installments equal to one-third of, a tax upon its fire premiums or assessments or both, as follows:

A sum equal to one-half of one percent of the estimated gross premiums and assessments, less return premiums, on all direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, including premiums on policies covering fire risks only on automobiles, whether written under floater form or otherwise. In the case of a mutual company or reciprocal exchange the dividends or savings paid or credited to members in this state shall be construed to be return premiums. The money so received into the state treasury shall be credited to the general fund.

If the tax prescribed by this section is not paid by March 1, annually those dates, penalties and interest as provided in section 290.53, subdivision 1, shall be imposed.

Sec. 32. Minnesota Statutes 1984, section 326.20, is amended by adding a subdivision to read:

**Subd. 4. [TAX CLEARANCE CERTIFICATE.]** (a) Notwithstanding subdivisions 1 and 2, the board may not issue or renew a license under sections 326.165 to 326.231 if the commissioner of revenue notifies the board and the licensee or applicant for a license that the licensee or applicant owes the state delinquent taxes in the amount of \$500 or more. The board may issue or renew the license only if (1) the commissioner of revenue issues a tax clearance certificate and (2) the commissioner of revenue or the licensee or applicant forwards a copy of the clearance to the board. The commissioner of revenue may issue a clearance certificate only if the licensee or applicant does not owe the state any uncontested delinquent taxes.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Taxes" are all taxes payable to the commissioner of revenue, including penalties and interest due on those taxes.

(2) "Delinquent taxes" do not include a tax liability if (i) an administrative

or court action that contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the licensee or applicant has entered into a payment agreement to pay the liability and is current with the payments.

(c) When a licensee or applicant is required to obtain a clearance certificate under this subdivision, a contested case hearing must be held if the licensee or applicant requests a hearing in writing to the commissioner of revenue within 30 days of the date of the notice provided in paragraph (a). The hearing must be held within 45 days of the date the commissioner of revenue refers the case to the office of administrative hearings. Notwithstanding any law to the contrary, the licensee or applicant must be served with 20 days' notice in writing specifying the time and place of the hearing and the allegations against the licensee or applicant. The notice may be served personally or by mail.

(d) The board shall require all licensees or applicants to provide their social security number and Minnesota business identification number on all license applications. Upon request of the commissioner of revenue, the board must provide to the commissioner of revenue a list of all licensees and applicants, including the name and address, social security number, and business identification number. The commissioner of revenue may request a list of the licensees and applicants no more than once each calendar year. Notwithstanding sections 290.61 and 297A.43, the commissioner of revenue may release information necessary to accomplish the purpose of this subdivision.

#### Sec. 33. [REPEALER.]

Minnesota Statutes 1984, section 270.72, subdivision 5, is repealed.

#### Sec. 34. [APPROPRIATION.]

In order to fund the revenue compliance initiatives, the following amounts are appropriated from the general fund and are available for the years indicated:

FY 1986	FY 1987
Department of Revenue	\$216,600    \$1,895,400

The commissioner of revenue may use this appropriation to fund any of the compliance initiatives in any program area except that this appropriation is not available for compliance initiatives in the corporate income tax area.

In addition to the amounts of corporate income tax receipts required to be credited to the special revenue fund pursuant to Laws 1985, First Special Session chapter 13, section 21, subdivision 3, an additional \$83,400 of corporate income tax receipts in the first year and an additional \$1,079,100 of corporate income tax receipts in the second year must be credited to the special revenue fund to be used to fund compliance initiatives.

#### Sec. 35. [EFFECTIVE DATES.]

*Sections 1, 4, and 31 are effective for taxes on premiums paid after December 31, 1986. Sections 2, 3, 5 to 9, 19, 27, 32, and 33 are effective the day following final enactment. Sections 10 to 15 are effective July 1, 1986. Section 16 is effective for interest earned on overpayments after December 31, 1987. Section 18 is effective for taxable years beginning after December 31, 1985. Sections 20 to 26 and 28 to 30 are effective June 1, 1986.*

## ARTICLE 8 MISCELLANEOUS

Section 1. Minnesota Statutes 1984, section 162.06, subdivision 1, is amended to read:

Subdivision 1. [ESTIMATE.] On or before the second Tuesday of January of each year the commissioner shall estimate the probable sum of money that will accrue to the county state-aid highway fund during the first six months of each year ending June 30. To such estimated amounts he shall add the sum of money already accrued in the county state-aid highway fund for the last preceding six month period ending December 31 of each year, *adjusted to reflect the amount by which actual receipts for the preceding January 1 to June 30 were different from estimated receipts.* The total of such sums except for deductions to be first made as provided herein shall be apportioned to the several counties as hereinafter provided.

Sec. 2. Minnesota Statutes 1984, section 162.12, subdivision 1, is amended to read:

Subdivision 1. [ESTIMATE OF ACCRUALS.] On or before the second Tuesday of January of each year the commissioner shall estimate the probable sum of money that will accrue to the municipal state-aid street fund during the first six months of each year ending June 30. To the estimated amount he shall add the sum of money already accrued in the municipal state-aid street fund for the last preceding six-month period ending December 31, *adjusted to reflect the amount by which actual receipts for the preceding January 1 to June 30 were different from estimated receipts.* The total of such sums, except for deductions to be first made as provided herein, shall be apportioned by the commissioner to the cities having a population of 5,000 or more as hereinafter provided.

Sec. 3. Minnesota Statutes 1984, section 270A.03, subdivision 5, is amended to read:

Subd. 5. "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment. A debt does not include (1) any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant, or (2) any legal obligation to pay a claimant agency for medical care, including hospitalization if the debtor *would have* qualified for a low income credit equal to tax liability pursuant to *Minnesota Statutes 1984, section 290.06, subdivision 3d, clause (1), at the time when the medical care was rendered, provided that, for purposes of this subdivision, the income amounts in that section shall be adjusted for inflation for debts incurred in calendar years 1987 and thereafter. The dollar amount of each income level*



*that applied to debts incurred in the prior year shall be increased in the same manner as provided in section 290.06, subdivision 2d, for the expansion of the tax rate brackets.*

Sec. 4. Minnesota Statutes 1985 Supplement, section 273.1314, subdivision 6, is amended to read:

Subd. 6. [LOCAL CONTRIBUTION.] No area may be designated as an enterprise zone unless the municipality agrees to make a qualifying local contribution in the form of a property tax reduction for employment property as provided by section 273.1313 for any business qualifying for a state tax reduction pursuant to this section. A qualifying local contribution may in the alternative be a local contribution or investment out of other municipal funds, but excluding any special federal grants or loans, equivalent to the property tax reduction. In concluding the agreement with the municipality the commissioner may require that the local contribution will be made in a specified ratio to the amount of the state credits authorized. If the local contribution is to be used to fund additional reductions in state taxes, the commissioner and the governing body of the municipality shall enter an agreement for timely payment to the state to reimburse the state for the amount of tax revenue foregone as a result. The qualifying local contribution for a special enterprise zone under section 273.1312, subdivision 4, paragraph (c), clause (4), shall be the complete abatement of property taxes on property in the zone. *The qualifying local contribution for development within the portion of an enterprise zone that is located in a town that has been added by boundary amendment to an enterprise zone that is located within five municipalities and was designated in 1984 shall be provided by the town.*

Sec. 5. Minnesota Statutes 1985 Supplement, 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 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, *and may approve an additional specific application to amend the boundaries of that zone to further increase its area to include all or part of the territory of a town that surrounds one of the five municipalities.*

Sec. 6. Minnesota Statutes 1985 Supplement, section 297A.257, subdivision 1, is amended to read:

Subdivision 1. [DESIGNATION OF DISTRESSED COUNTIES.] (a) The commissioner of energy and economic development shall annually on ~~June 4~~ *April 15* designate those counties which are distressed. A county is distressed if it satisfies either of the following two criteria:

(1) The county has an average unemployment rate of ten percent or more for the one-year period ending on ~~April 30~~ *December 31* of the calendar year

*immediately preceding the year in which the designation is made; 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 April 30, and 20 percent or more of the county's economy, as determined by the commissioner of economic security jobs and training, is dependent upon agriculture and the commissioner of agriculture declares that a statewide agricultural economic emergency exists at the time the designation of distressed counties is made. The commissioner of agriculture shall make a declaration of an agricultural economic emergency by considering the most recent statewide statistics on net farm income, number of farm foreclosures, value of farmland, average price of production relative to market price of crops, debt to asset ratios of Minnesota farmers, and any other criteria which is deemed appropriate.*

If, as a result of a plant closing, layoffs or another similar event affecting a significant number of employees in the county, the commissioner has reason to believe that the average unemployment in the county will exceed ten percent during the one-year period beginning ~~April 30~~ *January 1*, the commissioner may designate the county as distressed, notwithstanding clause (1).

(b) The commissioner shall designate a portion of a county containing a city of the first class located outside of the metropolitan area as a distressed county if:

(1) that portion of the county has an unemployment rate of ten percent or more for the one-year period ending on ~~April 30~~ *December 31* of the calendar year immediately preceding the year in which the designation is made; and

(2) that portion of the county has a population of at least 50,000 as determined by the 1980 federal census.

(c) A county or the portion of a county designated pursuant to this subdivision shall be considered a distressed county for purposes of this section and chapter 116M.

(d) Except as otherwise specifically provided, the determination of whether a county is distressed must be made using the most current data available from the state demographer. The designation of a distressed county is effective for the 12-month period beginning ~~July 1~~ *April 15*. A county may be designated as distressed as often as it qualifies.

(e) The authority to designate counties as distressed expires on June 30, 1989.

Sec. 7. Minnesota Statutes 1985 Supplement, section 296.02, subdivision 7, is amended to read:

Subd. 7. [TAX REDUCTION FOR AGRICULTURAL ALCOHOL GASOLINE.] A distributor shall be allowed a credit on each gallon of fuel grade alcohol commercially blended with gasoline or blended in a tank truck with gasoline on which the tax imposed by subdivision 1 is due and payable. *Until July 1, 1986, the amount of the credit is 40 cents for every gallon of fuel-grade alcohol blended with gasoline to produce agricultural alcohol gasoline. From July 1, 1986, to December 31, 1986, the amount of the credit is 30 cents per gallon. From January 1, 1987, to June 30, 1987, the amount of the credit is 25 cents per gallon. From July 1, 1987, to June 30, 1992, the*

amount of the credit is 20 cents per gallon. The credit allowed a distributor must not exceed the total tax liability under subdivision 1. The tax credit received by a distributor on alcohol blended with motor fuels shall be passed on to the retailer.

**Sec. 8. [41A.09] [ETHANOL DEVELOPMENT FUND.]**

*Subdivision 1. [CREATION.] An ethanol development fund to be administered by the agricultural resource loan guaranty board is created. A sum sufficient to make the payments required in this section, together with interest, and any other money appropriated to or received by the board for deposit in the fund, are annually appropriated to the board for the purposes of this section, and are available until expended.*

*Subd. 2. [PURPOSE.] The purpose of the ethanol development fund is to enhance the market for Minnesota agricultural products by providing direct incentive payments to producers of ethanol.*

*Subd. 3. [DEFINITION.] For purposes of this section, "ethanol" means agriculturally derived fermentation ethyl alcohol of a purity of at least 99 percent, determined without regard to any added denaturants, denatured in conformity with one of the approved methods set forth by the United States Department of Treasury, Bureau of Alcohol, Tobacco and Firearms, and derived from the following agricultural products: potatoes, cereal grains, cheese whey, sugar beets, or forest products.*

*Subd. 4. [PAYMENT; CONDITIONS.] The board shall make cash payments from the ethanol development fund to ethanol producers located in the state subject to the following conditions:*

*(a) The amount of the payment shall be determined for each producer's annual production as follows:*

*(1) 40 cents for each of the first 1,000,000 gallons;*

*(2) 30 cents for each gallon in excess of 1,000,000 and less than 5,000,001;*

*(3) 20 cents for each gallon in excess of 5,000,000 and less than 10,000,001;*

*(4) 10 cents for each gallon in excess of 10,000,000.*

*The maximum annual payment to a producer under this section is \$5,000,000.*

*(b) By the last day of October, January, April, and July, each producer shall file a claim for payment for production during the preceding three calendar months. The volume of production must be verified by a certified financial audit performed by an independent certified public accountant using generally accepted accounting procedures.*

*(c) Payments shall be made November 15, February 15, May 15, and August 15.*

*Subd. 5. [RULEMAKING AUTHORITY.] The board shall adopt emergency and permanent rules to implement this section.*

*Subd. 6. [EXPIRATION.] This section expires July 1, 1992.*

**Sec. 9. Minnesota Statutes 1985 Supplement, section 297A.257, subdivi-**

sion 2, is amended to read:

Subd. 2. [SALES TAX EXEMPTION.] Purchase and use of capital equipment is exempt from the sales and use tax imposed by this chapter if the capital equipment is placed in service in connection with the construction of a new or an expansion of an existing manufacturing facility in a distressed county *subject for designation under Minnesota Statutes 1985 Supplement, section 297A.257, subdivision 1*. Purchase or use of equipment for use in an existing plant qualifies under this section and section 297A.01, subdivision 16, as an expansion if either the production capacity of the plant is increased by at least 20 percent as a result or if the total capital investments made within a 12-month period exceed \$25,000,000. Purchases of capital equipment are exempt under this section only to the extent that the purchases of capital equipment for the project during the calendar year exceed \$100,000. The county is a distressed county for purposes of this subdivision if it was designated as a distressed county for the time period during which the contract to purchase the equipment was executed.

Sec. 10. Minnesota Statutes 1984, section 297B.09, subdivision 2, is amended to read:

Subd. 2. [HIGHWAY USER TAX DISTRIBUTION FUND AND TRANSIT ASSISTANCE FUND SHARE.] The proceeds collected under this chapter must be deposited in the highway user tax distribution fund and the transit assistance fund for apportionment in the following manner:

(a) None of the proceeds collected before July 1, 1984, *or between July 1, 1985, and June 30, 1987*, may be credited to either fund.

(b) 18.75 percent of the proceeds collected after June 30, 1984, and before July 1, ~~1987~~ 1985, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 6.25 percent of the proceeds must be credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

(c) *Except as provided in paragraph (f)*, 37.5 percent of the proceeds collected after June 30, 1987, and before July 1, 1989, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 12.5 percent of the proceeds must be credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

(d) *Except as provided in paragraph (f)*, 56.25 percent of the proceeds collected after June 30, 1989, and before July 1, 1991, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 18.75 percent of the proceeds must be credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

(e) *Except as provided in paragraph (f)*, 75 percent of the proceeds collected after June 30, 1991, must be credited to the highway user tax distribution fund for apportionment in the same manner and for the same purposes as other money in that fund. The remaining 25 percent of the proceeds must be

credited to the transit assistance fund to be appropriated to the commissioner of transportation for transit assistance within the state.

*(f) The distributions under paragraphs (c), (d), and (e) shall be reduced by the amount necessary to fund the appropriation under section 8, subdivision 1. The proceeds remaining after that reduction shall be apportioned as provided in paragraphs (c), (d), and (e).*

Sec. 11. Minnesota Statutes 1985 Supplement, section 297C.02, is amended by adding a subdivision to read:

*Subd. 4. [BOTTLE TAX.] A tax of one cent is imposed on each bottle or container of distilled spirits and wine. The wholesaler is responsible for the payment of this tax when the bottles of distilled spirits and wine are removed from inventory for sale, delivery, or shipment.*

*The following are exempt from the tax:*

- (1) miniatures of distilled spirits;*
- (2) containers of fermented malt beverage;*
- (3) containers of intoxicating liquor or wine holding less than 200 milliliters;*
- (4) containers of wine intended exclusively for sacramental purposes;*
- (5) containers of alcoholic beverages sold to qualified, approved military clubs;*
- (6) containers of alcoholic beverages sold to common carriers engaged in interstate commerce;*
- (7) containers of alcoholic beverages sold to authorized food processors or pharmaceutical firms for use exclusively in the manufacturing of food products or medicines;*
- (8) containers of alcoholic beverages sold and shipped to dealers, wineries, or distillers in other states; and*
- (9) containers of alcoholic beverages sold to other Minnesota wholesalers.*

#### Sec. 12. [MOTOR VEHICLE EXCISE TAX TRANSFER.]

*Notwithstanding any law to the contrary, tax proceeds under chapter 297B and the investment earnings on those proceeds credited to the highway user tax distribution fund and the transit assistance fund for the period after June 30, 1985, and before July 1, 1986, must be returned to the general fund on June 30, 1986.*

#### Sec. 13. [REPEALER.]

*Minnesota Statutes 1985 Supplement, section 290.06, subdivision 2f, is repealed.*

#### Sec. 14. [EFFECTIVE DATE.]

*Section 3 is effective for medical care rendered after June 28, 1985. Section 7 is effective July 1, 1986. Section 8 is effective July 1, 1987. Section 11 is effective August 1, 1985. Section 12 is effective June 30, 1986. Section 13 is effective January 1, 1986.*

## ARTICLE 9

## FARM FORECLOSURE INCOME EXCLUSION

Section 1. Minnesota Statutes 1985 Supplement, 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;

(3) 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;

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

(5) 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;

(6) pension income as provided by section 290.08, subdivision 26;

(7) 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 clause (6);

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

(9) 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;

(10)(a) 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;

(b) to the extent included in computing federal adjusted gross income, expenses and other items allocable to 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 be allowed as a subtraction to the extent that the expenses or other items are included in computing the modifications provided in section 290.01, subdivision 20a, clause (7) or paragraph (a) of this clause and to the extent that the expenses or other items are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, and depletion expenses may not be subtracted under this paragraph;

(11) 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 Minnesota Statutes 1984, section 290.01, 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); and

(12) 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 Minnesota Statutes 1984, section 290.01, 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;

(13) to the extent included in federal adjusted gross income, income related to disposition of property used in a family farm business as provided by section 290.08, subdivision 27.

Sec. 2. Minnesota Statutes 1984, section 290.08, is amended by adding a subdivision to read:

*Subd. 27. [FARM PROPERTY DISPOSITION INCOME.] For a person, a family farm corporation, or an authorized farm corporation, gross income does not include any gain realized upon foreclosure of a mortgage on real or personal property used in a farm business that was owned and operated by the taxpayer as the taxpayer's principal business. For the purposes of this subdivision, real property includes any dwellings located on the property. This modification does not apply to any net cash proceeds distributed to the taxpayer after discharge of the debt. For purposes of this subdivision "family farm corporation" and "authorized farm corporation" are as defined in section 500.24, subdivision 2, except that the term "farming" as used in those definitions includes the production of livestock, dairy animals or dairy products, poultry or poultry products, fur-bearing animals, horticultural and nursery stock that is covered by sections 18.44 to 18.61, fruit, vegetables, forage, grain, and bees and apiary products.*

Sec. 3. Minnesota Statutes 1985 Supplement, section 290.091, subdivision 2, is amended to read:

*Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:*

(a) "Alternative minimum taxable income" means the sum of the follow-

ing for the taxable year:

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1); and

(ii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income or amounts that are not allowable under section 55(e)(8) of the Internal Revenue Code; and

(iii) *to the extent included in the taxpayer's federal adjusted gross income, gain excluded from gross income under section 290.01, subdivision 20b, clause (13).*

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code.

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) The capital gain preference item shall be reduced

(i) where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes; and

(ii) *to the extent it includes gain excluded from gross income under section 290.01, subdivision 20b, clause (13).*

(2) 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.

(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.

(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section), reduced by the sum of the nonrefundable credits allowed under this chapter.

Sec. 4. Minnesota Statutes 1985 Supplement, section 290.491, is amended to read:

290.491 [TAX ON GAIN; DISCHARGE IN BANKRUPTCY.]



(a) 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 United States Code, title 11, section 727.

~~A gain~~ (b) *Income realized on a sale or exchange of agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be exempt from taxation under this chapter, if the taxpayer was insolvent at the time of the sale and the proceeds of the sale were used solely to discharge indebtedness secured by a mortgage, lien or other security interest on the property sold. For purposes of this section, "insolvent" means insolvent as defined in section 108(d)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984. This paragraph applies only to the extent that the gain is includable in federal adjusted gross income or in the computation of the alternative minimum taxable income under section 290.091 for purposes of the alternative minimum tax. The amount of the exemption is limited to the excess of the taxpayer's (1) liabilities over (2) the total assets and any exclusion claimed under section 108 of the Internal Revenue Code of 1954, as amended through December 31, 1985, determined immediately before application of this paragraph.*

(c) *For purposes of this section, any tax due under this chapter specifically includes, but is not limited to, tax imposed under sections 290.02 and 290.03 on income derived from a sale or exchange, whether constituting gain, discharge of indebtedness or recapture of depreciation deductions, or the alternative minimum tax imposed under section 290.091.*

#### Sec. 5. [AMENDED RETURNS.]

*Subdivision 1. [SPECIAL RULES.] An amended return filed on the basis of this article for a taxable year beginning after December 31, 1982, and before January 1, 1985, shall be filed no later than June 30, 1987. Such a return may include a reduction in gross income to effect subtraction of any amount added to gross income for that year pursuant to Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (3); if the increase in the federal tax liability was a result of recapture of the investment tax credit attributable to disposition of property described in section 2. Any reduction in income arising from a farm pursuant to this article shall not be considered in the computation of the farm loss modification under Minnesota Statutes 1984, section 290.09, subdivision 29, in an amended return.*

*Subd. 2. [PAYMENT OF REFUNDS.] The commissioner of revenue shall pay refunds to claimants who file amended returns based on this article notwithstanding expiration of the period of limitations in Minnesota Statutes, section 290.50, or any other law. No interest will be paid on refunds paid on claims filed for periods for which the statute of limitations had expired.*

#### Sec. 6. [EFFECTIVE DATE.]

*Sections 1 to 4 are effective for taxable years beginning after December 31, 1982."*

Amend the title as follows:

Delete lines 2 to 5 and insert:

“relating to the financing and operation of state and local government; updating the income tax law to conform with federal tax law changes; making administrative and technical changes in the income tax law; providing for direct payments of fire and police state aids; requiring a one-year sales ratio study; changing dates for payments of certain state aids; delaying date for payment of second half taxes on agricultural property; authorizing reciprocal agreements with other states regarding interstate vehicles; requiring a report on the sales ratio study; eliminating a durational restriction on a special levy in Clearwater county; providing for delay of certain aid payments and altering computations; adjusting the computation and payment of local government aids; expanding tax clearance authority; expanding tax collection authority of the department of revenue; increasing the rate of interest to be paid on tax refunds; changing times for payment of certain taxes on liquor, cigarettes, tobacco products, and insurance premiums; altering enterprise zone and distressed county provisions; delaying transfer of motor vehicle excise taxes; reinstating the bottle tax; reducing the ethanol credit and providing payments to ethanol producers; repealing the provision for suspension of income tax indexing; excluding income from farm foreclosures from taxation; making technical changes in property tax and other miscellaneous tax laws; imposing penalties; appropriating money; amending Minnesota Statutes 1984, sections 60A.15, subdivision 2; 60A.17, by adding a subdivision; 69.021, subdivisions 4, 5, 7, and 9; 69.031, subdivision 3; 69.54; 82.22, subdivision 3; 82.27, by adding a subdivision; 124.195, subdivisions 3 and 5, and by adding a subdivision; 148.10, by adding a subdivision; 150A.08, by adding a subdivision; 162.06, subdivision 1; 162.12, subdivision 1; 270.12, subdivision 2; 270.72, subdivisions 1, 2, and 3; 270A.03, subdivision 5; 273.1391, subdivision 3; 275.125, subdivision 9; 276.09; 276.10; 276.11; 278.03; 279.01, as amended; 290.067, subdivision 2; 290.08, by adding a subdivision; 290.281, subdivision 5; 290.34, subdivision 2; 290.36; 290.50, subdivision 3; 290.53, subdivision 2; 290.56, subdivision 3; 290.61; 290A.03, subdivision 8; 296.16, subdivision 1; 296.17, subdivision 6, and by adding a subdivision; 297.07, subdivisions 1 and 4; 297.23, subdivision 1; 297.35, subdivisions 5 and 8; 297A.43; 297B.09, subdivision 2; 298.24, subdivision 1; 299F.21; 326.20, by adding a subdivision; 477A.015; Minnesota Statutes 1985 Supplement, sections 60A.17, subdivision 1a; 69.031, subdivision 1; 116C.63, subdivision 4; 121.904, subdivisions 4a and 4c; 124.2131, subdivision 3; 147.021, by adding a subdivision; 270.063; 270.69, subdivisions 2 and 4; 270.76; 270.77; 273.11, subdivision 8; 273.124, subdivision 6, and by adding a subdivision; 273.13, subdivisions 15a, 26, and 28; 273.1314, subdivisions 6 and 16a; 273.136; 273.42, subdivision 2; 274.19, subdivisions 1 and 8; 278.05, subdivision 5; 279.06; 287.12; 287.29, subdivision 1; 290.01, subdivisions 20 and 20b; 290.06, subdivision 3g; 290.068, subdivision 3; 290.079, subdivision 1; 290.089, subdivision 3; 290.09, subdivision 7; 290.091, subdivision 2; 290.095, subdivisions 9 and 11; 290.10; 290.12, subdivision 2; 290.13, subdivision 1; 290.132, subdivision 1; 290.14; 290.16, subdivisions 7 and 15; 290.21, subdivisions 4 and 8; 290.41, subdivision 1; 290.491; 290.92, subdivision 2a; 290.93, subdivision 10; 290A.03; subdivisions 3, 6, and 13; 296.02, subdivision 7; 297.35, subdivision 1; 297A.257, subdivisions 1 and 2; 297C.02, by adding a subdivision; 297C.03, subdivision 1; 297C.04; 297C.05, subdivision 2; 298.28, subdivision 1; 477A.011, subdivisions 10 and 14; 477A.012; 477A.013; and Laws 1985, chapter 289, sections 5, subdivision 2; and 7; Laws 1985 First Special Session Chapter 14, Article 11, Sec. 13; proposing coding for new law in Minnesota Statutes, Chapters 41A and 276; repealing Minnesota Statutes 1984, sections 69.031, subdivision 4;

124A.031, subdivision 2; 270.72, subdivision 5; 290.06, subdivision 15; 290.39, subdivision 1a; 290A.04, subdivision 2f; Minnesota Statutes 1985 Supplement, sections 16A.154; 290.06, subdivision 2f; and Laws 1985, First Special Session chapter 14, article 21, sections 16 and 17."

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

### **SECOND READING OF SENATE BILLS**

S.F. Nos. 2160, 2159, 1905, 1473, 2144, 912, 2173 and 1745 were read the second time.

### **SECOND READING OF HOUSE BILLS**

H.F. Nos. 1886, 1850 and 1815 were read the second time.

### **MOTIONS AND RESOLUTIONS**

Mr. Laidig moved that the name of Mr. Sieloff be added as a co-author to S.F. No. 2035. The motion prevailed.

Mr. Jude moved that the name of Mr. Merriam be added as a co-author to S.F. No. 2098. The motion prevailed.

Mr. Novak moved that the names of Messrs. Wegscheid, Samuelson, Benson and Dicklich be added as co-authors to S.F. No. 2151. The motion prevailed.

Mr. Laidig moved that the name of Mr. Novak be added as a co-author to S.F. No. 2173. The motion prevailed.

### **MEMBERS EXCUSED**

Mr. Pogemiller was excused from the Session of today. Ms. Reichgott was excused from the Session of today from 12:00 noon to 12:30 p.m. and from 3:00 to 3:20 p.m. Mr. Lessard was excused from the Session of today from 12:00 noon to 1:45 p.m. and from 7:30 to 8:05 p.m. Mr. Laidig was excused from the Session of today from 12:00 noon to 12:30 p.m. and from 2:00 to 4:30 p.m. Ms. Berglin was excused from the Session of today from 12:00 noon to 1:00 p.m. Mr. Johnson, D.J. was excused from the Session of today from 7:30 to 8:30 p.m. Mr. Knutson was excused from the Session of today at 9:30 p.m. Mr. Frank was excused from the Session of today from 3:45 to 4:30 p.m. Mr. Novak was excused from the Session of today at 10:00 p.m.

### **ADJOURNMENT**

Mr. Moe, R.D. moved that the Senate do now adjourn until 2:00 p.m., Thursday, March 6, 1986. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate